

## CHAPTER – I : GENERAL

### 1.1 Trend of Revenue Receipts

The tax and non tax revenue raised by the Government of Assam during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

**(Rupees in crore)**

Sl. No.	Particulars	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	Tax revenue	1,556.95	1,934.51	2,070.32	2,713.32	3,232.21
	Non tax revenue	533.20	692.97	945.80	1,070.03	1,459.28
	<b>Total</b>	<b>2,090.15</b>	<b>2,627.48</b>	<b>3,016.12</b>	<b>3,783.35</b>	<b>4,691.49</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	State's share of divisible Union taxes	1,705.91	1,814.36	2,162.07	2,584.33	3,056.78 <sup>1</sup>
	Grants in aid	2,168.80	2,351.50	2,586.91	3,569.59	4,297.12
	<b>Total</b>	<b>3,874.71</b>	<b>4,165.86</b>	<b>4,748.98</b>	<b>6,153.92</b>	<b>7,353.90</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>5,964.86</b>	<b>6,793.34</b>	<b>7,765.10</b>	<b>9,937.27</b>	<b>12,045.39</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>35</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>39</b>

<sup>1</sup> Note : For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2005-2006. Figures under the "share of net proceeds assigned to States" under the Major Heads – "0020-Corporation tax", "0021-Taxes on income and expenditure", "0028-Other taxes on income and expenditure", "0032-Taxes on wealth", "0037-Customs", "0038-Union excise duties", "0044-Service taxes" and "0045-Other taxes and duties on commodities and services" booked in the Finance Accounts under 'A-Tax Revenue' have been excluded from Revenue raised by the State Government and included in "States' share of divisible Union Taxes" in the above table.

**1.1.1** The details of tax revenue raised during the year 2005-2006 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2001-2002	2002-2003	2003-2004	2004-2005	2005-06	Percentage of Increase (+) or decrease (-) in 2005-2006 over 2004-2005
1.	Sales tax	1,072.76	1,440.90	1,551.06	2,098.58	2,568.41	(+) 22
2.	State excise	150.91	121.67	129.29	144.06	160.40	(+) 11
3.	Stamps and registration fees	41.97	50.00	62.02	72.31	85.88	(+) 19
4.	Taxes and duties on electricity	2.89	12.82	2.73	61.84	13.29	(-) 78
5.	Taxes on vehicles	93.59	116.28	124.00	134.72	155.91	(+) 16
6.	Taxes on goods and passengers	9.71	13.30	16.99	15.88	61.52	(+) 287
7.	Other taxes on income and expenditure – Tax on professions, trades, callings and employments	73.25	81.19	86.75	94.74	99.80	(+) 5
8.	Other taxes and duties on commodities and services	32.92	33.58	32.18	27.66	5.10	(-) 82
9.	Land revenue	63.26	62.12	62.12	58.30	74.65	(+) 28
10.	Taxes on agricultural Income	15.26	2.53	3.18	5.22	7.02	(+) 34
11.	Hotel receipt tax	0.02	Nil	Nil	Nil	Nil	
12.	Taxes on immovable properties other than agriculture land	0.41	0.12	Nil	0.01	0.23	(+) 2200
	<b>Total:</b>	<b>1,556.95</b>	<b>1,934.51</b>	<b>2,070.32</b>	<b>2,713.32</b>	<b>3,232.21</b>	<b>(+) 19</b>

Reasons for variation in receipts under the following heads of revenue during 2005-2006 compared to 2004-2005 as intimated by the departments are given below:

**Sales tax :** Increase (22 per cent) was due to introduction of VAT

**State excise :** Increase (11 per cent) was due to revision of rates of licence fee and introduction of availability fee.

**Taxes and duties on electricity :** Decrease (78 per cent) was due to sanction of less amount as grants in aid to ASEB by the Government for payment of arrear dues under AED Act.

**Agricultural income tax :** Increase (34 per cent) was due to improvement of market condition of Indian Tea in the international market.

Reasons for variations relating to other heads of revenue, though called for have not been received (October 2006).

**1.1.2** The details of the non tax revenue raised during the year 2005-2006 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Percentage of Increase (+) or decrease (-) in 2005-2006 over 2004-2005
1.	Petroleum	454.58	572.83	721.03	885.87	1,216.16	(+) 37
2.	Interest receipts	3.09	3.07	5.89	10.06	36.41	(+) 262
3.	Dairy development	0.06	0.22	0.11	0.11	0.04	(-) 64
4.	Forestry and wild life	15.25	23.44	36.76	25.68	38.42	(+) 50
5.	Non-ferrous mining and metallurgical industries	0.44	0.98	0.28	0.76	0.43	(-) 43
6.	Miscellaneous general services (including lottery receipts)	(-) 0.07	0.13	0.02	NIL	(-) 0.16	(-) 16
7.	Major and medium irrigation project	0.18	0.28	0.25	0.26	0.21	(-) 19
8.	Medical and public health	7.21	5.82	4.16	4.77	3.50	(+) 27
9.	Co-operation	0.19	0.24	0.29	0.25	0.38	(+) 52
10.	Public works	1.57	3.15	5.86	4.62	4.17	(-) 10
11.	Police	7.30	9.32	11.95	11.65	14.90	(+) 28
12.	Other administrative services	6.88	9.41	9.90	45.05	11.11	(-) 75
13.	Coal and lignite	9.54	8.36	47.65	12.79	15.03	(+) 18
14.	Roads and bridges	3.29	17.63	28.53	20.10	42.00	(+) 109
15.	Others	23.69	38.09	73.12	48.06	76.68	(+) 60
	<b>Total:</b>	<b>533.20</b>	<b>692.97</b>	<b>945.80</b>	<b>1,070.03</b>	<b>1,459.28</b>	<b>(+) 36</b>

Reasons for variations under the following heads of revenue during 2005-2006 compared to 2004-2005 as intimated by the departments are given below:

**Petroleum:** Increase (37 per cent) was due to increase in rates of royalty of crude oil.

**Forestry and wildlife :** Increase (50 per cent) was mainly due to increase in sale of timber and other forest produce.

**Coal and lignite :** Increase (18 per cent) was due to increase in production/despatch of coal.

Reasons for variations relating to other heads of revenue, though called for, have not been received (October 2006).

### 1.2 Variations between budget estimate and actuals

The budget estimates and actuals for 2005-2006 and variation thereagainst under various heads of revenue are detailed below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget Estimate	Actuals	Variations Increase (+) Decrease (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
<b>Tax Revenue</b>					
1.	Sales Tax	2425.86	2568.41	(+) 142.59	(+) 6
2.	Land revenue	129.31	74.65	(-) 54.66	(-) 42
3.	Taxes on agriculture Income	7.70	7.02	(-) 0.68	(-) 9
4.	Taxes on vehicles	158.32	155.91	(-) 2.41	(-) 2
5.	State excise	172.15	160.40	(-) 11.75	(-) 7
6.	Other taxes on income & expenditure	150.71	99.80	(-) 50.91	(-) 34
7.	Stamps & registration Fees	79.19	85.88	(+) 6.69	(+) 8
8.	Taxes on goods & passengers	21.70	61.52	(+) 39.82	(+) 183
9.	Other taxes and duties on commodities and services	49.95	5.10	(-) 44.85	(-) 90
10.	Taxes and duties on electricity	3.48	13.29	(+) 9.81	(+) 282
<b>Non Tax Revenue</b>					
1.	Petroleum	820.00	1216.16	(+) 396.16	(+) 48
2.	Forestry & wildlife	41.31	38.42	(-) 2.89	(-) 7
3.	Police	13.43	14.90	(+) 1.47	(+) 11
4.	Other administrative service	26.09	11.11	(-) 14.98	(-) 57
5.	Coal and lignite	30.00	15.03	(-) 14.97	(-) 50
6.	Village and small industries	1.14	3.13	(+) 1.99	(+) 175
7.	Roads & bridges	32.05	42.00	(+) 9.95	(+) 31
8.	Interest receipts	6.63	36.41	(+) 29.78	(+) 449
9.	Dairy development	0.12	0.04	(-) 0.08	(-) 67
10.	Non ferrous mining & metallurgical industries	0.32	0.43	(+) 0.11	(+) 34
11.	Major and medium irrigation	0.30	0.21	(-) 0.09	(-) 30
12.	Medical & public health	4.67	3.50	(-) 1.17	(-) 25
13.	Co-operation	0.33	0.38	(+) 0.05	(+) 15
14.	Public works	6.58	4.17	(-) 2.41	(-) 37
15.	Education	42.70	27.15	(-) 15.55	(-) 36

Reasons for variations in budget estimates and the actuals under the following heads of revenue as reported by the departments is given below:

**Taxes and duties on electricity :** Increase (282 *per cent*) due to sanction of grants-in-aid to ASEB for payment of their outstanding arrear dues.

**Petroleum:** Increase (48 *per cent*) was due to increase in royalty rates of crude oil.

Reasons for substantial variation in respect of remaining heads of revenue, though called for, have not been received (October 2006).

### 1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2003-2004, 2004-2005 and 2005-2006 along with the relevant all India average percentage of expenditure as available are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
1.	Sales tax	2003-2004	1,551.06	16.14	1.04	0.95
		2004-2005	2,098.58	14.70	0.70	
		2005-2006	2,568.41	19.00	0.74	
2.	Taxes on vehicles	2003-2004	124.00	5.89	4.75	2.74
		2004-2005	134.72	6.33	4.70	
		2005-2006	155.91	8.15	5.23	

It would be seen from the above that percentage of expenditure on collection to gross collection was higher than the all India average in respect of taxes on vehicles.

### 1.4 Collection of sales tax per assessee

The collection of sales tax per assessee during 2002-2003, 2003-2004 and 2005-2006 increased by 50 *per cent* compared to collection per assessee during 2001-2002 as shown below:

(Rupees in crore)

Year	No. of assessees	Sales tax revenue	Revenue/assessee
2001-2002	46,971	1,072.76	0.02
2002-2003	49,979	1,440.90	0.03
2003-2004	53,997	1,551.06	0.03
2004-2005	55,257	2,098.58	0.04
2005-2006	83,772	2568.41	0.03

**1.5 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs. 767.51 crore of which Rs. 164.30 crore was outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
1	Sales Tax, cess on specified land, other taxes on income & expenditure, professions etc, taxes on agricultural income, other taxes and duties on commodities & services	652.29	130.65	Out of the total arrear Rs. 652.29 crore, Rs. 597.30 crore relates to Sales Tax, Rs. 26.21 crore relates to cess on specified land, Rs. 2.15 crore relates to Income & Expenditure, Rs. 23.09 crore relates to Agricultural Income Tax and Rs. 3.54 crore relates to other Taxes and Duties on Commodities and Services. Arrears were due to non payment of taxes by the Government Department/ Undertakings/assesses etc. and also due to pending cases under litigation.
2	Forestry and wildlife	8.83	5.85	Non payment of forest royalty and non realisation from Bakijai cases.
3	Royalty on coal, lignite and limestone	1.33	0.81	The arrears relate to non payment of royalty on coal and limestone by the Assam Mineral Development Corporation Limited and M/s Vinay Cement Limited.
4	Land revenue	67.05	8.17	The reasons for arrears were indifferent attitude of the <i>pattadars</i> , yearly flood havoc, poor agricultural output etc.
5.	Police	7.83	Not furnished.	The arrears relate to non payment of cost of police guards by the Airport Authority of India.
6.	Irrigation	29.21	17.85	The arrears relate to non payment of service charges by the cultivators as their crops were damaged by flood.
7.	Industry	0.97	0.97	Non payment of rent.
	<b>Total:</b>	<b>767.51</b>	<b>164.30</b>	

### 1.6 Arrear in assessments

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2005-2006 are shown below:

Head of revenue	Opening balance <sup>2</sup>	New cases for assessment	Total assessment due	Cases disposed of	Balance at the end of the year	Percentage of Col. 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax & other taxes	37,388	48,567	85,955	50,196	35,759	58
Assam professional & employment tax	41,620	37,525	79,145	37,573	41,572	47
Agricultural income tax	1,307	1,051	2,358	926	1,432	39
<b>Total:</b>	<b>80,315</b>	<b>87,143</b>	<b>1,67,458</b>	<b>88,695</b>	<b>78,763</b>	<b>53</b>

It would be seen from the above that the department was able to complete only 53 per cent of the total cases due for collection.

Reasons for not completing assessment in the remaining cases have not been intimated by the department (October 2006).

### 1.7 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, state excise, forest receipts, other tax and non tax receipts conducted during the year 2005-2006 revealed underassessment/short levy/short demand/loss of revenue amounting to Rs. 992.74 crore in 2,518 cases. The concerned departments accepted under assessment, short levy etc., of Rs. 0.81 crore pointed out in 2005-2006 and earlier years and recovered Rs. 0.18 crore.

This report contains 26 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 920.60 crore. The department accepted the audit observation involving Rs. 1.63 crore out of which Rs. 0.04 crore has been recovered. No reply has been received in the remaining cases (October 2006).

### 1.8 Outstanding audit inspection reports and audit observations

Principal Accountant General (Audit) [PAG (Audit)] arranges to conduct periodical inspection of the State Government departments to test check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up by inspection reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The orders of the State Government (March 1986) provide for prompt corrective action. The heads of offices and next higher authorities are required to comply with the

<sup>2</sup> The variation between the closing balance of 2004-05 and opening balance of 2005-06 was due to rectification of figure under Assam Amusement and Betting Taxation Act as stated by the department.

observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the PAG (Audit). A half yearly report of pending IRs is sent to the secretaries of the departments to facilitate monitoring of audit observations.

Inspection Reports issued upto December 2005 disclosed that 4,494 paragraphs relating to 1,495 IRs remained outstanding at the end of June 2006 as detailed in Appendix - I. The initial replies, which were required to be received from the head of offices within six weeks from the date of issue were not received for 607 IRs issued between April 1994 and June 2006. As a result, serious irregularities commented upon in 1,746 paragraphs involving Rs. 293.95 crore had not been settled as of June 2006.

A review of the IRs which were pending due to non receipt of replies revealed that the heads of offices/departments failed to discharge due responsibility as they did not send any reply to a large number of IRs/Paragraphs, indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out. The commissioners and secretaries of the concerned departments, who were informed of the position through half yearly reports, also failed to ensure that concerned officers of the department take prompt and timely action.

### **1.9 Departmental audit committee meetings**

As per instructions (May 1994) of the Finance Department, all the departments are required to constitute audit objection committee (AOC) for expeditious disposal of audit observations contained in the IRs. These committees are chaired by designated officer of the concerned administrative department and attended among others by the concerned officers of the State Government and the office of the PAG (Audit), Assam.

In order to expedite clearance of outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2005-2006 only one (Transport) out of the eight Government departments convened meetings of the audit committee. This indicates that other departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

### **1.10 Response of the departments to draft audit paragraphs**

As per instruction issued (March 1986) by the Finance Department, all the departments are required to furnish replies to the audit objections within two months. The audit office forwards draft paragraphs prepared on the basis of audit objections to the secretaries of the concerned departments through demi official letters drawing their attention to audit findings with the request to send their response within six weeks. The fact of non receipt of replies from the Government is indicated at the end of each paragraph included in the Audit Report.



Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2006 were forwarded to the secretaries of the departments in April-May 2006 through demi official letters with the request to furnish their replies/comments within six weeks. Out of 38 draft paragraphs/reviews (clubbed into 26 paragraphs/reviews) incorporated in this report, replies of the departmental officers in respect of 10 draft paragraphs had been received (July 2006). Replies from the Government had not been received in any of the cases (October 2006).

### **1.11 Follow up on Audit Reports – summarised position**

As per instruction issued (May 1994) by the Finance Department, all the departments are required to furnish explanatory notes indicating action taken or proposed to be taken and submit this action taken note (ATN) to the Assembly Secretariat with a copy to the PAG (Audit), Assam, in respect of paragraphs and reviews included in the Audit Reports within 20 days from the date of receipt of the Audit Report.

Audit Report (Revenue Receipts) for the year ended 2004 and 2005 were laid on the table of legislature on 8 August 2005 and 8 February 2006 respectively. The time limit for furnishing the ATNs had lapsed. Non furnishing of ATNs was taken up through demi official letters with the Commissioner and Secretary to Government of Assam, Finance Department. Only one department (Mines and Minerals) furnished in April 2006 ATNs in respect of one review featured in the Audit Report (Revenue Receipts) for the year ended March 2004.

This indicated that there was laxity in ensuring accountability of the executives.

### **1.12 Recovery of revenue of accepted cases**

During the years between 2000-01 and 2004-05 the department/Government accepted audit observations involving Rs.73.75 crore of which only an amount of Rs.2.67 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made	Remarks
2000-01	104.66	2.16	0.30	Out of Rs.2.16 crore, Rs.1.61 crore relates to Finance (Taxation) Department and Rs. 0.55 crore to State Excise Department. Of the accepted amount recovery of Rs. 0.30 crore was made by Finance (Taxation) Department
2001-02	43.32	11.77	0.57	Out of Rs.11.77 crore, Rs.7.36 crore relates to Finance (Taxation) Department, Rs.4.31 crore to Irrigation Department and Rs.0.10 crore to State Excise Department respectively. Out of the accepted amount recovery of Rs.0.01 crore and Rs. 0.56 crore was made by the Irrigation and Finance (Taxation) Department respectively.
2002-03	97.69	51.54	0.34	Out of Rs.51.54 crore, Rs.13.28 crore relates to Finance (Taxation) Department and Rs.38.26 crore to Mines and Minerals Department. Out of accepted amount, Finance (Taxation) Department recovered Rs. 0.34 crore.
2003-04	413.82	3.35	0.22	The accepted cases and recovery relate to Finance (Taxation) Department.
2004-05	71.89	4.93	1.24	Out of Rs.4.93 crore, Rs.2.30 crore relates to Finance (Taxation) Department, Rs.1.13 crore to Transport Department and Rs.1.50 crore to Mines and Minerals Department. Out of the accepted amount, recovery of Rs.0.72 crore and Rs. 0.52 crore was made by the Irrigation and Finance (Taxation) Department respectively.
<b>Total</b>	<b>731.38</b>	<b>73.75</b>	<b>2.67</b>	

Out of five departments, State Excise and Mines and Minerals Department could not furnish the position of recoveries of accepted cases (October 2006). This indicated that there was laxity in ensuring recoveries of accepted cases in respect of these two departments.

Out of amount of Rs. 73.75 crore accepted for recovery; the recovery actually made was Rs. 2.67 crore only during the last five years 2000 — 01 to 2004 – 05 which represents 3.62 *per cent*. This indicates that recovery was not satisfactory.