

CHAPTER – I : GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Assam during the year 2003-04, 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)

		1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
I.	Revenue raised by the State Government					
(a)	Tax Revenue	1,224.76	1,409.69	1,556.95	1,934.51	2,070.32
(b)	Non-tax Revenue	444.92	526.77	533.20	692.97	945.80
	Total	1,669.68	1,936.46	2,090.15	2,627.48	3,016.12
II.	Receipts from the Government of India					
(a)	State's share of divisible Union Taxes	1,448.78	1,682.93	1,705.91	1,814.36	2,162.07*
(b)	Grants-in-aid	1,722.48	2,018.25	2,168.80	2,351.50	2,586.91
	Total	3,171.26	3,701.18	3,874.71	4,165.86	4,748.98
III.	Total receipts of the State	4,840.94	5,637.64	5,964.86	6,793.34	7,765.10
IV.	Percentage of I to III	34	34	35	39	39

* Note : For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2003-2004. 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 2003-2004 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of Increase (+) or decrease (-) in 2003-2004 over 2002-2003
1.	Sales Tax	742.32	917.90	1,072.76	1,440.90	1,551.06	(+) 8
2.	State Excise	117.74	137.56	150.91	121.67	129.29	(+) 6
3.	Stamps and Registration Fees	34.96	38.63	41.97	50.00	62.02	(+) 24
4.	Taxes and Duties on Electricity	11.80	13.22	2.89	12.82	2.73	(-) 79
5.	Taxes on Vehicles	68.69	73.77	93.59	116.28	124.00	(+) 7
6.	Taxes on Goods and Passengers	21.11	10.23	9.71	13.30	16.99	(+) 28
7.	Other Taxes on Income and Expenditure – Tax on Professions, Trades, Callings and Employments	58.62	66.46	73.25	81.19	86.75	(+) 7
8.	Other Taxes and Duties on Commodities and Services	25.62	44.02	32.92	33.58	32.18	(-) 4
9.	Land Revenue	69.08	67.20	63.26	62.12	62.12	Nil
10.	Taxes on Agricultural Income	74.82	40.70	15.26	2.53	3.18	(+) 26
11.	Hotel Receipt Tax	Nil	Nil	0.02	Nil	Nil	Nil
12.	Taxes on Immovable Properties other than Agriculture Land	Nil	Nil	0.41	0.12	Nil	(-) 100
	Total:	1,224.76	1,409.69	1,556.95	1,934.51	2,070.32	(+) 7

Reasons for shortfall in receipts under the following heads of revenue during 2003-2004 compared to 2002-2003 as intimated by the Departments are given below:

- (a) **Taxes and Duties on Electricity** : Decrease (79 per cent) was due to non-receipt of duties payable by the Assam State Electricity Board.
- (b) **Other Taxes and Duties on Commodities and Services** : Decrease (4 per cent) occurred mainly under Amusement and Betting tax. Shortfall in collection of tax was due to fall in number of cinema viewers in cinema halls.

- (c) **Taxes on Vehicles :** Increase (7 per cent) was due to strengthening of enforcement checking.

Reasons for variations relating to other heads of revenue though called for have not been received (December 2004).

1.1.2 The details of the non-tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of Increase (+) or decrease (-) in 2003-2004 over 2002-2003
1.	Petroleum	319.73	368.04	454.58	572.83	721.03	(+) 26
2.	Interest Receipts	2.47	4.27	3.09	3.07	5.89	(+) 92
3.	Dairy Development	0.03	0.06	0.06	0.22	0.11	(-) 50
4.	Forestry and Wild Life	14.73	14.77	15.25	23.44	36.76	(+) 57
5.	Non-ferrous Mining and Metallurgical Industries	0.55	0.60	0.44	0.98	0.28	(-) 71
6.	Miscellaneous General Services (including lottery receipts)	10.21	7.34	(-) 0.07*	0.13	0.02	(-) 85
7.	Major and Medium Irrigation Project	0.16	0.15	0.18	0.28	0.25	(-) 11
8.	Medical and Public Health	4.56	4.65	7.21	5.82	4.16	(-) 29
9.	Co-operation	0.14	0.14	0.19	0.24	0.29	(+) 21
10.	Public Works	5.76	3.50	1.57	3.15	5.86	(+) 86
11.	Police	7.06	10.12	7.30	9.32	11.95	(+) 28
12.	Other Administrative Services	28.06	20.54	6.88	9.41	9.90	(+) 5
13.	Coal and Lignite	27.11	30.63	9.54	8.36	47.65	(+) 470
14.	Roads and Bridges	7.85	27.72	3.29	17.63	28.53	(+) 62
15.	Others	16.50	34.24	23.69	38.09	73.12	(+) 92
	Total:	444.92	526.77	533.20	692.97	945.80	(+) 36

Reasons for variations under the following heads of revenue during 2003-2004 compared to 2002-2003 as intimated by the Departments are given below:

Petroleum: Increase (26 per cent) was due to realisation of royalty at higher rates and receipt of arrears of royalty for the period from April 1998 to March 2002.

* Due to refund in excess of receipt during the year.

Non-ferrous Mining and Metallurgical Industries: Decrease (71 per cent) in collection of revenue was due to less production and despatch of limestone.

Coal and Lignite: Increase (470 per cent) was due to enhancement of rate of royalty on coal and also on account of increase in production/despatch of coal.

Reasons for variations relating to other heads of revenue though called for, have not been received (December 2004).

1.2 Initiatives for Mobilisation of Additional Resources

With a view to strengthening the financial situation of the State, a Memorandum of Understanding (MOU) was signed (26 March 2003) between the Government of India and the State Government under which following fiscal reforms measures were to be adopted by the State Government :

- (a) Tax-Reforms for mobilising additional resources;
- (b) Rationalisation of user charges through reforms in non-tax revenue.

The State Government accordingly revised the rates of taxes/ service charges as detailed below:

A-Tax Revenue

State Excise : Rate of Transport Pass fee and Import Permit fee in respect of Beer and India Made Foreign Liquor (IMFL) was revised.

Taxes on Motor Vehicles : Rate of Permit fee was revised.

B-Non-Tax Revenue

Medical and Public Health : Rates/charges on different facilities of medical colleges and Hospitals were revised.

Education : Fee structure from higher secondary school to colleges were revised.

Additional revenue yielded during the year, consequent upon the introduction of revised rates/taxes/service charges though called for were not received (December 2004).

Rationalisation of user charges.

Irrigation Department enhanced the rate of user charges namely Irrigation Service Charges by 100 per cent in respect of various crops in April 2000. As

per information furnished (July 2004), as against targeted collection of Rs.4.34 crore, Rs.2.80 crore and Rs.2.14 crore for the years 2001-2002, 2002-2003 and 2003-2004 respectively, the actual collection during the years were Rs.0.24 lakh, Rs.1.77 lakh and Rs.2.11 lakh respectively leading to shortfall in collection to the tune of Rs.4.34 crore, Rs.2.78 crore and Rs.2.11 crore during 2001-2002, 2002-2003 and 2003-2004 respectively. As stated by the Department, the reason for shortfalls was reluctance of the farmers to pay Irrigation Service Charges.

1.3 Variations between budget estimate and actuals

The Budget estimates and actual for 2003-2004 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)
Tax Revenue					
1.	Sales Tax	1,750.22	1,551.06	(-)199.16	(-) 11
2.	Land Revenue	70.55	62.12	(-) 8.43	(-) 12
3.	Taxes on Agriculture Income	4.00	3.18	(-) 0.82	(-) 21
4.	Taxes on Vehicles	131.40	124.00	(-) 7.40	(-) 6
5.	State Excise	137.49	129.29	(-) 8.20	(-) 6
6.	Other Taxes on Income & Expenditure	91.35	86.75	(-) 4.60	(-) 5
7.	Stamps & Registration Fees	56.50	62.02	(+) 5.52	(+) 10
8.	Taxes on Goods & Passengers	15.03	16.99	(+) 1.96	(+) 13
9.	Other Taxes and Duties on Commodities and Services	54.94	32.18	(-) 22.76	(-) 41
10.	Taxes and Duties on Electricity	73.49	2.73	(-) 70.76	(-) 96
Non-Tax Revenue					
1.	Petroleum	697.60	721.03	(+) 23.43	(+) 3
2.	Forestry & Wildlife	24.85	36.76	(+) 11.91	(+) 48
3.	Police	9.88	11.95	(+) 2.07	(+) 21
4.	Other Administrative Service	39.96	9.90	(-) 30.06	(-) 75
5.	Coal and Lignite	8.86	47.65	(+) 38.79	(+) 438
6.	Village and Small Industries	1.12	1.02	(-) 0.10	(-) 9
7.	Roads & Bridges	18.69	28.53	(+) 9.84	(+) 53
8.	Interest Receipts	3.25	5.89	(+) 2.64	(+) 81
9.	Dairy Development	0.24	0.11	(-) 0.13	(-) 54
10.	Non-ferrous Mining & Metallurgical Industries	1.04	0.28	(-) 0.76	(-) 73
11.	Misc. General Services	0.14	0.02	(-) 0.12	(-) 86
12.	Major and Medium Irrigation	0.30	0.25	(-) 0.05	(-) 17
13.	Medical & Public Health	6.17	4.16	(-) 2.01	(-) 33
14.	Co-operation	0.25	0.29	(+) 0.04	(+) 16
15.	Public Works	3.34	5.86	(+) 2.52	(+) 75

Reasons for variations between budget estimates and the actuals under the following heads of revenue as reported by the Departments are given below:

(a) **Other Taxes and duties on commodities and Services** : Shortfall (41 per cent) occurred mainly under Amusement and Betting tax. Shortfall in collection of tax was due to fall in number of cinema viewers in cinema halls.

(b) Taxes and Duties on Electricity : Shortfall (96 per cent) was due to non-receipt of Duties payable by the Assam State Electricity Board.

Specific reasons for substantial variation in respect of remaining heads of revenue have not been received (December 2004).

1.4 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 2001-2002, 2002-2003 and 2003-2004 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	2001-2002	1,072.76	13.61	1.27	
		2002-2003	1,440.90	13.22	0.92	1.18
		2003-2004	1,551.06	16.14	1.04	
2.	Taxes on Vehicles	2001-2002	93.59	4.91	5.25	
		2002-2003	116.28	5.21	4.48	2.86
		2003-2004	124.00	5.89	4.75	
3	Land Revenue	2001-2002	63.26	4.78	7.56	
		2002-2003	62.12	3.25	5.23	---
		2003-2004	62.12	5.30	8.53	

It would be seen from the above table that the percentage of expenditure on collection to gross collection were higher than the All-India average in respect of Taxes on Vehicles.

1.5 Collection of sales tax per assessee

The collection of sales tax per assessee during 2002-2003 and 2003-2004 increased by 50 per cent compared to collection per assessee during 1999-2000 to 2001-2002 as shown below:

(Rupees in crore)

Year	No. of assesses	Sales tax revenue	Revenue/assessee
1999-2000	39,300	742.32	0.02
2000-2001	40,231	917.90	0.02
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

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.744.95 crore of which Rs.184.45 crore were outstanding for more than 5 years as detailed in the following table:

(Rupees in crore)

Sl No	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
1	Sales Tax, cess on specified land, Coal and Tea, Taxes and Duties on Electricity, other taxes on Income and expenditure, Professions etc, Tax, other Taxes and Duties on Commodities and services Entertainment Tax, Luxury Tax, Taxes on Agricultural Income.	736.88	178.84	The arrears of revenue relate to 36 units. Out of total arrears of Rs.736.88 crore, demand of Rs.73.65 crore was stayed by the Courts/Assam Board of Revenue, Rs.131.13 crore was with the Departmental Appellate Authority, Rs.25.25 crore with Revisional Authority, Rs.120.82 crore with the Assessing Authority and Rs.386.03 crore were covered by recovery certificates.
2	Forestry and Wildlife	5.83	4.11	The arrears relate to 13 units out of total 27 territorial divisions
3	Royalty on Coal, Lignite and Limestone	2.19	1.45	The arrears relate to Assam Mineral Development Corporation Limited and the Cement Corporation of India Limited on States' share (40 per cent) of royalty on coal and limestone.
4	State Excise	0.05	0.05	The arrears relate to Assam Ayurvedic Products, a state government enterprise. As ordered by the Government, the amount was to be paid in instalment. But payment has not been made so far (December 2004)
Total:		744.95	184.45	

1.7 Arrear in assessments

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2003-2004 are shown below:

Head of revenue	Opening balance	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	43,407	49,342	92,749	47,019	45,730	51
Assam Professional & Employment Tax	47,748	31,086	78,834	30,466	48,368	39
Agricultural Income Tax	925	1,040	1,965	804	1,161	41
Total	92,080	81,468	1,73,548	78,289	95,259	45

It would be seen from the above that the Department was able to complete only 45 per cent of total cases (Agricultural Income Tax, Assam Professional etc. Tax, Sales Tax & other Taxes) due for collection. The delay in finalisation of assessments resulted in delay in realisation of revenue involved in these cases.

1.8 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax department, cases finalised and the demands for additional tax raised as reported by the Department are given below:

Sl. No.	Heads of revenue	Cases pending as on 31 March 2003	Cases detected during 2003-04	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty, etc. raised.		No. of cases pending for finalisation as on 31 March 2004
					No. of cases	Amount of demand. (Rupees. in crore)	
1	Sales Tax	62	787	849	734	403.26	115

1.9 Refunds

The number of refund cases pending at the beginning of the year 2003-2004, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-2004 in respect of sales tax as reported by the Departments are given below:

(Rupees in lakh)

Sl. No.	Particulars	Sales tax	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	45	182.35
2	Claims received during the year	63	416.02
3	Refunds made during the year	72	21.80
4	Balance outstanding at the end of the year	36	576.57

1.10 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, land revenue, state excise, forest receipts, other tax and non-tax receipts conducted during the year 2003-2004 revealed underassessment/ short levy/short demand/loss of revenue amounting to Rs.513.61 crore in 521 cases. The concerned Departments accepted under assessment, short levy etc., of Rs.55.78 crore pointed out in 2003-2004 and earlier years and recovered Rs.0.36 crore.

This report contains 21 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalty etc. involving Rs.413.82 crore. The Department accepted the audit observation involving Rs.3.35 crore. No reply has been received in the remaining cases (December 2004).

1.11 Outstanding audit inspection reports and audit observations

Principal Accountant General (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 with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these 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 observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Principal Accountant General (Audit). A half yearly report of pending inspection reports is sent to the Secretaries of the Departments in respect of pending IRs to facilitate monitoring of the audit observations.

Inspection Reports issued upto December 2003 disclosed that 4,369 paragraphs relating to 1,459 IRs remained outstanding at the end of June 2004. Of these, 131 IRs containing 290 paragraphs had not been settled for more than 10 years as detailed in Appendix-I. Even 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 718 IRs issued between 1990-91 and 2003-2004. As a result, serious irregularities commented upon in 2,169 paragraphs involving Rs.367.81 crore had not been settled as of June 2004.

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.

1.12 Departmental Audit Committee Meetings

As per instruction (May 1994) of the Finance Department, all the Departments are required to constitute Audit objection Committee for expeditious disposal of audit observations contained in the Inspection Reports. 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 Accountant General (Audit).

In order to expedite clearance of the 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 2003-2004 only two (Taxation and Forest) out of the eight Government departments convened meetings of the audit committee. This indicates that some of the departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

1.13 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 always 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 the 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 2004 were forwarded to the Secretaries of the Departments in April/May 2004 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 48 draft paragraphs/reviews (clubbed into 21 paragraphs/reviews) incorporated in this Report, replies of the Departmental officers in respect of 36 draft paragraphs had been received (December 2004).

Replies from the Government had not been received in any of the cases (December 2004).

1.14 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 to the Assam Legislative Assembly Secretariat with a copy to the Accountant General (Audit), Assam, Guwahati in respect of paragraphs and reviews included in the Audit Reports within 20 days from the date of receipt of the Audit Report.

A review of the position for last three years revealed that only one department (Forest) furnished during 2003-2004 a copy of 'Action Taken Note' (ATN) in respect of one review and three paragraphs featured in the Audit Report (Revenue Receipts) for the year 2001-2002. The position of outstanding ATNs detailed below:

Year of Report	Dates of presentation to the Legislature	Number of paragraphs/ reviews included in the Report	Number of paragraphs / Reviews on which ATNs were not received
2000-2001	1-3-2002	34	34
2001-2002	27-3-2003	26	22
2002-2003	12-7-2004	33	33

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