

## CHAPTER - I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2007-08, 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 mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	2,588.25	3,227.80	4,051.91	5,045.70	5,618.10
	• Non-tax revenue	1,124.41	1,243.93	1,229.53	1,451.34	2,020.45
	<b>Total</b>	<b>3,712.66</b>	<b>4,471.73</b>	<b>5,281.44</b>	<b>6,497.04</b>	<b>7,638.55</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	1,569.70	1,876.29	2,507.82	3,198.80	4,034.98 <sup>1</sup>
	• Grants-in-aid	676.96	900.85	1,049.23	1,757.40	2,205.12
	<b>Total</b>	<b>2,246.66</b>	<b>2,777.14</b>	<b>3,557.05</b>	<b>4,956.20</b>	<b>6,240.10</b>
<b>III.</b>	<b>Total receipts of the State (I+II)</b>	<b>5,959.32</b>	<b>7,248.87</b>	<b>8,838.49</b>	<b>11,453.24</b>	<b>13,878.65</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>62</b>	<b>62</b>	<b>60</b>	<b>57</b>	<b>55</b>

The above table indicates that during the year 2007-08, the revenue raised by the State Government was *55 per cent* of the total revenue receipts (Rs. 13,878.65 crore) against *57 per cent* in the preceding year. The balance was received from the Government of India.

<sup>1</sup> For details refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2007-08. The amount under the minor head 901 - share of net proceeds assigned to the State booked under the major heads 0020 - Corporation tax, 0021 - Income tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Custom, 0038 - Union excise duty, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services under 'A - tax revenue' have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	• Commercial tax	989.23	1,347.17	1,602.85	2,140.71	2,502.70	(+) 16.91
	• Central sales tax	309.39	326.69	486.35	702.33	521.00	(-) 25.82
2.	State excise	402.35	458.27	634.50	706.81	843.10	(+) 19.28
3.	Stamp duty and registration fee	170.87	247.77	312.80	389.51	462.72	(+) 18.80
4.	Taxes and duties on electricity	268.36	308.92	362.31	469.12	394.86	(-) 15.83
5.	Taxes on vehicles	167.07	191.79	205.97	253.05	276.94	(+) 9.44
6.	Taxes on goods and passengers	230.08	287.13	395.33	301.81	510.72	(+) 69.22
7.	Other taxes on income and expenditure, taxes on professions, trades, callings and employments including hotel receipts tax	42.96	27.13	20.65	16.23	11.54	(-) 28.90
8.	Other taxes and duties on commodities and services	4.13	4.25	4.26	5.27	6.40	(+) 21.44
9.	Land revenue	3.81	28.68	26.89	60.86	88.12	(+) 44.79
<b>Total</b>		<b>2,588.25</b>	<b>3,227.80</b>	<b>4,051.91</b>	<b>5,045.70</b>	<b>5,618.10</b>	<b>(+) 11.34</b>

The reasons for variation in receipts of 2007-08 from that of 2006-07, as reported by the departments, are mentioned below:

**State excise:** The increase (19.28 per cent) was due to increase in duty of country spirit and foreign liquor and increase in number of cable consumers and cinema halls.

**Taxes and duties on electricity:** The decrease (15.83 per cent) was attributed to the delayed payment of electricity duty and development cess by the State Electricity Board. The Government has initiated action to recover the dues.

**Taxes on vehicles:** The increase (9.44 per cent) was due to increase in registration of new vehicles and strict enforcement of recovery.

The other departments did not inform (November 2008) the reasons for variation, despite being requested (August 2008).

**1.1.3** The following table presents the details of major non-tax revenue raised by the State during the period from 2003-04 to 2007-08.

**(Rupees in crore)**

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Non-ferrous mining and metallurgical industries	629.68	679.83	721.12	813.42	1,031.55	(+) 26.82
2.	Forestry and wild life	140.94	159.85	203.17	205.79	258.07	(+) 25.40
3.	Interest receipts	122.46	101.26	97.67	186.04	205.61	(+) 10.52
4.	Major and medium irrigation	44.85	67.26	38.98	104.96	97.62	(-) 6.99
5.	Other non-tax receipts	86.38	69.23	106.41	74.32	96.44	(+) 29.76
6.	Medical and public health	2.43	3.21	3.07	19.33	7.62	(-) 60.58
7.	Other administrative services	10.70	12.30	14.23	13.10	10.59	(-) 19.16
8.	Police	6.80	3.74	10.21	12.11	12.31	(+) 1.65
9.	Public works	8.56	5.63	13.94	9.31	11.67	(+) 25.34
10.	Miscellaneous general services	67.47	37.45	14.91	8.62	281.84	(+) 3,169.61
11.	Co-operation	4.14	4.17	5.82	4.34	7.13	(+) 64.29
12.	Power	NA	100.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>1,124.41</b>	<b>1,243.93</b>	<b>1,229.53</b>	<b>1,451.34</b>	<b>2,020.45</b>	<b>(+) 39.21</b>

The variation in receipt between 2007-08 and 2006-07 under 'miscellaneous general services' was primarily due to waiver of Government of India debt which was accounted for in this head. In remaining cases, reasons for variation have not been received (November 2008), though called for (August 2008).

## **1.2 Variations between the budget estimates and actuals**

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage variation
<b>A. Tax revenue</b>					
1.	Taxes on sales, trade etc.	3,200.00	3,023.70	(-) 176.30	(-) 5.51
2.	State excise	840.00	843.10	(+) 3.10	(+) 0.37
3.	Taxes and duties on electricity	481.10	394.86	(-) 86.24	(-) 17.93
4.	Stamp duty and registration fee	471.47	462.72	(-) 8.75	(-) 1.86
5.	Taxes on goods and passengers	401.00	510.72	(+) 109.72	(+) 27.36
6.	Taxes on vehicles	297.00	276.94	(-) 20.06	(-) 6.75
7.	Land revenue	96.76	88.12	(-) 8.64	(-) 8.93
8.	Other taxes on income and expenditure	19.83	10.85	(-) 8.98	(-) 45.28
9.	Other taxes and duties on commodities and services	5.64	6.40	(+) 0.76	(+) 13.48
10.	Hotel receipts tax	0.60	0.69	(+) 0.09	(+) 15.00
<b>B. Non-tax revenue</b>					
1.	Non-ferrous mining and metallurgical industries	983.52	1,031.55	(+) 48.03	(+) 4.88
2.	Forestry and wildlife	250.00	258.07	(+) 8.07	(+) 3.23
3.	Interest receipts	143.90	205.61	(+) 61.71	(+) 42.88
4.	Major and medium irrigation	95.13	97.62	(+) 2.49	(+) 2.62
5.	Medical and public health	15.78	7.62	(-) 8.16	(-) 51.71
6.	Other administrative services	15.73	10.59	(-) 5.14	(-) 32.68
7.	Police	6.90	12.31	(+) 5.41	(+) 78.41
8.	Public Works Department	12.54	11.67	(-) 0.87	(-) 6.94
9.	Water supply and sanitation	3.06	4.47	(+) 1.41	(+) 46.08
10.	Others (Jail)	1.81	1.39	(-) 0.42	(-) 23.20

The departments concerned did not inform (November 2008) the reasons for variation, despite being requested (August 2008).

### 1.3 Cost of collection

The gross collection of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Taxes on sales, trade etc.	2005-06	2,089.20	12.61	0.60	0.82
		2006-07	2,843.04	12.46	0.44	
		2007-08	3,023.70	14.24	0.47	
2.	Taxes on vehicles	2005-06	205.97	3.81	1.85	2.47
		2006-07	253.05	4.09	1.62	
		2007-08	276.94	5.30	1.91	
3.	State excise	2005-06	634.50	23.55	3.71	3.30
		2006-07	706.81	17.94	2.54	
		2007-08	843.10	19.75	2.34	
4.	Stamp duty and registration fee	2005-06	312.80	8.61	2.75	2.33
		2006-07	389.51	10.86	2.79	
		2007-08	462.72	10.83	2.34	

The cost of collection is marginally higher in respect of stamp duty and registration fee but has been reduced as compared to previous year.

#### 1.4 Analysis of arrears of revenue

The arrears of some principal heads of revenue as on 31 March 2008 as reported by the departments amounted to Rs. 381.68 crore of which Rs. 144.43 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008	Remarks
1.	Taxes on sales, trade etc.	183.29	113.05	Action to recover arrear by auction of confiscated property.
2.	Taxes on vehicles	7.27	1.47	Out of Rs. 7.27 crore, Rs. 1.25 crore has been recovered in April 2008. Efforts are on to recover the balance.
3.	State excise	20.35	19.45	Efforts are on to effect recovery.
4.	Stamp duty and registration fee	3.06	0.34	- do -
5.	Taxes and duties on electricity	47.20	2.79	- do -

6.	Geology and mining	1.90	1.67	Efforts are on to effect recovery.
7.	Irrigation	118.61	5.66	- do -
<b>Total</b>		<b>381.68</b>	<b>144.43</b>	

### 1.5 Arrears in assessments

The number of pending cases at the beginning of the year 2007-08, becoming due during the year, disposed during the year and pending at the end of the year 2007-08 as furnished by the departments are mentioned below:

Name of tax	Opening balance (2007-08)	Addition during the year	Total number of assessment cases due	Cases disposed during the year	Cases pending at the end of the year	Percentage of clearance (Column 5 to 4)
1	2	3	4	5	6	7
Commercial tax	41,524	43,244	84,768	54,713	30,055	64.54
Professional tax	10,088	18,069	28,157	21,905	6,252	77.80
Entry tax	48,652	25,080	73,732	32,014	41,718	43.42
Luxury tax	35	92	127	96	31	75.59
Tax on works contract	22	47	69	48	21	69.57
<b>Total</b>	<b>1,00,321</b>	<b>86,532</b>	<b>1,86,853</b>	<b>1,08,776</b>	<b>78,077</b>	<b>58.21</b>

Thus, 41.79 per cent of the assessment cases were pending at the end of the year for which the Government should initiate action for expeditious disposal.

### 1.6 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised during 2007-08, as reported by the departments, are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2008
					No. of cases	Amount of demand (Rupees in crore)	
1.	Commercial tax	4 <sup>2</sup>	14	18	1	9.93	17
2.	State excise	15	--	15	--	--	15

Thus, during 2007-08, the State Excise Department could not finalise any of the 15 cases pending settlement for more than three years and the Commercial Tax Department could finalise only one out of 18 cases.

### 1.7 Refunds

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2007-08, as reported by the departments, are mentioned below:

**(Rupees in crore)**

Name of the department	Opening balance		Claims received		Refunds allowed		Closing balance	
	No. of cases <sup>3</sup>	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Commercial tax	301	316.92	3,926	2,894.87	4,037	2,850.89	190	360.90
State excise	3	1.77	5	2.92	5	2.92	3	1.77
<b>Total</b>	<b>304</b>	<b>318.69</b>	<b>3,931</b>	<b>2,897.79</b>	<b>4,042</b>	<b>2,853.81</b>	<b>193</b>	<b>362.67</b>

### 1.8 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fee and other non-tax receipts conducted during the year 2007-08 revealed underassessment, short levy and loss of revenue amounting to Rs. 190.96 crore in 6,252 cases. The departments concerned accepted underassessment and other deficiencies of Rs. 94.72 crore in 2,457 cases which had been pointed out in audit during the year 2007-08.

This report contains 21 paragraphs including two reviews, pointing out non/short levy of taxes, duties, interest and penalties etc., involving Rs. 92.87 crore. The Government/departments accepted audit

<sup>2</sup> The variations between closing balance for the year 2006-07 and opening balance for the year 2007-08 has been reconciled and the department has submitted revised figure through their letters dated 19.9.08 and 24.9.08.

<sup>3</sup> The variations between the closing balance of 2006-07 and opening balance of 2007-08 has been reconciled and changed accordingly on receipt of revised figures from the respective departments.

observations involving Rs. 52.88 crore of which Rs. 74.62 lakh had been recovered upto March 2008. Audit observations with a total revenue effect of Rs. 39.98 crore have not been accepted by the departments, but their contentions have been appropriately commented upon in the relevant paragraphs.

### **1.9 Outstanding inspection reports and audit observations- lack of responsiveness and erosion of accountability**

Audit observations on underassessments, short determination/realisation of taxes, duties, fees etc., and defects in the maintenance of initial records, which are not settled on the spot, are communicated to the heads of the departments through inspection reports (IR). Important irregularities are also reported to the Government/departments through IRs by the office of the Accountant General to which replies are required to be furnished by them within one month.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2007 which were pending with the departments as on 30 June 2008, along with corresponding figures for the preceding two years, is mentioned below:

Sl. No.	Particulars	Position as on 30 June		
		2006	2007	2008
1.	Number of IRs pending settlement	1,526	1,587	1,875
2.	Number of outstanding audit observations	5,819	6,113	7,059
3.	Amount of revenue involved (Rs. in crore)	1,555.31	1,693.28	2,711.75

The department wise details of the IRs and audit observations outstanding as on 30 June 2008 are mentioned below:

Sl. No.	Department	No. of outstanding		Amount (Rupees in crore)	Earliest year to which the IR relates
		IRs	Audit observations		
1.	Commercial tax	298	1,947	260.12	1992-93
2.	Stamp duty and registration	225	559	21.82	1990-91
3.	Land revenue	461	1,223	482.53	1994-95
4.	Transport	83	623	63.81	1994-95
5.	State excise	102	331	204.34	1994-95
6.	Geology and mining	101	354	483.81	1994-95
7.	Electricity duty	7	23	66.52	1997-98
8.	Entertainment tax	55	68	1.60	1994-95



9.	Other tax departments	277	1,021	239.19	1994-95
10.	Forest (Revenue)	266	910	888.01	1979-80
<b>Total</b>		<b>1,875</b>	<b>7,059</b>	<b>2,711.75</b>	

### **1.10 Departmental audit committee meetings**

The process of settlement of the outstanding audit observations contained in the IRs is to be expedited through departmental audit committees constituted by the Government. These committees are chaired by the Secretary of the department concerned and attended by the officers concerned of the State Government and of the office of the Accountant General (Audit). The meetings for reviewing and monitoring the progress of settlement of the audit observations/paragraphs are required to be held on a regular basis.

During the year 2007-08, no audit committee meeting was held. The Government should ensure holding of periodical meetings of these committees for ensuring effective action on audit observations leading to their settlement.

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

As per standing instructions of the Finance Department, all departments are to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the department concerned through demi-official letters, requesting them to send their response within three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2008 were forwarded to the Secretaries of the respective departments between March 2008 and August 2008. Out of 19 draft paragraphs, the departments have accepted the audit observations in eight paragraphs.

### **1.12 Follow-up of Audit Reports - summarised position**

According to the instructions issued by the Finance Department, all the departments were required to furnish explanatory memoranda, vetted by audit, to the Chhattisgarh Vidhan Sabha Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House.

As on March 2008, five departments had not furnished the departmental notes in respect of 20 paragraphs included in the Audit Reports for the years between 2001-02 and 2005-06 for vetting. The delay ranged from 9 to 46 months as mentioned below:

Sl. No.	Name of the department	Year of report	Date of presentation to the legislature	Last date by which departmental notes were due	No. of paragraphs for which departmental notes were due	Delay in months at the end of March 2008
1.	Commercial tax	2005-06	15-03-07	15-06-07	14	10
2.	Land revenue	2001-02 2004-05	26-02-04 23-03-06	26-05-04 23-06-06	1 1	46 21
3.	Forest receipt	2005-06	15-03-07	15-06-07	1	10
4.	Geology and Mining	2005-06	15-03-07	15-06-07	1	10
5.	Public works department	2002-03	30-11-04	02-03-05	2	36
<b>Total</b>					<b>20</b>	

With a view to ensure accountability of the executive, the Public Accounts Committee (PAC) lays down in each case, the period within which action taken notes (ATN) on its recommendations should be sent. The PAC discussed 136 selected paragraphs pertaining to the Audit Report for the years 1998-99 to 2005-06 and gave its recommendations on 103 paragraphs. However, ATNs have not been received in respect of 92 recommendations of the PAC from the departments concerned as mentioned below:

Year	Name of the department						Total
	Commercial tax/ State excise	Co-operative	Urban development/ Registration	Motor vehicle/ Land revenue	Water resources/ Mining	Food and civil supplies/ Public works department	
1998-99	--/5	1	1/8	4/--	2/1	3/1	<b>26</b>
1999-2000	--/--	--	--/4	--/--	--/8	--/1	<b>13</b>
2000-01	--/1	--	--/7	16/20	2/4	--/--	<b>50</b>
2001-02	--/--	--	--/--	--/--	--/1	1/--	<b>2</b>
2002-03	--/--	--	--/--	--/--	--/--	1/--	<b>1</b>
<b>Total</b>	<b>--/6</b>	<b>1</b>	<b>1/19</b>	<b>20/20</b>	<b>4/14</b>	<b>5/2</b>	<b>92</b>

### 1.13 Recovery of revenue in accepted cases

During the years between 2003-04 and 2006-07, the departments/ Government accepted observations of the Audit Reports involving Rs. 18.59 crore of which Rs. 5.10 crore only had been recovered till March 2008 as mentioned below:

(Rupees in crore)

<b>Sl. No.</b>	<b>Year of the Audit Report</b>	<b>Total money value</b>	<b>Amount accepted</b>	<b>Recovery made upto March 2008</b>
1.	2003-04	46.72	12.40	1.26
2.	2004-05	46.00	1.05	1.43
3.	2005-06	253.10	2.22	1.82
4.	2006-07	15.99	2.92	0.59
<b>Total</b>		<b>361.81</b>	<b>18.59</b>	<b>5.10</b>