

CHAPTER-I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by the Government of Gujarat during the year 2004-05, 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)

	2000-01	2001-02	2002-03	2003-04	2004-05
I	Revenue raised by the State Government				
• Tax revenue	9,046.83	10,134.18	9,520.66	11,173.43	12,957.70
• Non tax revenue	3,349.14	3,760.94	3,995.58	3,271.96	3,090.50
Total	12,395.97	13,895.12	13,516.24	14,445.39	16,048.20
II	Receipts from the Government of India				
• State's share of divisible Union Taxes	1,573.75	600.68	1,363.22	1,965.48	2,219.30
• Grants in aid	1,768.87	1,490.26	2,995.88	1,836.65	1,997.45
Total	3,342.62	2,090.94	4,359.10	3,802.13	4,216.75
III	Total receipts of the State				
	15,738.59	15,986.06	17,875.34	18,247.52	20,264.95[#]
IV	Percentage of I to III				
	79	87	76	79	79

1.1.2 The details of tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

[#] For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Gujarat. Figures under the Heads "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", 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 divisible union taxes in this statement.

(Rupees in crore)

Sl. No.	Heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1	Sales tax	4,891.08	4,841.69	5,095.00	5,772.58	6,702.03	16
	Central sales tax	1,051.66	1,015.71	1,157.13	1,397.00	1,606.59	15
2	State excise	40.37	47.31	47.11	46.25	47.09	02
3	Stamp duty and registration Fees	537.42	539.41	649.88	824.67	962.80	17
4	Taxes and duties on electricity	1,521.00	1,656.52	1,383.84	1,592.19	1,829.07	15
5	Taxes on vehicles	627.28	676.63	808.11	936.39	1,060.93	13
6	Taxes on goods and passengers	26.03	99.11	11.09	171.79	160.11	(-) 07
7	Other taxes on income and expenditure – tax on professions, trades, calling and employment	104.80	93.31	95.64	99.41	132.91	34
8	Other taxes and duties on commodities and services	165.66	1,077.54	177.67	206.36	221.29	07
9	Land revenue	81.53	86.95	95.19	126.79	234.88	85
	Total	9,046.83	10,134.18	9,520.66	11,173.43	12,957.70	16

The reasons attributed by the departments for significant increase/decrease in receipts during 2004-05 over the receipts during 2003-04 are as under:

Sales Tax: The increase in collection was attributed to overall growth of economy and better tax administration of check posts, port affairs and enforcement activities.

Stamp duty and registration fees: As a result of reduction in rate of stamp duty from 11.2 *per cent* to 8.4 *per cent*, registration of documents had increased from 4.10 lakh to 4.84 lakh. Further, increase in collection was

attributed to effective recovery of outstanding amounts and implementation of Amnesty Scheme.

Taxes and duties on electricity: The increase in collection was due to enhancement of rate of electricity duty for-self generation by 100 *per cent* and due to increase in consumption of electricity by various consumers.

Taxes on vehicles: The increase in collection was due to growth of population of vehicles by 10 *per cent* on an average during the year.

The reasons called for in respect of the other major heads wherein variation is more than 10 *per cent* have not been received from the concerned departments.

1.1.3 The details of the major non tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percent-age of increase (+) or decrease (-) in 2004-05 over 2003-04
1	Interest receipts	1,929.82	1,594.30	1,684.88	897.12	469.72	(-) 48
2	Dairy development	0.47	0.35	0.20	0.34	0.45	32
3	Other non tax receipts	334.15	453.52	358.16	390.79	474.58	21
4	Forestry and wild life	18.48	28.34	32.49	49.85	42.39	(-)15
5	Non ferrous mining and metallurgical industries	616.65	734.58	1,072.83	1,342.34	1422.42	06
6	Miscellaneous general services (including lottery receipts)	98.79	666.90	453.76	159.92	174.26	09
7	Power	64.46	0.01	5.10	77.08	52.13	(-) 32
8	Major and medium irrigation	136.58	132.09	267.23	202.78	207.09	02
9	Medical and public health	49.14	47.26	39.02	41.60	48.87	17
10	Co operation	12.48	12.84	14.68	14.28	14.94	05
11	Public works	27.21	13.49	11.72	18.53	30.92	67
12	Police	43.17	38.91	36.03	41.43	48.85	18

13	Other administrative services	17.74	38.35	19.48	35.90	103.88	189
	Total	3,349.14	3,760.94	3,995.58	3,271.96	3090.50	(-) 06

The reasons attributed by the departments for significant increase/decrease in receipts during 2004-05 over the receipts during 2003-04 are as under:

Police: The increase in collection was attributed to effective recovery of outstanding dues from various Government departments and other organisation.

The reasons called for in respect of the other major heads wherein variation is more than 10 per cent have not been received from the departments.

1.2 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or short fall (-)	Percentage of variation
Tax revenue					
1	Sales tax	7,902.00	8,308.62	406.62	5
2	Taxes and duties on electricity	1,646.05	1,829.07	183.02	11
3	Stamp duty and registration fees	825.00	962.80	137.80	17
4	Taxes on vehicles	914.90	1,060.93	146.03	16
5	Taxes on goods and passengers	157.47	160.11	2.64	2
6	Land revenue	96.75	234.88	138.13	143
7	State excise	51.11	47.09	(-) 4.02	(-) 8
8	Other taxes on income and expenditure	108.00	132.91	24.91	23
Non tax revenue					
9	Non ferrous mining and metallurgical industries	1,198.40	1,422.42	224.02	19
10	Interest receipts	2,299.90	469.72	(-) 1,830.18	(-) 80

11	Major & medium irrigation	280.00	207.09	(-) 72.91	(-) 26
12	Medical & public health	55.00	48.87	(-) 6.13	(-) 11
13	Forestry and wild life	30.00	42.39	12.39	41
14	Education, sports, arts & culture	60.00	61.04	1.04	2
15	Police	65.00	48.85	(-) 16.15	(-) 25
16	Public works	20.00	30.92	10.92	55
17	Miscellaneous general services	125.00	174.26	49.26	39

The reasons attributed by the departments for significant increase/decrease in receipts during 2004-05 over the receipts during 2003-04 are as under:

Sales tax: The increase in collection was attributed to overall growth of economy and better tax administration of check posts, port affairs and enforcement activities.

Stamp duty and registration fees: As a result of reduction in rate of stamp duty from 11.2 *per cent* to 8.4 *per cent*, registration of documents had increased from 4.10 lakh to 4.84 lakh. Further, increase in collection was attributed to effective recovery of outstanding amounts and implementation of Amnesty Scheme.

Taxes and duties on electricity: The increase in collection was due to enhancement of rate of electricity duty for-self generation by 100 *per cent* and increase in consumption of electricity by various consumers.

Taxes on vehicles: The increase in collection was due to growth of population of vehicles by 10 *per cent* on an average during the year.

Medical and Public Health: The decrease is attributed to reduction in sale of tender papers and short realisation of arrears under land revenue than that considered while preparing budget.

Police: The decrease was due to non recovery of dues of Rs.18.45 crore from railways and other state Government departments which was considered while preparing the budget estimates.

The reasons called for in respect of the other major heads wherein variation is more than 10 *per cent* have not been received from the concerned departments.

1.3 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of sales tax, motor spirit tax, profession tax, entry tax and luxury tax for the year 2004-05 and the corresponding figures for the preceding two years as furnished by the Department is as follows:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7 (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales tax	2002-03	4,043.43	1,182.93	-	63.65	5162.71	78
	2003-04	5,707.84	235.98	-	69.89	5,873.93	97
	2004-05	6,612.92	270.47	-	50.41	6,832.98	97
Motor spirit tax	2002-03	1,087.35	-	-	-	1,087.35	100
	2003-04	1,295.65	-	-	-	1,295.65	100
	2004-05	1,475.64	-	-	-	1,475.64	100
Profession tax	2002-03	93.55	-	-	-	93.55	100
	2003-04	99.41	-	-	-	99.41	100
	2004-05	132.91	-	-	-	132.91	100
Entry tax	2002-03	2.07	-	-	-	2.07	100
	2003-04	2.74	-	-	-	2.74	100
	2004-05	52.61	-	-	-	52.61	100
Luxury tax	2002-03	29.92	-	-	-	29.92	100
	2003-04	34.33	-	-	-	34.33	100
	2004-05	32.99	-	-	-	32.99	100

The table above shows that percentage of collection of revenue at pre-assessment stage ranged between 78 and 97 per cent under sales tax during the years 2002-03 to 2004-05.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05 along with the relevant all India average percentage of expenditure on collection to gross collection for 2003-04 was as follows:-

(Rupees in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of cost of collection for the year 2003-04
Sales tax	2002-03	6,252.13	64.14	1.03	1.15
	2003-04	7,169.58	65.89	0.92	
	2004-05	8,308.62	65.18	0.78	

Taxes on vehicles and taxes on goods and passengers	2002-03	819.20	25.30	3.09	2.57
	2003-04	1,108.18	25.70	2.32	
	2004-05	1,221.04	24.53	2.00	
Stamp duty and registration fees	2002-03	649.88	18.36	2.83	3.66
	2003-04	824.67	31.51	3.82	
	2004-05	962.80	24.96	2.59	
State excise	2002-03	47.11	21.40	45.42	3.81
	2003-04	46.25	4.64	10.03	
	2004-05	47.09	4.59	9.75	

1.5 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assessees	Sales tax revenue	Revenue/assessee
2000-01	3,88,362	5,942.74	0.0153
2001-02	3,77,977	5,857.40	0.0155
2002-03	2,99,881	6,252.12	0.0208
2003-04	3,19,774	7,169.58	0.0224
2004-05	2,42,753	8,308.62	0.0342

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.13,166.42 crore of which Rs.2,964.67 crore was 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 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
1	Sales tax	12,744.53	2,950.72	(i) Recovery of Rs.6613.90 crore was stayed by High Court and other judicial authorities. (ii) Recovery of Rs.107.30 crore has been held up due to dealers being insolvent. (iii) An amount of Rs.789.33 crore unlikely to be recovered and hence proposed to be written off.

2	Electricity duty	421.86	13.92	The arrears of Rs.13.92 crore to be recovered from Baroda Municipal Corporation have not been finalised.
3	Entertainments tax	Not received		
4	State excise	0.03	0.03	Pending in the High Court.
	Total	13,166.42	2,964.67	

1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2004-05, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2004-05 as furnished by the Sales Tax Department in respect of Sales tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts are as follows:

(Rupees in crore)

Name of tax	Opening balance as on 1 April 2004	New cases due for assessment during 2004-05	Total assessments due during 2004-05	Cases disposed of during 2004-05	Balance at the end of the year 31 March 2005	Percentage of column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax	5,11,356	3,18,996	8,30,352	2,42,753	5,87,599	71
Motor spirit tax	3,038	646	3,684	1,021	2,663	72
Profession tax	3,20,669	66,819	3,87,488	47,008	3,40,480	88
Purchase tax on sugarcane	43	13	56	15	41	73
Entry tax	19	12	31	22	9	29
Lease tax	19	17	36	11	25	69
Luxury tax	63	-	63	41	22	35
Tax on works contracts	468	254	722	218	504	70
Total	8,35,675	3,86,757	12,22,432	2,91,089	9,31,343	76

It would be seen from the above that percentage of cases pending finalisation in Sales Tax Department under various heads ranged between 29 and 88 per cent of total cases as on 31 March 2005.

1.8 Evasion of tax

The details of evasion of tax detected by the Sales Tax and Energy and Petro Chemicals Departments, cases finalised and the demands for additional tax raised as reported by the department is given below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2004	Cases detected during 2004-05	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 2005
					No. of cases	Amount of demand (Rupees in crore)	
1	Sales tax	715	519	1,234	234	368.75	1,000
2	Electricity duty	6	-	6	-	-	6

1.9 Write-off and waiver of revenue

During the year 2004-05, no demands relating to Sales Tax and State Excise were written off by the Departments as irrecoverable.

1.10 Refunds

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2004-05, as reported by the departments are given below:

(Rupees in crore)

Sl. No.	Category	Sales tax		Taxes and duties on electricity		State excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year 2004-05	2,326	37.19	-	-	Nil	Nil

2	Claims received during the year	6,005	101.63	Nil	Nil	Nil	Nil
3	Refunds made during the year	4,591	50.41	Nil	Nil	Nil	Nil
4	Balance outstanding at the end of the year	3,740	88.41	Nil	Nil	Nil	Nil

1.11 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non tax receipts conducted during the year 2004-05 revealed under-assessment/short levy/loss of revenue amounting to Rs.2,517.11 crore in 1,125 cases. During the course of the year, the Departments accepted under-assessment of Rs.5.06 crore in 878 cases and recovered Rs.3.29 crore in 838 cases pointed out in 2004-05 and earlier years. No replies have been received in respect of the remaining cases.

This report contains 34 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.247.14 crore. The departments/Government have accepted audit observations involving Rs.131.34 crore of which Rs.6.96 crore had been recovered. No reply has been received in other cases.

1.12 Failure of senior officials to enforce accountability and protect interest of Government

Principal Accountant General (Commercial and Receipt Audit) PAG(C&RA), Gujarat, arranges to conduct periodical inspection of the Government departments concerned with tax revenue of the State to test check the 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 inspection reports are issued to the heads of offices inspected with a copy to the next higher authority. The heads of offices and respective next higher authorities are required to ensure compliance with the observations contained in the inspection reports and rectify the defects and omissions promptly and report their compliance to the PAG. Serious irregularities are also brought to the notice of the heads of the departments by the office of the PAG(C&RA) through draft paragraphs. A half yearly report of the pending inspection reports and audit observations is sent to the Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2004 and pending settlement by the departments as on 30 June 2005 along with corresponding figures for the preceding two years is given below:

Particulars	As at the end of		
	June 2003	June 2004	June 2005
Number of outstanding inspection reports	3,624	3,908	3,152
Number of outstanding audit observations	9,307	9,988	8,139
Amount of revenue involved (Rupees in crore)	1,969.23	2,351.17	2,375.52

IRs issued upto December 2004 pertaining to the offices of sales tax, profession tax, forest, land revenue, motor vehicles tax, stamp duty and registration fees, entertainment tax and luxury tax disclosed that 8,139 observations relating to 3,152 IRs remained outstanding at the end of June 2005. Of these, 1,343 IRs containing 4,079 observations had not been settled for more than seven years. Even the initial replies which were required to be received from the heads of offices within one month from the date of issue were not received in respect of 337 IRs issued during the year 2004-05. As a result, serious irregularities commented upon in these IRs had not been settled as of June 2005.

Department-wise break up of Inspections Reports and audit observations pending as on 30 June 2005 is detailed in the Annexure-I.

1.13 Departmental Audit Committee Meetings

In order to expedite the settlement of outstanding audit observations contained in the inspection reports, departmental audit committees are constituted in all the departments of Government. These committees are chaired by Secretaries of the concerned administrative departments and attended by the concerned officers of the State Government and officers of the PAG(C&RA), Ahmedabad/ Accountant General (Civil Audit), Rajkot.

In order to expedite the 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. The information regarding number of audit committee meetings held, IRs and paras settled during the year 2004-05 is as follows:

Sl. No.	Name of the Department	No. of audit committee meetings held	No. of IRs/Paras settled		Money Value of paras settled (Rs.)
			IRs	Paras	
1	Sales tax	2	-	31	11,41,159
2	Entertainment tax	2	28	103	3,16,92,783
3	Land revenue	2	15	53	29,54,653
4	Stamp duty and registration fees	-	-	-	-
5	Motor vehicle tax	-	-	-	-
6	Forest receipts	1	5	8	11,781

No meetings were convened by the departments of Energy and petro chemicals, Information and broadcasting, State excise and Geology and mining. This indicates that the above departments have not taken initiative in using the machinery created for settling the outstanding audit observations.

1.14 Response of the departments to draft audit paragraphs

According to the Hand Book of Instructions for speedy settlement of draft paragraphs issued by the Finance Department on 12 March 1992, results of verification of facts contained in the draft paragraphs are required to be communicated to the Accountant General (AG) within six weeks from the date of their receipt. In exceptional cases where it is not possible to furnish final reply to the draft paragraph within the above time limit, an interim reply should be given to the AG.

57 paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Revenue Receipts) were forwarded to the Secretaries of the respective departments between February and April 2005 through demi official letters. The Secretaries of the respective Departments did not send replies to 20 draft paragraphs. These paragraphs have been included in this report without incorporating the response of the Secretaries of the departments.

1.15 Follow up on Audit Reports-summarised position

As per instructions issued by the Finance Department on 12 March 1992, administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports (ARs) within three months of presentation of the ARs to the legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

The ARs for the years 2001-02, 2002-03 and 2003-04 were presented to the State Legislature on 28th March 2003, 21st February 2005 and 13th September

2005 respectively. Certain departments as detailed below, had not submitted explanatory notes for the number of paragraphs shown as of August 2005.

Name of the Department	2001-02	2002-03	2003-04	Total
Finance (Sales tax)	16	17	14	47
Revenue				
Stamp duty	07	07	09	23
Land revenue	05	06	06	17
Home (Transport)	06	07	03	16
Information, Broadcasting and Tourism (Entertainments tax & luxury tax)	06	09	04	19
Industries, Mines & energy and petrochemicals (Electricity duty & mining Receipts)	02	01	01	04
Total	42	47	37	126