

**CHAPTER-I****General****1.1 Trend of revenue receipts**

The tax and non-tax revenue raised by Government of Gujarat and the State's share of divisible Union taxes and grants-in-aid received from Government of India during 2001-2002 and the preceding two years are given below:

**(Rupees in crore)**

		<b>1999-2000</b>	<b>2000-2001</b>	<b>2001-2002</b>
<b>I</b>	<b>Revenue raised by State Government</b>			
	(a) Tax revenue	8,161.73	9,046.83	10,134.18
	(b) Non-tax revenue	2,990.37	3,349.14	3,760.94
	<b>Total</b>	<b>11,152.10</b>	<b>12,395.97</b>	<b>13,895.12</b>
<b>II</b>	<b>Receipts from Government of India</b>			
	(a) State's share of divisible Union taxes	1,665.04	1,573.75	600.68
	(b) Grants-in-aid	1,154.30	1,768.87	1,490.26
	<b>Total</b>	<b>2,819.34</b>	<b>3,342.62</b>	<b>2,090.94</b>
<b>III</b>	<b>Total receipts of the State Government (Revenue Account)</b>	<b>13,971.44</b>	<b>15,738.59</b>	<b>15,986.06*</b>
	<b>Percentage of I to III</b>	<b>80</b>	<b>79</b>	<b>87</b>

\* For details, please see statement No.11 "Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Gujarat for the year 2001-2002. Figure under the heads "0020 share of net proceeds assigned to State and 0021 - Taxes on Income other than Corporation Tax - 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.

## 1.2 Revenue raised by the State Government

### (i) Tax revenue

The details of tax revenue raised from major taxes during the last three years upto 2001-2002 are given below:

(Rupees in crore)

Sl. no.	Heads of revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
1	Sales Tax	5,134.47	5,942.74	5,857.40	(-) 1
2	Taxes and Duties on Electricity	1,401.63	1,521.00	1,656.52	(+) 9
3	Stamp Duty and Registration Fees	522.38	537.42	539.41	--
4	Taxes on Vehicles	601.71	627.28	676.63	(+) 8
5	Taxes on Goods and Passengers	88.87	26.03	99.11	(+) 281
6	Land Revenue	116.64	81.53	86.95	(+) 7
7	State Excise	32.02	40.37	47.31	(+) 17
8	Other Taxes	264.01	270.46	1,170.85	(+) 333
	<b>Total</b>	<b>8,161.73</b>	<b>9,046.83</b>	<b>10,134.18</b>	<b>(+) 12</b>

The reasons attributed by the departments for the variation in receipts during 2001-02 over the receipts during 2000-01 are as under:-

**Taxes on Goods and Passengers:** The increase was mainly due to more tax collection under goods and tax receipts.

**State Excise:** The increase was mainly due to more receipts on sale of country spirit and medicinal and toilet preparations containing alcohol, opium and other drugs, etc.

**Other Taxes :** The abnormal increase was mainly due to receipt under share of net proceeds of taxes on commodities and services assigned to state during the year.

### (ii) Non-tax revenue

Details of revenue raised from some of the major non-tax receipts during the last three years upto 2001-2002 are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
1	Non-ferrous Mining & Metallurgical Industries	530.78	616.65	734.58	(+) 19
2	Interest Receipts	1,764.54	1,929.82	1,594.30	(-) 17
3	Major & Medium Irrigation	110.68	136.58	132.09	(-) 3
4	Medical & Public Health	41.33	49.14	47.26	(-) 4
5	Others	543.04	616.95	1,252.71	(+) 103
	<b>Total</b>	<b>2,990.37</b>	<b>3,349.14</b>	<b>3,760.94</b>	<b>(+) 12</b>

The reasons attributed by the departments for the variation in receipts during 2001-02 over the receipts during 2000-01 are as under:-

**Non-ferrous Mining & Metallurgical Industries:** The increase was mainly due to more receipts in mineral concessions-fees, rents and royalties.

**Interest Receipts:** The decrease was mainly due to less recovery of interest from departmental commercial undertakings, cultivators and interest realised on investments of cash balances.

**Others :** The increase was mainly due to more receipts under unclaimed deposits and other receipts.

### 1.3 Variations between Budget estimates and actuals

The variations between Budget estimates and actuals of some major revenue receipts for the year 2001- 2002 are as given below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variation increase(+) decrease(-)	Percentage of variation
	<b>Tax revenue</b>				
1	Sales Tax	6,850	5,857.40	(-)992.60	(-)14
2	Taxes & Duties on Electricity	1,711	1,656.52	(-)54.48	(-)03
3	Stamp Duty & Registration Fees	660	539.41	(-)120.59	(-)18
4	Taxes on Vehicles	1,000	676.63	(-)323.37	(-)32
5	Taxes on Goods & Passengers	220	99.11	(-)120.89	(-)55

6	Land Revenue	225	86.95	(-)138.05	(-)61
7	State Excise	40.53	47.31	(+)6.78	(+)17
8	Other Taxes on Income & Expenditure	140	93.31	(-)46.69	(-)33
	<b>Non-tax revenue</b>				
9	Non-ferrous Mining & Metallurgical Industries	700	734.58	(+)34.58	(+)05
10	Interest Receipts	1,837.45	1,594.30	(-)243.15	(-)13
11	Major & Medium Irrigation	255.00	132.09	(-)122.91	(-)48
12	Medical & Public Health	51.82	47.26	(-)4.56	(-)09
13	Forestry & Wild Life	24.79	28.34	(+)3.55	(+)14
14	Education, Sports, Arts & Culture	39.25	39.35	(+)0.10	--
15	Police	58.80	38.91	(-)19.89	(-)34
16	Public Works	24.59	13.49	(-)11.10	(-)45
17	Miscellaneous General Services	110	666.90	(+)556.90	(+)506

The reasons attributed by the departments for the variation in receipts during 2001-02 over the receipts during 2000-01 are as under:-

**State Excise:** The increase was mainly due to more receipts on sale of country spirit and medicinal and toilet preparations containing alcohol, opium and other drugs, etc.

**Non-Ferrous Mining and Metallurgical Industries :** The increase was mainly due to more receipts in mineral concessions-fees, rents and royalties.

**Interest Receipts:** The decrease was mainly due to less recovery of interest from departmental commercial undertakings, cultivators and interest realised on investments of cash balances.

**Miscellaneous General Services :** The reasons for abnormal variations were due to more receipts under unclaimed deposits and other receipts.

#### **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 collections during the years 1999-2000, 2000-2001 and 2001-2002 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2000-2001 are given below:

(Rupees in crore)

Sl. No.	Heads of Revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to collection	All India average (percentage for the year 2000-2001)
1	Sales Tax	1999-2000	5,134.47	58.62	1.14	1.31
		2000-2001	5,942.74	69.74	1.17	
		2001-2002	5,857.40	58.84	1.00	
2	Stamp Duty and Registration Fees	1999-2000	522.38	19.22	3.67	4.39
		2000-2001	537.42	19.19	3.57	
		2001-2002	539.41	16.65	3.09	
3	Taxes on Vehicles and Goods and Passenger	1999-2000	690.58	59.93	8.67	3.48
		2000-2001	653.31	41.19	6.30	
		2001-2002	775.74	20.76	2.64	
4	State Excise	1999-2000	32.02	4.31	13.46	3.10
		2000-2001	40.37	4.26	10.55	
		2001-2002	47.31	18.34	38.77	

Percentage of expenditure on collection of “State Excise” is more mainly due to expenses on police personnel engaged in implementing prohibition and also propaganda expenses for enforcing prohibition in the State.

### 1.5 Arrears of revenue

As on 31 March 2002 arrears of revenue under principal heads of revenue, as reported by the departments were as given below:

(Rupees in crore)

Sl. No.	Heads of Revenue	Arrears pending collection	Arrears more than five years old	Remarks
1	2	3	4	5
1	Sales Tax	6,972.45	419.58	Out of arrears of Rs.6,972.45 crore, Rs.66.08 crore was due to demand covered by recovery certificates, Rs.3,461.25 crore was due to stay granted by judicial authorities, Rs.141.13 crore was due to dealers being insolvent, Rs.209.14 crore was to be written off and Rs.3,094.85 crore was due to other reasons.
2	Motor Vehicles Tax	25.51	6.58	No specific reasons were given by the department.
3	Profession Tax	11.85	5.98	Demand of Rs.11.85 crore was covered by recovery certificate.
4	Goods and Passenger Tax	2.07	1.62	No specific reasons were given by the department.
5	Entertainments Tax	8.15	2.10	No specific reasons were given by the department.

6	Luxury Tax	1.57	--	No specific reasons were given by the department.
7	Electricity Duty	13.92	13.92	The arrears of Rs.13.92 crore to be recovered from Baroda Municipal Corporation.
8	Interest Receipts	300.46	99.92	No specific reasons were given by the department.
9	Irrigation	361.47	220.78	No specific reasons were given by the department.
10	Stamp Duty and Registration Fee.	11.00	0.17	Due to appeals pending in Courts and High Courts.

### 1.6 Arrears in Sales Tax assessments

The number of cases due for assessment, number of assessments completed during the year and the number of assessments pending at the end of the year under report with corresponding figures of the year 2000-2001 are as under:

	2000-2001	2001-2002
<b>(a) Number of assessments due for completion during the year</b>		
Arrear cases	18,11,875	17,11,569
Current cases	6,92,877	5,61,293
Remand cases	20	107
<b>Total</b>	<b>25,04,772</b>	<b>22,72,969</b>
<b>(b) Number of assessments completed during the year</b>		
Arrear cases	6,86,436	6,18,953
Current cases	1,06,757	3,36,368
Remand cases	10	58
<b>Total</b>	<b>7,93,203</b>	<b>9,55,379</b>
<b>(c) Number of assessments pending finalisation as at the end of the year</b>		
Arrear cases	11,25,439	10,92,616
Current cases	5,86,120	2,24,925
Remand cases	10	49
<b>Total</b>	<b>17,11,569</b>	<b>13,17,590</b>
<b>(d) Yearwise break-up of pending cases is as under</b>		
Up to 1997-1998	9,72,201	6,81,957
1998-1999	2,53,422	1,65,572
1999-2000	3,20,655	1,89,244
2000-2001	1,65,291	1,67,810
2001-2002	-----	1,13,007
<b>Total</b>	<b>17,11,569</b>	<b>13,17,590</b>

The above table shows that during the year, out of 22,72,969 assessment cases only 9,55,379 cases could be assessed which is only 42 *percent* of the total cases due for assessment. As on 31 March 2002, 13,17,590 cases were pending for assessment, out of which 1,52,546 cases involved turnover of over Rs.50 lakh but not exceeding one crore and 90,778 cases involved turnover of over Rs.1 crore and above in each case.

The assessment is in arrears mainly due to shortage of staff. As against the requirement of staff of 524, in the cadres of Assistant Commissioner and Sales Tax Officer class I and II, for the assessment of sales tax cases, 364 posts only have been filled in leaving 31 *percent* posts in the above cadres vacant. Since Sales Tax is the major revenue of the State, Government may consider filling up the vacancies if necessary, by redeploying staff from other departments.

### **1.7 Internal Audit**

The Internal Audit in Sales Tax Department was constituted in May 1960. During 2001-2002, assessments of 377 cases were revised at the instance of internal audit and additional demands of Rs.32.87 lakh were raised.

Internal Audit was constituted in Entertainment Tax Department in February 1989 and in Motor Vehicles Tax Department in April 1992. During 2001-2002, 143 objections were pointed out by internal audit wing of Entertainment Tax Department and additional demands of Rs.24.84 lakh were raised. No additional demands were raised as a result of internal audit by Motor Vehicles Tax Department.

### **1.8 Frauds and evasion of taxes**

The details of cases of fraud and evasion of taxes pending at the beginning of the year, number of cases detected during the year and assessments/ investigations completed during the year and the number of cases pending finalisation at the end of March 2002 as supplied by the respective departments are given below:

Sl. No.	Heads of revenue	Cases pending as on 31 March 2001	Cases detected during 2001-2002	Number of cases in which assessments/ investigations completed and demand raised		Number of cases pending as on 31 March 2002
				No. of cases	Amount of demand (Rs. in crore)	
1	Sales Tax	734	267	286	118.89	715
2	Stamp Duty and Registration Fees	4,01,665	18,123	1,12,809	97.13	3,06,979
3	Luxury Tax	14	33	41	0.04	6

### **1.9 Results of audit**

Test check of records of Sales Tax, Land Revenue, Motor Vehicles Tax and other departmental offices conducted during the year 2001-2002 revealed under-assessments/short levy/loss of revenue aggregating Rs.1,027.01 crore in 1,939 cases. During the year the concerned departments accepted under-assessments etc. of Rs.75.40 crore (1,054 cases) and recovered Rs.23.89 crore (985 cases), of which Rs.0.37 crore (46 cases) was pointed out during 2001-2002 and the rest in earlier years.

This Report contains 45 paragraphs including 3 reviews involving Rs.676.23 crore which illustrate some of the major points noticed in audit. Of these, the departments accepted audit observations amounting to Rs.29.51 crore and recovered Rs.0.52 crore. The departments did not accept audit observations involving an amount of Rs.1.18 crore but their contentions were found to be at variance with the facts or legal position. These have been commented upon in the relevant paragraphs.

### **1.10 Outstanding inspection reports and audit observations**

(i) Audit observations on assessments, collection and accounting of receipts and defects noticed during local audit are communicated to the heads of offices and the departmental authorities through audit inspection reports. More important irregularities are also reported to the heads of departments and to the Government.

The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 2001, which were pending settlement by the departments as on 30 June 2002 alongwith corresponding figures for the preceding two years are given below:



	As at the end of June		
	2000	2001	2002
Number of outstanding Inspection Reports	3,303	3,667	3,934
Number of outstanding audit observations	8,600	9,191	9,849
Amount of receipts involved (Rs. in crore)	872.69	1,182.57	1,721.18

The departments (Revenue, Information, Broadcasting and Tourism, Finance, Home, Industries and Mines and Forest department) have not furnished even first replies in respect of 256 Inspection Reports issued during 2001 involving revenue of Rs.265.19 crore.

(ii) Yearwise break-up of the outstanding Inspection Reports and audit observations as on 30 June 2002 is as given below:

Year in which Inspection Reports were issued	Number of outstanding		Amount of receipts involved (Rupees in crore)
	Inspection Reports	Audit observations	
Upto 1998-99	2,709	6,750	695.79
1999-2000	505	1,043	157.06
2000-2001	401	1,007	366.34
2001-2002	319	1,049	501.99
<b>Total</b>	<b>3,934</b>	<b>9,849</b>	<b>1,721.18</b>

The above position was brought to notice of Secretaries to Government in the concerned departments from time to time.