

## CHAPTER-1 : GENERAL

### 1.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Himachal Pradesh during the year 2006-07, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

| Sr. No.     | Particulars                                   | 2002-03         | 2003-04         | 2004-05         | 2005-06         | 2006-07             |
|-------------|---|-----------------|-----------------|-----------------|-----------------|---------------------|
| <b>I.</b>   | <b>Revenue raised by the State Government</b> |                 |                 |                 |                 |                     |
|             | • Tax revenue                                 | 889.57          | 984.33          | 1,251.88        | 1,497.02        | 1,656.38            |
|             | • Non tax revenue                             | 175.49          | 291.76          | 610.77          | 689.67          | 1,336.85            |
|             | <b>Total</b>                                  | <b>1,065.06</b> | <b>1,276.09</b> | <b>1,862.65</b> | <b>2,186.69</b> | <b>2,993.23</b>     |
| <b>II.</b>  | <b>Receipts from Government of India</b>      |                 |                 |                 |                 |                     |
|             | • State's share of divisible Union taxes      | 345.60          | 449.54          | 537.32          | 493.26          | 629.16 <sup>@</sup> |
|             | • Grants in aid                               | 2,248.09        | 2,255.29        | 2,234.54        | 3,878.67        | 4,212.83            |
|             | <b>Total</b>                                  | <b>2,593.69</b> | <b>2,704.83</b> | <b>2,771.86</b> | <b>4,371.93</b> | <b>4,841.99</b>     |
| <b>III.</b> | <b>Total receipts of the State</b>            | <b>3,658.75</b> | <b>3,980.92</b> | <b>4,634.51</b> | <b>6,558.62</b> | <b>7,835.22</b>     |
| <b>IV.</b>  | <b>Percentage of I to III</b>                 | <b>29</b>       | <b>32</b>       | <b>40</b>       | <b>33</b>       | <b>38</b>           |

<sup>@</sup> For details, please see "Statement No.11-detailed accounts of revenue by minor heads" in the Finance Accounts of Government of Himachal Pradesh for the year 2006-07. Figures under the major head "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" and "0045-other taxes and duties on commodities and services- 901 share of net proceeds assigned to States" booked in the Finance Accounts under A-tax revenue have been excluded from the revenue raised by the State Government and included in State's share of divisible Union taxes.

**1.1.1** The details of tax revenue raised during the year 2006-07 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

| Sr. No. | Head of revenue                                    | 2002-03       | 2003-04                   | 2004-05                     | 2005-06                     | 2006-07                     | Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06 |
|---------|--|---------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| 1.      | Taxes on sales, trade etc.                         | 383.34        | 436.75                    | 542.37                      | 726.98                      | 914.45                      | (+) 26   |
| 2.      | State excise                                       | 273.42        | 280.12                    | 299.90                      | 328.97                      | 341.86                      | (+) 4  |
| 3.      | Stamps and registration fees                       | 37.40         | 52.37                     | 75.34                       | 82.43                       | 92.47                       | (+) 12   |
| 4.      | Taxes and duties on electricity                    | 0.25          | 16.67                     | 88.00                       | 89.29                       | 30.43                       | (-) 66   |
| 5.      | Taxes on vehicles                                  | 81.98         | 78.37                     | 107.82                      | 101.51                      | 106.35                      | (+) 5  |
| 6.      | Taxes on goods and passengers                      | 31.45         | 33.96                     | 38.32                       | 42.61                       | 50.22                       | (+) 18   |
| 7.      | Other taxes and duties on commodities and services | 77.13         | 86.98 <sup>x</sup>        | 97.54 <sup>@</sup>          | 124.10 <sup>*</sup>         | 118.65 <sup>#</sup>         | (-) 4  |
| 8.      | Land revenue                                       | 4.60          | 0.84                      | 2.30                        | 1.09                        | 1.91                        | (+) 75   |
|         | <b>Total</b>                                       | <b>889.57</b> | <b>986.06<sup>x</sup></b> | <b>1,251.59<sup>@</sup></b> | <b>1,496.98<sup>*</sup></b> | <b>1,656.34<sup>#</sup></b> | <b>(+) 11</b>  |

There was significant variation in receipts under the following heads and the reasons therefor as reported by the concerned departments were as under:

**Taxes on sales, trade etc:** The increase was mainly due to increase in receipts of petrol, diesel, aviation turbine fuel, cement, tyres and tubes, medicines, electric items etc., increase in price of goods and impact of frequent checking by field staff/ flying squad.

**Stamps and registration fees:** The increase was mainly due to increase in the market value of land, more sale of land for industries, registration of more documents and sale of stamps.

**Taxes and duties on electricity:** The decrease was due to deposit of electricity duty pertaining to the year 2006-07 in next year.

**Other taxes and duties on commodities and services:** The decrease was mainly due to withdrawal of professional tax with effect from November 2005.

**Land revenue:** The increase was mainly due to more receipts on account of sale proceeds of waste land and recovery of overpayment.

<sup>x</sup> includes Rs.1.73 crore on account of share of net proceeds assigned to State

<sup>@</sup> excludes Rs.(-) 0.29 crore on account of share of net proceeds assigned to State

<sup>\*</sup> excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

<sup>#</sup> excludes Rs.(-) 0.04 crore on account of share of net proceeds assigned to State

**1.1.2** The details of major non tax revenue raised during the year 2006-07 alongwith figures for the preceding four years are given below:

(Rupees in crore)

| Sr. No.      | Head of revenue   | 2002-03       | 2003-04       | 2004-05       | 2005-06       | 2006-07         | Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06 |
|--------------|---|---------------|---------------|---------------|---------------|-----------------|--|
| 1.           | Interest receipts   | 9.97          | 11.35         | 42.77         | 49.29         | 87.18           | (+) 77   |
| 2.           | Other non tax receipts                                      | 66.21         | 101.51        | 89.59         | 151.41        | 122.84          | (-) 19   |
| 3.           | Forestry and wild life                                      | 31.52         | 76.93         | 102.17        | 149.63        | 45.55           | (-) 70   |
| 4.           | Non ferrous, mining and metallurgical industries            | 35.46         | 36.84         | 38.42         | 42.90         | 48.39           | (+) 13   |
| 5.           | Miscellaneous general services (including lottery receipts) | 2.81          | 1.81          | 1.86          | 2.13          | 73.86           | (+) 3368   |
| 6.           | Power   | (-)0.08       | 35.01         | 284.71        | 251.47        | 910.08          | (+) 262  |
| 7.           | Major and medium irrigation                                 | 0.06          | 0.06          | 0.09          | 0.44          | 0.21            | (-) 52   |
| 8.           | Medical and public health                                   | 3.10          | 3.36          | 3.70          | 5.31          | 5.38            | (+) 1  |
| 9.           | Co-operation  | 1.68          | 1.44          | 1.64          | 1.68          | 7.28            | (+) 333  |
| 10.          | Public works  | 6.82          | 7.54          | 9.08          | 12.07         | 16.50           | (+) 37   |
| 11.          | Police  | 7.87          | 8.08          | 7.74          | 8.98          | 8.45            | (-) 6  |
| 12.          | Other administrative services                               | 10.07         | 7.83          | 29.00         | 14.36         | 11.13           | (-) 22   |
| <b>Total</b> |   | <b>175.49</b> | <b>291.76</b> | <b>610.77</b> | <b>689.67</b> | <b>1,336.85</b> | <b>(+) 94</b>  |

There was significant variation in receipts under the following heads and the reasons therefor as reported by the concerned departments were as under:

**Forestry and wild life:** The decrease was due to deposit of some amount on account of compensatory afforestation in CAMPA fund and less receipts from Himachal Pradesh State Forest Corporation.

**Non ferrous, mining and metallurgical industries:** The increase was mainly due to more exploitation/production of minor and major minerals.

**Miscellaneous general services:** The increase was mainly due to adjustment of debt waiver on the recommendation of the Twelfth Finance Commission.

**Power:** The increase was mainly due to receipt of royalty from different projects, sale of electricity (received free of cost) through M/s Power Trading Corporation India Ltd. at higher rates and decrease in rate of sale of electricity in 2005-06 as compared to this year.

**Co-operation:** The increase was due to reimbursement of grant in aid by National Co-operative Development Corporation, New Delhi and conversion of receipts of capital investment as revenue receipts.

**Public works:** The increase was due to receipt of more money under deposit works on account of construction of buildings from other departments of State Government etc.

The reasons for variations, though called for from other departments, were awaited (September 2007).

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

Variation between the budget estimates and actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)

| Sr. No. | Head of revenue                                    | Budget estimates | Actual receipts | Variations excess(+) or shortfall (-) | Percentage of variation |
|---------|--|------------------|-----------------|---------------------------------------|-------------------------|
| 1.      | Taxes on sales, trade etc.                         | 780.00           | 914.45          | (+) 134.45                            | (+) 17                  |
| 2.      | State excise                                       | 330.00           | 341.86          | (+) 11.86                             | (+) 4                   |
| 3.      | Taxes on goods and passengers                      | 40.00            | 50.22           | (+) 10.22                             | (+) 26                  |
| 4.      | Taxes on vehicles                                  | 110.00           | 106.35          | (-) 3.65                              | (-) 3                   |
| 5.      | Other taxes and duties on commodities and services | 105.05           | 118.65          | (+) 13.60                             | (+) 13                  |
| 6.      | Stamps and registration fees                       | 86.95            | 92.47           | (+) 5.52                              | (+) 6                   |
| 7.      | Taxes and duties on electricity                    | 52.00            | 30.43           | (-) 21.57                             | (-) 41                  |
| 8.      | Land revenue                                       | 1.68             | 1.91            | (+) 0.23                              | (+) 14                  |
| 9.      | Industries   | 5.06             | 24.68           | (+) 19.62                             | (+) 388                 |
| 10.     | Forestry and wild life                             | 98.02            | 45.55           | (-) 52.47                             | (-) 54                  |
| 11.     | Interest receipts                                  | 12.19            | 87.18           | (+) 74.99                             | (+) 615                 |
| 12.     | Education, sports, art and culture                 | 37.46            | 42.33           | (+) 4.87                              | (+) 13                  |
| 13.     | Crop husbandry (including horticulture)            | 4.68             | 4.00            | (-) 0.68                              | (-) 15                  |
| 14.     | Non ferrous, mining and metallurgical industries   | 36.99            | 48.39           | (+) 11.40                             | (+) 31                  |
| 15.     | Housing  | 2.26             | 2.01            | (-) 0.25                              | (-) 11                  |
| 16.     | Fisheries  | 0.91             | 0.74            | (-) 0.17                              | (-) 19                  |
| 17.     | Water supply and sanitation                        | 18.58            | 13.39           | (-) 5.19                              | (-) 28                  |
| 18.     | Police   | 8.84             | 8.45            | (-) 0.39                              | (-) 4                   |
| 19.     | Medical and public health                          | 4.78             | 5.38            | (+) 0.60                              | (+) 13                  |
| 20.     | Stationery and printing                            | 3.44             | 3.76            | (+) 0.32                              | (+) 9                   |
| 21.     | Public works                                       | 9.54             | 16.50           | (+) 6.96                              | (+) 73                  |
| 22.     | Animal husbandry                                   | 0.39             | 0.41            | (+) 0.02                              | (+) 5                   |
| 23.     | Power  | 400.00           | 910.08          | (+) 510.08                            | (+) 128                 |

The reasons for variation between budget estimates and actuals as reported by the concerned departments were as under:

**Taxes on goods and passengers:** The increase was mainly due to receipts on account of more transportation of iron and plastic goods, increase in the number of vehicles, detection of tax evasion cases and recovery of outstanding amounts.

**Other taxes and duties on commodities and services:** The increase in receipts was due to heavy tourist flow in the state, more cash crops, more transportation of forest produce and vegetables etc. as compared to last year.

**Taxes and duties on electricity:** The decrease was due to late deposit of electricity duty dues during the year 2006-07 by the Himachal Pradesh State Electricity Board.

**Land revenue:** The increase was due to more receipt on account of sale of kishan pass book.

**Education, sports, art and culture:** The increase in receipts under 'Education' sector was mainly due to more receipt of application fee from private educational institutions/ university/ training colleges etc. and more money under Sarv Shiksha Abhiyan.

**Crop husbandry:** The decrease under 'Agriculture' sector was mainly due to less production of wheat and potato seeds in agriculture farms whereas under 'Horticulture' sector decrease was due to less production of fruits/ fruit products/plants in government nurseries/orchards and consequently decrease in sales thereof.

**Fisheries:** The decrease was due to shortfall in production of fish in Gobindsagar and Pong dam reservoir, less receipt of compensation and consequently less sale of fish and fish seed.

**Water supply and sanitation:** The decrease was mainly due to providing of more provisions in budget estimates during the year by Finance Department.

### 1.3 Analysis of collection

Breakup of total collections at pre assessment stage and after regular assessment of state excise, taxes on sales and trade, passengers and goods tax and other taxes and duties on commodities and services during the year 2006-07 and the corresponding figures for the preceding two years, as furnished by the Excise and Taxation Department is given below:

(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                           |
| State excise                                       | 2004-05 | 299.15                                   | --  | 1.12   | 0.37            | 299.90              | 100                         |
|  | 2005-06 | 326.85                                   | --  | 2.26   | 0.14            | 328.97              | 99                          |
|  | 2006-07 | 341.33                                   | --  | 1.62   | 1.09            | 341.86              | 100                         |
| Taxes on sales, trade etc.                         | 2004-05 | 520.14                                   | 15.40   | 8.11   | 1.28            | 542.37              | 96                          |
|  | 2005-06 | 711.10                                   | 10.20   | 6.03   | 0.35            | 726.98              | 98                          |
|  | 2006-07 | 898.73                                   | 9.28  | 6.74   | 0.30            | 914.45              | 98                          |
| Taxes on goods and passengers                      | 2004-05 | 35.44                                    | 1.58  | 1.30   | #               | 38.32               | 92                          |
|  | 2005-06 | 40.47                                    | 1.07  | 1.09   | 0.02            | 42.61               | 95                          |
|  | 2006-07 | 47.76                                    | 1.04  | 1.42   | -- <sup>β</sup> | 50.22               | 95                          |
| Other taxes and duties on commodities and services | 2004-05 | 97.02                                    | 0.89  | 0.08   | 0.16            | 97.54 <sup>*</sup>  | 99                          |
|  | 2005-06 | 120.53                                   | 3.56  | 0.05   | --              | 124.10 <sup>ε</sup> | 97                          |
|  | 2006-07 | 118.06                                   | 0.69  | 0.03   | 0.09            | 118.65 <sup>α</sup> | 99                          |

# Rs. 13,850 only

<sup>β</sup> Rs.35,463 only

\* excludes Rs. (-)0.29 crore on account of share of net proceeds assigned to State

<sup>ε</sup> excludes Rs. (-)0.04 crore on account of share of net proceeds assigned to State

<sup>α</sup> excludes Rs. (-)0.04 crore on account of share of net proceeds assigned to State

It would be seen from the above that amount collected at pre assessment stage ranged between 95 per cent to 100 per cent during 2006-07.

**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 2004-05, 2005-06 and 2006-07 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 were as follows:

| (Rupees in crore) |  |         |            |                                      |   |   |
|-------------------|--|---------|------------|--------------------------------------|---|---|
| Sr No.            | Head of revenue                        | Year    | Collection | Expenditure on collection of revenue | Percentage of expenditure on collection | All India average percentage for the year 2005-06 |
| 1.                | Taxes on sales, trade etc.             | 2004-05 | 542.37     | 7.57                                 | 1.39                                    | 0.91  |
|                   |  | 2005-06 | 726.98     | 9.38                                 | 1.29                                    |   |
|                   |  | 2006-07 | 914.45     | 10.33                                | 1.13                                    |   |
| 2.                | State excise                           | 2004-05 | 299.90     | 4.19                                 | 1.39                                    | 3.40  |
|                   |  | 2005-06 | 328.97     | 4.24                                 | 1.29                                    |   |
|                   |  | 2006-07 | 341.86     | 3.86                                 | 1.13                                    |   |
| 3.                | Taxes on vehicle, goods and passengers | 2004-05 | 146.14     | 1.27                                 | 0.87                                    | 2.67  |
|                   |  | 2005-06 | 144.12     | 1.28                                 | 0.89                                    |   |
|                   |  | 2006-07 | 156.57     | 1.90                                 | 1.21                                    |   |
| 4.                | Stamps and registration fee            | 2004-05 | 75.34      | 2.02                                 | 2.68                                    | 2.87  |
|                   |  | 2005-06 | 82.43      | 1.22                                 | 1.48                                    |   |
|                   |  | 2006-07 | 92.47      | 2.24                                 | 2.42                                    |   |

It would be seen from the above that the cost of collection under taxes on sales, trade etc. was higher than the all India average.

**1.5 Collection of sales tax per assessee**

The collection of sales tax per assessee during the period 2002-03 to 2006-07 is mentioned as under:

| (Rupees in lakh) |                   |                   |                  |
|------------------|-------------------|-------------------|------------------|
| Year             | No. of assesseees | Sales tax revenue | Revenue/assessee |
| 2002-03          | 30,903            | 38,334            | 1.24             |
| 2003-04          | 33,840            | 43,675            | 1.29             |
| 2004-05          | 37,226            | 54,237            | 1.46             |
| 2005-06          | 39,486            | 72,698            | 1.84             |
| 2006-07          | 44,638            | 91,445            | 2.05             |

It would be seen that the revenue per assessee increased by 11 per cent during 2006-07.

**1.6 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs. 430.10 crore of which Rs.107.63 crore was outstanding for more than five years, as detailed in the following table:

(Rupees in crore)

| Sr. No. | Head of revenue                 | Amount outstanding as on 31 March 2007 | Amount outstanding for more than 5 years as on 31 March 2007 | Remarks  |
|---------|---------------------------------|--|--|--|
| 1.      | Taxes on sales, trade/vat etc.  | 99.29                                  | 27.14  | Arrears pertained to the years 1968-69 and onwards. Out of arrears of Rs. 99.29 crore, demands for Rs. 51.76 crore had been certified as arrears of land revenue. Recoveries amounting to Rs. 1.39 crore were stayed by the High Court/other judicial authorities. Recovery of Rs. 0.56 crore was held up due to rectification/ review of applications. Demands for Rs. 3.90 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs. 41.68 crore, called for in April 2007, had not been intimated (September 2007).   |
| 2.      | Forestry and wild life          | 72.61                                  | 27.37  | Out of arrears of Rs. 72.61 crore, the outstanding amounts relate to contractor agency: Rs. 3.87 crore; Himachal Pradesh State Forest Corporation: Rs. 68.67 crore and the balance Rs.0.07 crore relate to other Government departments. Period to which arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).  |
| 3.      | Taxes and duties on electricity | 80.93                                  | --   | The arrears were recoverable from Himachal Pradesh State Electricity Board.  |
| 4.      | Taxes on vehicles               | 90.54                                  | 29.13  | The arrears pertained to the year 1977 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).   |
| 5.      | Taxes on goods and passengers   | 13.65                                  | 9.32   | Arrears pertained to the year 1961-62 and onwards. Out of arrears of Rs. 13.65 crore, demands for Rs. 2.81 crore had been certified as recovery of land revenue. Recoveries amounting to Rs. 0.04 crore were stayed by the High Court/other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 10.80 crore, called for in April 2007, had not been intimated (September 2007).   |
| 6.      | Police                          | 17.66                                  | 6.33   | Arrears pertained to the years 1990-91 and onwards. Out of total arrears of Rs. 17.66 crore, the outstanding amounts relate to Bhakra and Beas Management Board: Rs. 11.03 crore; Nathpa Jhakri Power Corporation: Rs. 1.47 crore; railway authorities: Rs. 1.52 crore; civil aviation authority: Rs. 1.01 crore; Yamuna Hydel Project Khodri Majri and Cement Corporation of India, Rajban: Rs. 0.64 crore and National Hydro Electric Power Corporation: Rs. 0.85 crore. The remaining Rs.1.14 crore relates to other* departments/ institutions. For recovery of arrears pertaining to the Bhakra Beas Management Board and Yamuna Hydel Project, Khodri Majri, cases had been filed under Land Revenue Act. Further report had not been received (September 2007). |

\* All India Radio, Intelligence Bureau, United Commercial Bank, Shimla and Rohru, Punjab National Bank, Shimla, Mandi, Kinnaur and Punjab State Electricity Board, Patiala

**(Rupees in crore)**

| Sr. No.      | Head of revenue  | Amount outstanding as on 31 March 2007 | Amount outstanding for more than 5 years as on 31 March 2007 | Remarks   |
|--------------|--|--|--|---|
| 7.           | Water supply, sanitation and minor irrigation              | 35.17                                  | 0.98   | Arrears pertained to the years 1963-64 and onwards. Out of arrear of Rs.35.17 crore, Rs.34.17 crore relates to Municipal Corporation, Shimla, municipalities and notified area committees. The remaining arrears relating to minor irrigation and housing (Rs.1 crore) were recoverable through deputy commissioners of the districts and superintending engineers respectively. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007). |
| 8.           | State excise   | 7.41                                   | 4.13   | Arrears pertained to the year 1972-73 and onwards. Out of arrears of Rs. 7.41 crore, demands for Rs. 3.95 crore had been certified as recovery of land revenue. Recoveries amounting to Rs. 0.01 crore were stayed by the High Court and other judicial authorities. Demands for Rs. 0.05 crore were likely to be written off. Specific action taken in respect of remaining arrears of Rs.3.40 crore, called for in April 2007, had not been intimated (September 2007)..                      |
| 9.           | Other taxes and duties on commodities and services         | 3.46                                   | 0.09   | Arrears pertained to the years 1989-90 and onwards. Out of arrears of Rs.3.46 crore, demands for Rs. 1.68 crore had been certified as recovery of land revenue. Recoveries amounting to Rs.0.18 crore had been stayed by the High Court and other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 1.60 crore, called for in April 2007, had not been intimated (September 2007).   |
| 10.          | Industries (including village and small scale industries). | 5.02                                   | 1.02   | Arrears pertained to the years 1979-80 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).  |
| 11.          | Non ferrous, mining and metallurgical industries           | 3.20                                   | 2.12   | Arrears pertained to the years 1970-71 and onwards. Specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).  |
| 12.          | Land revenue   | 0.91                                   | Awaited  | Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).  |
| 13.          | Public works   | 0.25                                   | Awaited  | Period to which the arrears pertained and specific action taken to effect the recovery called for in April 2007 had not been intimated (September 2007).  |
| <b>Total</b> |  | <b>430.10</b>                          | <b>107.63</b>  |   |

### **1.7 Arrears in assessments**

The details of cases pending at the beginning of the year, 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 as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts was as follows:



| Head of revenue            | Opening balance | New cases due for assessment during 2006-07 | Total assessments due | Cases disposed of during 2006-07 | Balance at the end of the year | Percentage of column 5 to 4 |
|----------------------------|-----------------|---|-----------------------|----------------------------------|--------------------------------|-----------------------------|
| 1.                         | 2.              | 3.  | 4.                    | 5.                               | 6.                             | 7.                          |
| Taxes on sales, trade etc. | 1,01,179        | 32,832                                      | 1,34,011              | 61,251                           | 72,760                         | 46                          |
| Luxury tax                 | 1,501           | 1,203                                       | 2,704                 | 986                              | 1,718                          | 36                          |
| Tax on works contracts     | 3,311           | 1,020                                       | 4,331                 | 3,333                            | 998                            | 77                          |
| Motor spirit tax           | 8               | --  | 8                     | --                               | 8                              | --                          |

### 1.8 Evasion of tax

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

| Sr. No.      | Head of revenue                                    | Cases pending as on 31 March 2006 | Cases detected during 2006-07 | Total         | Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised |                                      | Number of cases pending finalisation as on 31 March 2007 |
|--------------|--|-----------------------------------|-------------------------------|---------------|--|--------------------------------------|--|
|              |  |                                   |                               |               | Number of cases  | Amount of demand (in lakh of rupees) |  |
| 1.           | Taxes on sales, trade etc.                         | 71                                | 6,744                         | 6,815         | 6,736  | 410.39                               | 79   |
| 2.           | State excise                                       | 6                                 | 404                           | 410           | 409  | 4.32                                 | 01   |
| 3.           | Passengers and goods tax                           | 910                               | 5,058                         | 5,968         | 5,166  | 94.96                                | 802  |
| 4.           | Other taxes and duties on commodities and services | 10                                | 2,009                         | 2,019         | 2,010  | 114.40                               | 09   |
| <b>Total</b> |  | <b>997</b>                        | <b>14,215</b>                 | <b>15,212</b> | <b>14,321</b>  | <b>624.07</b>                        | <b>891</b>   |

### 1.9 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2006-07 as reported by the department is given below:

(Rupees in crore)

| Sr. No. | Particulars                                     | Sales tax    |        | State excise |        |
|---------|---|--------------|--------|--------------|--------|
|         |   | No. of cases | Amount | No. of cases | Amount |
| 1.      | Claims outstanding at the beginning of the year | 21           | 0.23   | --           | --     |
| 2.      | Claims received during the year                 | 19           | 0.45   | 11           | 1.10   |
| 3.      | Refunds made during the year                    | 19           | 0.35*  | 10           | 1.09   |
| 4.      | Balance outstanding at the end of year          | 21           | 0.33   | 01           | 0.01   |

### **1.10 Results of audit**

Test check of the records of sales tax, state excise, taxes on vehicles, goods and passengers, forest receipts, other tax and non tax receipts conducted during the year 2006-07 revealed under assessments/short levy/loss of revenue amounting to Rs. 108.19 crore in 959 cases. During the course of the year 2006-07, the concerned departments accepted under assessments etc., of Rs. 66.77 crore involved in 1,329 cases, which had been pointed out in audit in earlier years.

This report contains 32 paragraphs including one review relating to non/short levy of tax, royalty, fees, interest and penalty etc. involving Rs. 82.38 crore. Departments/ Government accepted audit observations involving Rs. 61.28 crore of which Rs. 30.71 crore had been recovered upto July 2007. No replies have been received in other cases.

### **1.11 Failure of senior officials to enforce accountability and protect the interests of Government**

**1.11.1** Accountant General (Audit) (AG) arranges to conduct periodical inspection of Government departments to test check transactions and verify 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, IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The financial rules/orders of Government provide for prompt response by the executive to the IRs issued by the AG to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during inspection. The heads of offices and next higher authorities are required to comply with observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the head of the department by the AG. A half yearly report of pending reports is sent to the Financial Commissioner cum Secretary (Finance) in respect of pending IRs to facilitate monitoring of audit observations in the pending IRs.

\* Includes Rs.0.05 lakh deleted by AETC, Shimla

**1.11.2** The number of IRs and audit observations relating to revenue receipts issued during the last three years upto 31 December 2006, which were pending settlement by the departments as on 30 June 2005, 30 June 2006 and 30 June 2007 are given below:

| Particulars                                     | At the end of June |        |        |
|---|--------------------|--------|--------|
|   | 2005               | 2006   | 2007   |
| Number of IRs pending settlement                | 2,836              | 3,052  | 3,209  |
| Number of outstanding audit observations        | 6,821              | 7,135  | 7,586  |
| Amount of revenue involved (in crore of rupees) | 318.50             | 278.05 | 334.72 |

**1.11.3** Department wise breakup of the IRs and audit observations outstanding as on 30 June 2007 is given below:

| Sr. No.      | Department  | Number of outstanding |                    | Amount of audit observations raised (Rupees in crore) | Year to which observations relate | Number of IRs to which even first replies not received |
|--------------|---|-----------------------|--------------------|---|-----------------------------------|--|
|              |   | IRs                   | Audit observations |   |                                   |  |
| 1.           | Revenue   | 822                   | 1,563              | 10.52   | 1977-78 to 2005-06                | 63   |
| 2.           | Forest Farming and Conservation   | 554                   | 1,586              | 181.08  | 1970-71 to 2005-06                | 12   |
| 3.           | Excise and Taxation   | 805                   | 2,058              | 79.27   | 1973-74 to 2005-06                | 14   |
| 4.           | Transport   | 543                   | 1,565              | 26.13   | 1972-73 to 2005-06                | 25   |
| 5.           | Other departments (Irrigation and Public Health, Public Works, Agriculture, Horticulture, Co-operation, Food and Civil Supplies and Mining) | 485                   | 814                | 37.72   | 1976-77 to 2005-06                | 34   |
| <b>Total</b> |   | <b>3,209</b>          | <b>7,586</b>       | <b>334.72</b>   |                                   | <b>148</b>   |

The issue of outstanding IRs was brought to the notice of the Chief Secretary to Government in July 2007. It is recommended that Government may look into the matter and ensure that procedure exists for:

- action against officials who fail to send replies to IRs/ paragraphs as per the prescribed time schedule;
- action to recover loss in a time bound manner and;
- revamp the system to ensure proper response to audit observations by the department.

### **1.12 Departmental audit committees meetings**

In order to expedite settlement of outstanding audit observations contained in the IRs on revenue receipts of Government of Himachal Pradesh, departmental audit committees were to be constituted by Government, on the recommendations of the Finance Department. These committees were to be chaired by special secretary/additional/joint secretary of the concerned administrative department and attended by the head of the department/other concerned officer and the Deputy Accountant General from the office of the AG.

For expeditious clearance of outstanding audit observations, it is necessary that the audit committees meet annually and ensure that final action is taken on all outstanding audit observations. For the year 2006-07, eight out of 10 Government departments relating to revenue receipts, convened meeting of the audit committees. The matter relating to annual meeting in respect of remaining departments i.e. Excise and Taxation and Public Works was under correspondence. In the meetings, 26 paras were settled.

### **1.13 Response of the State Government to draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by AG to the principal secretaries/secretaries of the department concerned, drawing their attention to audit findings and requesting them to send their response within eight weeks. The fact of non receipt of replies from departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Thirty six draft paragraphs including one review (clubbed into 32 paragraphs) included in the report for the year ended 31 March 2007 were sent to the Principal Secretaries/Secretaries of the respective departments by name between February and May 2007. The Principal Secretaries/Secretaries of the departments did not send replies to 34 draft paragraphs despite issue of reminders (July 2007). These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the departments.

### **1.14 Follow up on Audit Reports- Summarised position**

The internal working system of the Public Accounts Committee, notified in December 2002, lays down that after the presentation of the Report of the Comptroller and Auditor General of India in the Vidhan Sabha, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by Government within three months of tabling the Report, for the consideration of the committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Report(s) were being delayed inordinately. Out of 139 paragraphs (including reviews) included in the Reports of

the Comptroller and Auditor General of India on revenue receipts of the Government of Himachal Pradesh for the years ended 31 March 2002, 2003, 2004 and 2005, action taken explanatory notes had not been received in respect of 31 paragraphs from three<sup>@</sup> departments.

### **1.15 Recovery of revenue of accepted cases**

During the years between 2001-02 and 2006-07, the departments/Government accepted audit observations involving Rs. 174.99 crore of which an amount of Rs. 84.89 crore was recovered as detailed below:

| Year of Audit Report | Total money value | Accepted money value | (Rupees in crore) |
|----------------------|-------------------|----------------------|-------------------|
|                      |                   |                      | Recovery made     |
| 2001-02              | 19.55             | 7.12                 | 5.89              |
| 2002-03              | 80.37             | 48.96                | 44.54             |
| 2003-04              | 107.31            | 38.20                | 1.59              |
| 2004-05              | 54.39             | 7.11                 | 1.88              |
| 2005-06              | 58.32             | 12.32                | 0.28              |
| 2006-07              | 82.38             | 61.28                | 30.71             |
| <b>Total</b>         | <b>402.32</b>     | <b>174.99</b>        | <b>84.89</b>      |

<sup>@</sup> 2003-04: Forest Farming and Soil Conservation

2004-05: Forest Farming and Soil Conservation, Revenue and Public Works Department