

CHAPTER 1 : GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by the Government of Madhya Pradesh 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)

Sl No.		2000-01	2001-02	2002-03	2003-04	2004-05
I.	Revenue raised by the State Government					
(a)	Tax Revenue	5,639.58	4,678.98	6,164.55	6,788.86	7,772.97
(b)	Non tax Revenue	1,724.33	1,601.68	1,635.48	1,479.82	4,461.86
	Total	7,363.91	6,280.66	7,800.03	8,268.68	12,234.83
II.	Receipt from the Government of India					
(a)	State's share of divisible Union taxes	3,955.51	3,439.30	3,728.73	4,247.14	5,076.68 ¹
(b)	Grants in aid	1,519.88	1,491.12	1,861.64	1,773.14	2,431.74
	Total	5,475.39	4,930.42	5,590.37	6,020.28	7,508.42
III.	Total receipts of the State	12,839.30	11,211.08	13,390.40	14,288.96	19,743.25
IV.	Percentage of I to III	57	56	58	58	62

¹ For details please see statement No.11 "Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2004-05. Figures under the head "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.

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

(Rupees in crore)

Sl. No.	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Per centage increase (+)/ decrease (-) in 2004-05 over 2003-04
1.	(a) Sales Tax (b) Central Sales Tax	2,766.57	2,360.74	2,906.20	3,293.26	3,912.01	(+) 18.79
2.	State Excise	974.94	704.68	890.32	1,085.89	1,192.36	(+) 9.80
3.	Stamps and Registration Fees	477.08	444.96	535.05	614.49	788.71	(+) 28.35
4.	Taxes and Duties on Electricity	447.91	268.19	801.26	697.06	707.18	(+) 1.45
5.	Taxes on Vehicles	405.90	393.33	428.64	454.92	488.65	(+) 7.41
6.	Taxes on goods and passengers	333.85	262.40	351.20	390.99	468.07	(+) 19.71
7.	Other Taxes on Income and Expenditure Tax on Professions, Trades, Callings and Employments	167.50	173.05	187.44	188.90	150.21	(-) 20.48
8.	Other Taxes and Duties on Commodities and Services	22.95	19.99	20.08	15.32	14.28	(-) 6.79
9.	Land Revenue	38.47	48.21	40.44	43.63	46.80	(+) 7.27
10.	Hotel Receipts	4.41	3.43	3.92	4.40	4.75	(+) 7.95
11.	Taxes on Immovable property other than Agriculture Land	-	-	-	-	(-) .05 ¹	
	Total	5,639.58	4,678.98	6,164.55	6,788.86	7,772.97	

¹ Due to deduct of Refund (As per Finance Account 2004-05)

Reasons for variations in receipts during 2004-05 compared to those of 2003-04 as intimated by the respective departments are given below:-

Sales Tax/Central Sales Tax: The increase of 18.79 *percent* was due to increase in rates of taxes on certain commodities under State Sales Tax Act.

Stamps & Registration Fees: The increase of 28.35 *percent* was due to abolition of exemption to Primary Housing Societies, prevention of misuse of rebate on Hypothecation, imposition of duty on rental amount, increase in rate on women's share.

Taxes on goods and passengers: The increase of 19.71 *percent* was due to increase in rates of entry tax on goods entered into local area and normal growth in revenue.

Reason for variation in respect of other departments though called for have not been received (December 2005).

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

(Rupees in crore)

Sl. No.	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage increase (+)/ decrease (-) in 2004-05 over 2003-04
1.	2.	3.	4.	5.	6.	7.	8.
1.	Interest Receipts	184.56	246.59	32.05	19.22	25.90	(+) 34.76
2.	Dairy development	0.04	--	--	--	--	--
3.	Other Non Tax Receipts	208.14	237.68	249.32	144.57	157.48	(+) 8.93
4.	Forestry and Wild life	372.56	306.45	497.30	496.75	559.11	(+) 12.55
5.	Non ferrous Mining and Metallurgical Industries	721.04	528.39	590.69	646.71	733.72	(+) 13.45
6.	Miscellaneous general services (including lottery receipts)	75.17	141.03	120.94	22.92	79.61	(+) 247.34
7.	Power	0.28	0.05	0.24	0.12	2,749.49	(+) 2291141.67
8.	Major and Medium Irrigation	47.17	39.15	24.64	37.80	37.92	(+) 0.32
9.	Medical and Public Health	8.76	16.14	20.36	10.98	16.76	(+) 52.64
10.	Co-operation	16.79	13.23	14.45	15.60	17.92	(+) 14.87
11.	Public Works	21.84	6.75	8.57	9.09	9.94	(+) 9.35
12.	Police	32.95	42.49	39.23	24.99	23.23	(-) 7.04
13.	Other Administrative Services	35.03	23.73	37.69	51.07	50.78	(-) 0.57
	Total	1,724.33	1,601.68	1,635.48	1,479.82	4,461.86	(+) 201.51

Reasons for variations in receipts during 2004-05 compared to those of 2003-04 as intimated by the respective departments are given below:

Miscellaneous and General Services: The increase of 247.34 percent was due to more receipts under the head unclaimed deposits.

Forestry and wild life: The increase of 12.55 percent was due to increase in rates on Tendu leaves.

Power: The increase of 2291141.67 percent was due to implementation of recommendations of Ahluwalia Committee.

Non ferrous Mining and Metallurgical Industries: The increase of 13.45 percent was due to more receipts under the head other Receipts.

Reasons for variations in respect of other departments though called for have not been received. (December 2005).

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	Variation excess (+) or shortfall (-)	Percentage of variation
A.	Tax Revenue				
1.	Sales Tax	3,960.00	3,912.01	(-) 47.99	1.21
2.	State Excise	1,213.06	1,192.36	(-) 20.70	1.71
3.	Stamp and Registration Fees	678.05	788.71	(+) 110.66	16.32
4.	Taxes and Duties on Electricity	740.95	707.18	(-) 33.77	4.56
5.	Land Revenue	61.38	46.80	(-) 14.58	23.75
B.	Non Tax Revenue				
1.	Forestry and Wildlife	450.00	559.11	(+) 109.11	24.25
2.	Non ferrous mining and metallurgical Industries	710.32	733.72	(+) 23.40	3.29
3.	Co-operation	11.33	17.92	(+) 6.59	58.16

The reasons for substantial variation between budget estimates and actuals, though called for, have not been received from the departments (December 2005).

1.3 Cost of Collection

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

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2003-04
1.	Sales Tax	2002-03	2,906.21	41.14	1.42	1.15
		2003-04	3,293.26	50.84	1.54	
		2004-05	3,912.01	45.06	1.15	
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2002-03	779.84	14.71	1.89	2.57
		2003-04	845.91	16.27	1.92	
		2004-05	956.72	11.87	1.24	
3.	State Excise	2002-03	890.32	106.28	11.94	3.81
		2003-04	1,085.89	226.27	20.84	
		2004-05	1,192.36	230.92	19.37	
4.	Stamp Duty and Registration Fee	2002-03	535.05	56.48	10.56	3.66
		2003-04	614.49	60.37	9.82	
		2004-05	788.71	75.28	9.54	

1.4 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assessee	Sales Tax revenue ²	Revenue/assessee
2000-01	1,53,735	2,272.42	0.015
2001-02	2,10,104	2,393.44	0.011
2002-03	2,24,298	2,923.62	0.013
2003-04	2,23,157	3,370.75	0.015
2004-05	2,33,672	3,977.88	0.017

² Figures furnished by Department varies with Finance Account figures

During the year 2003-04, revenue was increased by Rs.447.13 crore despite decrease of dealers/assesseees where as the revenue in 2004-05 increased by Rs.607.13 crore only inspite of increase of dealers/assesseees. The reason for non-increase in revenue has been called for from the department which is awaited. (December 2005)

1.5 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.1,105.92 crore of which Rs.67.84 crore (excluding Transport Department, Commercial Tax Department) was outstanding for more than five 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
1.	Taxes on vehicle	37.84	Not furnished
2.	State Excise	54.24	35.99
3.	Taxes & Duties on Electricity	27.96	7.21
4.	Sales Tax	766.89	Not furnished
5.	Non ferrous mining and metallurgical industries	153.04 (Rs.130.53 crore was disputed)	11.54 (Rs.2.26 crore was disputed)
6.	Co-operation	9.20	4.18
7.	Stamp Duty and Registration Fees	56.75	8.92
	Total	1,105.92	67.84

Amount outstanding for more than five years was not furnished by Commercial Tax Department & Transport Department. Rs.130.53 crore out of Rs.153.04 crore was disputed amount which is 85.29 percent (Mining Department). It indicates the Control weakness of the department.

1.6 Arrears in assessment

The details of cases pending assessment 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 2004-05 as furnished by the Sales Tax

Department in respect of Sales Tax, Profession Tax, Purchase Tax on Sugar cane *, Entry Tax, Lease Tax*, Luxury Tax and Tax on Works contracts etc. are given below:-

Name of Tax		Opening Balance	New cases due for assessment during the year	Total assessment due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 5 to 4
(1)		(2)	(3)	(4)	(5)	(6)	(7)
Finance Department							
Sales Tax	2003-04	2,59,313	3,23,197	5,82,510	2,96,147	2,86,363	50.84
	2004-05	2,86,363	3,26,262	6,12,625	3,31,915	2,80,710	54.18
Profession Tax	2003-04	83,576	99,390	1,82,966	94,912	88,054	51.87
	2004-05	88,054	1,32,834	2,20,888	1,04,411	1,16,477	47.27
Entry Tax	2003-04	1,36,509	1,97,180	3,33,689	1,73,980	1,59,709	52.14
	2004-05	1,59,709	1,98,356	3,58,065	1,98,508	1,59,557	55.44
Luxury Tax	2003-04	471	681	1,152	713	439	61.89
	2004-05	439	755	1,194	725	469	60.72
Tax on Works contracts	2003-04	1,201	883	2,084	1,028	1,056	49.33
	2004-05	1,056	5,898	6,954	3,747	3,207	53.88
Total	2003-04	4,81,070	6,21,331	11,02,401	5,66,780	5,35,621	51.41
	2004-05	5,35,621	6,64,105	11,99,726	6,39,306	5,60,420	53.29

The above position indicate the downfall in percentage disposal of cases in Profession Tax and luxury Tax.

1.7 Evasion of Tax

The details of cases of evasion of tax detected by the sales tax and state excise departments, cases finalised and the demands for additional tax raised as reported by the departments are given below:-

* *Figures are nil*

(Rupees in crore)

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	
1.	Sales Tax	150	136	286	107	94.79	179
2.	State Excise	1304	2,919	4,223	2,851	0.09	1,372

1.8 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	State Excise		Sales Tax		Works Contract	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	158	0.94	855	56.26	58	4.18
2.	Claims received during the year	183	2.01	6,942	645.93	533	24.65
3.	Refunds made during the year	24	0.21	6,437	546.61	531	25.84
4.	Balance outstanding at the end of the year	317	2.74	1,360	155.58	60	2.99

1.9 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamp and registration fee, 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.992.36 crore in 1,31,736 cases. During the course of the year the departments accepted underassessment and other losses of Rs.319.03 crore in 1,22,867 cases pointed out in 2004-05 and earlier years. No replies have been received in respect of the remaining cases.

This Report contains 38 paragraphs including one review relating to non/short levy of taxes, duties, interest and penalties etc. involving Rs.41.96 crore. The departments/Government accepted audit observations involving Rs.13.24 crore out of which Rs.27.70 lakh has been recovered upto August 2005. In respect of observations not accepted by the Department, gist of reasons for Departments' non acceptance has been included in the related paragraph itself alongwith suitable rebuttal. However, replies from the Government had not been received (December 2005).

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

Accountant General (Works & Receipt Audit) Madhya Pradesh conducts periodical inspection of Government departments to test check transactions and verify the maintenance of important accounting and other records as prescribed in rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities etc. detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks from the dates of issue of the IRs. Serious financial irregularities are reported to the heads of the department and to the Government.

Inspection Reports (IRs) issued upto December 2004, pertaining to various offices of commercial tax, land revenue, registration and other departments under Government of Madhya Pradesh disclosed that 20,146 paragraphs relating to 6,085 IRs remained outstanding since 1980-81 to the end of December 2004. Department wise position of the outstanding IRs and paragraphs was as under:-

(Rupees in crore)

S. No.	Department	No. of IRs	No. of Para	Amount
1.	Commercial Tax	898	5,019	381.64
2.	Land Revenue	1,484	3,830	1,174.08
3.	Excise	365	1,247	550.55
4.	Entertainment	156	226	4.16
5.	Mining	224	698	566.41
6.	M.V.T.	257	1,572	306.81
7.	Electricity	80	251	175.58
8.	Registration and Stamp duty	886	1,999	75.63
9.	D.R.A.P. (PWD Irrigation PHE)	1,103	3,670	397.43
10.	Forest	632	1,634	868.54
	Total	6,085	20,146	4,500.83

A review of the IRs which were pending due to non receipt of replies, in respect of Commercial Tax, Land Revenue and Registration Department revealed that the head of the offices and the heads of the departments did not send reply to a large number of IRs/paragraphs, indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out by audit in the IRs. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half yearly reports, also did not ensure that the concerned officers of the Department take prompt and timely action.

Inaction against the defaulting officers facilitated the continuance of financial irregularities and loss to the Government, though these were pointed out in audit. It is recommended that Government may re examine the procedure for action against the officials who failed to send replies to IRs/paragraphs within the prescribed time schedule, take action to recover loss/outstanding advances/overpayments in a time bound manner and revamp the system to ensure proper response to the audit observations by the departments.

1.11 Response of the departments to the draft audit paragraphs

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

Draft paragraphs included in this Report were sent to the Principal Secretaries/Secretaries of the respective departments by name. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs. These paragraphs have been included in this Report without the response of the Principal Secretaries/Secretaries of the departments.

1.12 Follow up on Audit Report

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2004 (Revenue Receipts) was laid on the table of Vidhan Sabha on 01 August 2005. Reports upto the year 1999-2000 have been discussed.

The Audit Reports for the period 2000-01 to 2002-03 have been discussed partially and partial recommendations of Public Accounts Committee (PAC) have been received. Action taken reports (ATN) on the PAC recommendations upto 1992-93 have been received. In respect of Audit Report 1993-94 & onwards, ATNs have not been received from eight departments.