

CHAPTER 1 : GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Madhya Pradesh during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given below :

(Rupees in crore)

Sl No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
(a)	• Tax Revenue	4,678.98	6,164.55	6,788.86	7,772.97	9,114.70
(b)	• Non tax Revenue	1,601.68	1,635.48	1,479.82	4,461.86	2,208.20
	Total	6,280.66	7,800.03	8,268.68	12,234.83	11,322.90
II.	Receipt from Government of India					
(a)	• State's share of divisible Union taxes	3,439.30	3,728.73	4,247.14	5,076.68 ¹	6,341.35
(b)	• Grants in aid	1,491.12	1,861.64	1,773.14	2,431.74	2,932.54
	Total	4,930.42	5,590.37	6,020.28	7,508.42	9,273.89
III.	Total receipts of the State	11,211.08	13,390.40	14,288.96	19,743.25	20,596.79
IV.	Percentage of I to III	56	58	58	62	55

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 2005-06. 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 2005-06 alongwith the figures for the preceding four years are given below:-

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Per centage increase (+)/ decrease (-) in 2005-06 over 2004-05
1.	● Sales Tax ● Central Sales Tax	2,360.74	2,906.20	3,293.26	3,912.01	4,508.42	(+) 15.25
2.	State Excise	704.68	890.32	1,085.89	1,192.36	1370.38	(+) 14.93
3.	Stamp duty and Registration Fees	444.96	535.05	614.49	788.71	1,009.48	(+) 27.99
4.	Taxes and Duties on Electricity	268.19	801.26	697.06	707.18	842.27	(+) 19.10
5.	Taxes on Vehicles	393.33	428.64	454.92	488.65	556.02	(+) 13.79
6.	Taxes on goods and passengers	262.40	351.20	390.99	468.07	578.58	(+) 23.61
7.	Other Taxes on Income and Expenditure Tax on Professions, Trades, Callings and Employments	173.05	187.44	188.90	150.21	153.08	(+) 1.91
8.	Other Taxes and Duties on Commodities and Services	19.99	20.08	15.32	14.28	14.15	(-) 0.91
9.	Land Revenue	48.21	40.44	43.63	46.80	77.16	(+) 64.87
10.	Hotel Receipts	3.43	3.92	4.40	4.75	5.37	(+) 13.05
11.	Taxes on Immovable property other than Agriculture Land	-	-	-	(-) .05 ²	(-) 0.21 ³	
	Total	4,678.98	6,164.55	6,788.86	7,772.97	9,114.70	

Reasons for variations in receipts during 2005-06 compared to those of 2004-05 as intimated by the respective departments are given below:-

Stamp duty & Registration Fees: The increase of 27.99 percent was due to registration of more document during the year as compared to 2004-05.

² Due to deduct of Refund (As per Finance Accounts 2004-05)

³ Due to deduct of Refund (As per Finance Accounts 2005-06)

Reasons for variations in respect of other departments though called for have not been received (January 2007).

1.1.3 The details of major non tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage increase (+)/ decrease (-) in 2005-06 over 2004-05
1.	2.	3.	4.	5.	6.	7.	8.
1.	Interest Receipts	246.59	32.05	19.22	25.90	527.20	(+) 1935.52
2.	Other Non Tax Receipts	237.68	249.32	144.57	157.48	151.94	(-) 3.52
3.	Forestry and Wild life	306.45	497.30	496.75	559.11	490.40	(-) 12.29
4.	Non ferrous Mining and Metallurgical Industries	528.39	590.69	646.71	733.72	815.31	(+) 11.12
5.	Miscellaneous general services (including lottery receipts)	141.03	120.94	22.92	79.61	21.30	(-) 73.24
6.	Power	0.05	0.24	0.12	2,749.49	0.08	(-) 100
7.	Major and Medium Irrigation	39.15	24.64	37.80	37.92	29.57	(-) 22.02
8.	Medical and Public Health	16.14	20.36	10.98	16.76	11.73	(-) 30.01
9.	Co-operation	13.23	14.45	15.60	17.92	14.23	(-) 20.59
10.	Public Works	6.75	8.57	9.09	9.94	53.08	(+) 434.00
11.	Police	42.49	39.23	24.99	23.23	26.16	(+) 12.61
12.	Other Administrative Services	23.73	37.69	51.07	50.78	67.20	(+) 32.34
	Total	1,601.68	1,635.48	1,479.82	4,461.86	2,208.20	

Reasons for variations in receipts during 2005-06 compared to those of 2004-05 as intimated by the respective departments are given below:

Interest Receipts:- The increase was due to receipt of Rs.464.06 crore from MPSEB under the head "Interest Receipts".

Forestry and wild life: The decrease of 12.29 percent was due to short fall in production due to area submerged in Narmada Dam and activities of *Naxalities*.

Non ferrous Mining and Metallurgical Industries: The increase of 11.12 percent was due to re allotment of work of minor mineral mines to Department.

Power: The decrease of 100 per cent was due to increase in receipts of last year by adjustments of assistance to MPSEB.

Reasons for variations in respect of other departments though called for have not been received (January 2007).

1.2 Variations between Budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2005-06 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	4,676.00	4,508.42	(-) 167.58	(-) 3.58
2.	State Excise	1,300.00	1,370.38	(+) 70.38	(+) 5.41
3.	Stamp duty and Registration Fees	830.00	1,009.48	(+) 179.48	(+) 21.62
4.	Taxes and Duties on Electricity	760.35	842.27	(+) 81.92	(+) 10.77
5.	Land Revenue	85.55	77.16	(-) 8.39	(-) 9.81
B.	Non Tax Revenue				
1.	Forestry and Wildlife	422.00	490.40	(+) 68.4	(+) 16.21
2.	Non ferrous mining and metallurgical Industries	800.00	815.31	(+) 15.31	(+) 1.91
3.	Co-operation	11.65	14.23	(+) 2.58	(+) 22.15

The reasons for substantial variation between budget estimates and actuals, though called for, have not been received from the departments (January 2007).

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

2003-04, 2004-05 & 2005-06 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as below:-

(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 2004-05
1.	2.	3.	4.	5.	6.	7.
1.	Sales Tax	2003-04	3,293.26	50.84	1.54	0.95
		2004-05	3,912.01	45.06	1.15	
		2005-06	4,508.42	50.41	1.12	
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2003-04	845.91	16.27	1.92	2.74
		2004-05	956.72	11.87	1.24	
		2005-06	1,134.60	19.35	3.47	
3.	State Excise	2003-04	1,085.89	226.27	20.84	3.34
		2004-05	1,192.36	230.92	19.37	
		2005-06	1,370.38	289.53	21.13	
4.	Stamp Duty and Registration Fee	2003-04	614.49	60.37	9.82	3.44
		2004-05	788.71	75.28	9.54	
		2005-06	1,009.48	28.84	2.86	

The increase under the head "State Excise" was due to inclusion of purchase of liquor and spirit in the cost of collection. Expenditure on collection under sales tax and taxes on vehicles and taxes on goods and passengers is also marginally high as compared to national average. Reasons for the same though called for from department has not been received (January 2007).

1.4 Collection of sales tax per assessee

According to information furnished by Commercial Tax Department sales tax collection per assessee during last five years was as under:

(Rupees in crore)

Year	No. of assessee	Sales Tax revenue ⁴	Revenue/assessee
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
2005-06	2,41,000	5,302.25	0.022

⁴ Figures furnished by Department varies with Finance Account figures

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.966.56 crore of which Rs.81.80 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 2006	Amount outstanding for more than 5 years as on 31 March 2006
1	2.	3.	4.
1.	Taxes on vehicle	33.83	Not furnished
2.	State Excise	53.73	40.20
3.	Taxes & Duties on Electricity	32.85	15.34
4.	Sales Tax	759.30	Not furnished
5.	Non ferrous mining and metallurgical industries	11.11	11.11
6.	Co-operation	9.36	4.51
7.	Stamp Duty and Registration Fees	66.38	10.64
	Total	966.56	81.80

Amount outstanding for more than five years was not furnished by Taxes on Vehicles Department and Sales Tax Department besides, stages at which arrears were pending collection were also not furnished by the departments.

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 2005-06 as furnished by the Sales Tax Department in respect of Sales Tax, Profession Tax, Entry Tax, Lease Tax, Luxury Tax and tax on works contracts etc. are given as follows:

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	2004-05	2,86,363	3,26,262	6,12,625	3,31,915	2,80,710	54.18
	2005-06	2,80,710	3,38,423	6,19,133	3,76,866	2,42,267	60.87
Profession Tax	2004-05	88,054	1,32,834	2,20,888	1,04,411	1,16,477	47.27
	2005-06	1,16,477	awaited	awaited	awaited	awaited	awaited
Entry Tax	2004-05	1,59,709	1,98,356	3,58,065	1,98,508	1,59,557	55.44
	2005-06	1,59,557	2,05,172	3,64,729	2,05,971	1,58,758	56.47
Luxury Tax	2004-05	439	755	1,194	725	469	60.72
	2005-06	469	602	1,071	602	469	56.21
Tax on Works contracts	2004-05	1,056	5,898	6,954	3,747	3,207	53.88
	2005-06	3,207	2,651	5,858	3,212	2,646	54.83
Total	2004-05	5,35,621	6,64,105	11,99,726	6,39,306	5,60,420	53.29
	2005-06	5,60,420	5,46,848	11,07,268	5,86,651	5,20,617	52.98

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:-

(Rupees in crore)

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2005	Cases detected during 2005-06	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 2006
					No. of cases	Amount of demand	
1.	Sales Tax	179	233	412	134	253.39	278
2.	State Excise	1,372	1,629	3,001	2,671	8.85	330
3.	SD & RF	6,001	5,387	11,388	5,142	8.64	6,246

1.8 Refunds

The number of refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2005-06 as reported by the departments are given as follows:-

(Rupees in crore)

Sl. No.	Category	State Excise		Sales Tax		Works Contract		Stamps Duty & Registration	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	317	2.74	1,360	5.45	60	2.99	621	28.52
2.	Claims received during the year	64	1.20	8,041	26.25	awaited		689	55.34
3.	Refunds made during the year	45	0.48	7,698	24.35	-do-		685	50.77
4.	Balance outstanding at the end of the year	336	3.46	1,703	7.35	-do-		625	33.09

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 2005-06 revealed under assessment/short levy/loss of revenue amounting to Rs.1,284.61 crore in 1,99,985 cases. During the course of the year the departments accepted underassessment and other losses of Rs.548.59 crore in 1,20,915 cases pointed out in 2005-06 and earlier years.

This Report contains 47 paragraphs including two reviews relating to Commercial tax incentives to new industries and receipts from Transport Department involving Rs.85.85 crore. The departments/Government accepted audit observations involving Rs.32.56 crore out of which Rs.2.42 crore has been recovered. In respect of observations not accepted by the department, 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

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 Government.

IRs issued upto December 2005, pertaining to various offices of commercial tax, land revenue, registration and other departments under Government of Madhya Pradesh disclosed that 22,628 paragraphs relating to 6,645 IRs remained outstanding since 1980-81 to the end of December 2005.

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 reexamine 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 Land Revenue, Forest and State Excise departments who did not send replies. The paragraphs pertaining above departments have been included in this Report without the response of the Principal Secretaries/Secretaries of the departments. As regards review the Audit Review Committee meetings were organised on 20 September 2006 and 21 September 2006 in which Principal Secretary of Commercial Tax Department and Commissioner, Land Revenue have participated. The Secretary, Transport Department did not attend the meeting.

1.12 Follow up on Audit Report

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2005 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on

24 March 2006. Reports upto the year 2003-04 (except para of land revenue) have been discussed.

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.

1.13 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05 the department/Government accepted audit observations involving Rs.348.53 crore of which an amount of Rs.13.22 crore was recovered till 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total Money value of Report	Accepted money value	Amount recovered
2000-01	889.12	11.84	11.84
2001-02	221.22	56.21	0.65
2002-03	295.70	240.98	0.16
2003-04	125.53	26.26	0.29
2004-05	41.96	13.24	0.28
Total	1,573.53	348.53	13.22

The reasons for less recovery during 2001-02 to 2004-05 are awaited from the Government.