

## CHAPTER I

### 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 2002-2003, 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)

		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
I.	Revenue raised by the State Government					
(a)	Tax Revenue	5108.48	5795.21	5639.58	4678.98	6164.55
(b)	Non-tax Revenue	1781.99	2468.97	1724.33	1601.68	1635.48
	Total	6890.47	8264.18	7363.91	6280.66	7800.03
II.	Receipt from the Government of India					
(a)	State's share of divisible Union taxes	2932.12	3261.64	3955.51	3439.30	3728.73 <sup>1</sup>
(b)	Grants-in-aid	1523.25	1677.85	1519.88	1491.12	1861.64
	Total	4455.38	4939.49	5475.39	4930.42	5590.37
III.	Total receipts of the States	11345.85	13203.67	12839.30	11211.08	13390.40
IV.	Percentage of I to III	61	63	57	56	58

<sup>1</sup> 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 2002-03. 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 2002-2003 along with the figures for the preceding four years are given below: -

*(Rupees in crore )*

	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+)/ decrease (-) in 2002-2003 over 2001-2002
1.	(a) Sales tax (b) Central Sales Tax	2297.48	2555.08	2766.57	2360.74	2906.20	(+) 23.11
2.	State Excise	965.40	1073.38	974.94	704.68	890.32	(+) 26.34
3.	Stamps and Registration Fees	400.21	470.12	477.08	444.96	535.05	(+) 20.25
4.	Taxes and Duties on Electricity	488.81	611.48	447.91	268.19	801.26	(+) 198.77
5.	Taxes on vehicles	382.25	402.01	405.90	393.33	428.64	(+) 8.98
6.	Taxes on goods and passengers	413.01	428.36	333.85	262.40	351.20	(+) 33.84
7.	Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	104.74	179.58	167.50	173.05	187.44	(+) 8.31
8.	Other Taxes and Duties on Commodities and Services	24.80	26.94	22.95	19.99	20.08	(+) 0.45
9.	Land Revenue	26.97	43.26	38.47	48.21	40.44	(-) 16.12
10.	Hotel Receipts	4.81	5.00	4.41	3.43	3.92	(+) 14.57
	<b>Total</b>	<b>5108.48</b>	<b>5795.21</b>	<b>5639.58</b>	<b>4678.98</b>	<b>6164.55</b>	<b>31.75</b>

" Reasons for variations in receipts during 2002-03 compared to those of 2001-02 as intimated by the respective departments are given below:

Sales Tax/Central Sales Tax: The increase (23.11 per cent) was due to levy of tax on branded bread, PVC Footwears and chappals up to Rs.100, withdrawal of lower rate of tax on cereals and pulses and withdrawal of tax free facility on certain commodities etc.

State Excise: The increase (26.34 per cent) was due to excess receipt under country liquor and general increase in revenue.

Stamps and Registration Fees: The increase (20.25 per cent) was due to general increase in revenue.

Taxes and Duties on Electricity: The increase (198.77 per cent) was due to excess receipt under tax on consumption and sale of electricity and general increase in revenue.

Taxes on goods and passengers: The increase (33.84 per cent) was due to levy of entry tax on import of pulp, industrial bamboo and softwood.

Reasons for variation in respect of "Hotel Receipts" and "Land Revenue" have not been received from the concerned department (June 2004).

**1.1.3** The details of major non-tax revenue raised during the year 2002-2003 along with the figures for the preceding four years are given below: -

*(Rupees in crore)*

	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Interest Receipts	147.48	257.07	184.56	246.59	32.05	(-) 87.00
2.	Dairy development	11.22	7.87	0.04	--	--	--
3.	Other Non-Tax Receipts	161.49	254.78	208.14	237.68	249.32	(+) 4.89
4.	Forestry and Wild life	507.60	315.28	372.56	306.45	497.30	(+) 62.28
5.	Non-ferrous Mining and Metallurgical Industries	806.43	867.84	721.04	528.39	590.69	(+) 11.79
6.	Miscellaneous General services (including lottery receipts)	4.76	101.02	75.17	141.03	120.94	(-) 14.25
7.	Power	0.01	478.87	0.28	0.05	0.24	(+) 380.00
8.	Major and Medium Irrigation	42.63	66.85	47.17	39.15	24.64	(-) 37.06
9.	Medical and Public Health	10.57	15.45	8.76	16.14	20.36	(+) 26.15
10.	Co-operation	17.64	18.39	16.79	13.23	14.45	(+) 9.22
11.	Public Works		13.03	21.84	6.75	8.57	(+) 26.96
12.	Police	37.00	33.96	32.95	42.49	39.23	(-) 7.67
13.	Other Administrative Services	35.16	38.56	35.03	23.73	37.69	(+) 58.83
	<b>Total</b>	<b>1781.99</b>	<b>2468.97</b>	<b>1724.33</b>	<b>1601.68</b>	<b>1635.48</b>	<b>(+) 12.11</b>

"Reasons for variations in receipts during 2002-03 compared to those of 2001-02 as intimated by the respective departments are given below:

Forestry and Wild Life: The increase (62.28 per cent) was due to more receipts under the head State Trading in Timber, sale of timber and other forest produces and normal growth of revenue

Non-ferrous Mining and Metallurgical Industries. The increase (11.79 per cent) was due to general increase in revenue.

Power: The increase (380 per cent) was due to decrease in expenses of Electricity Board.

Reasons for variations in respect of Interest Receipts, Miscellaneous General Service Major and Medium Irrigation, Medical and Public Health, Public Works and other Administrative Service have not been received from the concerned departments (June 2004).

#### **1.1.4 Variations between Budget estimates and actuals**

(a) The variations between the budget estimates and actuals of revenue receipts for the year 2002-2003 in respect of the principal heads of tax and non-tax revenue are given below: -

*(Rupees in crore)*

	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
A.	Tax Revenue				
1.	Sales Tax	2904.00	2923.62	(+) 19.62	(+) 0.68
2.	State Excise	911.00	916.33	(+) 5.33	(+) 0.58
3.	Stamp and Registration Fees	510.00	536.94	(+) 26.94	(+) 5.28
4.	Taxes and Duties on Electricity	584.00	822.38	(+) 238.38	(+) 41.00

#### **B. Non-Tax Revenue**

1.	Forestry and wildlife	410.52	433.10	(+) 22.58	(+) 5.5
2.	Land Revenue	7.78	1.46	(-) 6.32	(-) 81
3.	Non ferrous mining and metallurgical Industries	572.23	592.66	(+) 20.43	(+) 3.57
4.	Co-operation	11.00	11.14	(+) 00.14	(+) 0.14

The reasons for substantial variation between Budget estimates and actual receipt reported by one Department were as under:

Taxes and Duties on Electricity: The increase (41 per cent) was due to recovery of arrears and interest thereon.

The reasons for substantial variation between Budget estimates and actuals, though, called for have not been received from the other Departments (June 2004).

### 1.1.5 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage to gross collection during the years 2000-2001, 2001-2002 and 2002-2003 along with the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows: -

(Rupees in crore)

	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2001-2002
1.	Sales Tax	2000-01 2001-02 2002-03	2766.57 2360.74 2906.21	46.38 37.42 41.14	1.68 1.59 1.42	1.26
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2000-01 2001-02 2002-03	408.74 655.73 779.84	11.69 10.94 14.71	2.88 1.67 1.89	2.99
3.	State Excise	2000-01 2001-02 2002-03	974.94 704.68 890.32	97.47 87.64 106.28	10.10 12.44 11.94	3.21
4.	Stamp Duty and Registration fee	2000-01 2001-02 2002-03	477.08 444.96 535.05	56.04 59.87 56.48	11.75 13.46 10.56	3.51

It is evident from the table that cost of collection of State Excise and Stamp Duty and Registration fee was much higher than the All India average. Action is called for necessary to bring down the cost of collection of these taxes and fee.

Higher cost of collection in respect of "State Excise" was due to payment of foreign liquor sold from newly constituted Divisional Foreign Liquor Stores managed by the Department.

Reasons for higher cost of collection in respect of stamp duty and Registration fees are not received from the department.

**1.1.6 Collection of sales tax per assessee**

(Rupees in Crore)

Year	No. of assessee	Sales Tax revenue	Revenue/assessee
1998-1999	1,74,975	2,335.05	0.013
1999-2000	1,83,166	2,583.37	0.014
2000-2001	1,53,735	2,272.42	0.015
2001-2002	2,10,104	2,393.44	0.011
2002-2003	2,24,298	2,923.62	0.013

**1.1.7 Analysis of arrears of revenue**

The arrears of revenue as on 31st March 2003 in respect of some principal heads of revenue amounted to Rs.839.26 crore of which Rs.119.05 crore were outstanding for more than 5 years as detailed in the following table: -

(Rupees in Crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March	Amount outstanding for more than 5 years as on 31 March 03	Remarks
1.	Forest	24.91	19.63	Recovery of Rs.6.48 crore is subjudice Rs.7.92 crore decided to write off by the state Government; position of remaining arrears of Rs.10.51 crore not intimated
2.	Taxes on vehicle	18.34	18.34	Not furnished
3.	Excise	52.47	34.42	Not furnished
4.	Revenue	1.45	1.59	Not furnished
5.	Taxes & Duties on Electricity	36.97	7.00	Rs.4.47 crore intimated for recovery as arrears of land revenue, recoveries of as Rs.23.12 crore stayed by judicial authorities/ Government and recoveries of Rs.4.66 crore outstanding against sick cloth mills. Position of remaining arrears of Rs.4.72 crore not intimated.
6.	Sales Tax	653.27	Not available	Not furnished
7.	Non-ferrous mining and metallurgical industries	51.85	38.07	Not furnished
	<b>Total</b>	<b>839.26</b>	<b>119.05</b>	

### 1.1.8 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.

Sr. No	Name of tax/duty	Cases pending as on 31 March 2002	Cases detected during 2002-2003	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 2003
					No. of cases	Amount of demand (Rs. in lakh)	
1.	Sales Tax	248	326	574	334	2,003.91	240
2.	State Excise	153	1,603	1,756	539	5.00	1217

### 1.1.9 Refunds

The number of refund cases pending at the beginning of the year 2002-03, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-03, as reported by the departments are given below:

(Rupees in Crore)

		Taxes and Duties on Electricity		State Excise		Works Contracts	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	Nil	Nil	358	3.63	Nil	Nil
2.	Claims received during the year	Nil	Nil	31	0.36	Nil	Nil
3.	Refunds made during the year	Nil	Nil	213	2.56	Nil	Nil
4.	Balance outstanding at the end of the year	Nil	Nil	176	1.43	Nil	Nil

### 1.1.10 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 2002-03 revealed under-assessment/short levy/loss of revenue amounting to Rs.928.13 crore in 2,09,950 cases. During the course of the year the departments accepted under-assessment of

Rs.413.83 crore in 80,673 cases pointed out in 2002-03 and earlier years and recovered Rs.24.55 crore. No replies have been received in respect of the remaining cases.

This Report contains 58 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc. involving Rs.295.70 crore. The Department/Government have accepted audit observations involving Rs.240.98 crore.

### **1.1.11 Lack of responsiveness of Government to audit.**

Inspection Reports issued up to December 2002 pertaining to various offices of Commercial Tax, Land revenue, Registration and other departments under Government of Madhya Pradesh disclosed that 12,561 paragraphs relating to 2,989 IRs. remained outstanding since 1980-81 to the end of December 2002 Department wise position of the outstanding Inspection Reports and paragraphs was as under:

S.No	Department	No. of IRs.	No. o Para	Amount in (Rupees in crore)
1.	Commercial Tax	944	6,159	448.13
2.	Land Revenue	1,347	3,542	874.51
3.	Excise	312	1,160	446.86
4.	Entertainment	148	204	3.76
5.	Mining	185	561	323.35
6.	M.V.T.	214	1,429	239.79
7.	Electricity	74	248	170.66
8.	Registration and stamp duty	802	1,702	50.37
9.	D.R.A.P. (PWD Irrigation PHE)	1,019	3,494	307.92
10.	Forest	566	1,544	686.66
<b>Total</b>		<b>5,611</b>	<b>20,043</b>	<b>3,552.01</b>

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 (whose records were inspected by the AG) and the Heads of the Departments did not send any 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 AG 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 offices of the Department take prompt and timely action.

Inaction against the defaulting officers facilitated the continuance of serious financial irregularities and loss to the Government, though these were pointed out in Audit. It is



recommended that Government should re-look into the procedure for action against the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule, take action to recover loss/outstanding advances/over payments in a time bound manner and revamp the system to ensure proper response to the audit observations in the Department.

#### **1.1.12 Departmental Audit Committee Meetings**

High Power Committee consisting of representatives from the government, the Heads of the Department and the Senior Deputy Accountant General met in the month of June 2003 and October 2003 and settled 378 objections in respect of Forest Department.

#### **1.1.13 Response of the departments 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 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 are 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 department by name (between May and August 2003). The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs. The position was brought to the notice of Principal Secretary, Finance Department demi-officially in November 2003 to ensure early reply of the Department alongwith comments of Finance Department. These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the Departments.

#### **1.1.14 Follow up on Audit Report**

The Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 27 February 2004. Reports up to the year 1988-89 have been discussed.

The Audit Reports for the period 1989-90 to 1994-95 have been discussed partially and recommendations of Public Accounts Committee (PAC) have been received. Action taken reports on the PAC recommendation up to 1985-86 have been received; in respect of Audit Reports 1986-87, the reports have been received only from eight departments.

In pursuance of the recommendation (March 1993) of the High Power Committee appointed by the Comptroller and Auditor General of India to review the response of

the State Government to audit observations, the PAC in its meeting dated 12 July 1994 decided that explanatory notes of Government on various paragraphs of the Reports should be submitted by the Government within three months of their tabling in *Vidhan Sabha*. No follow up action has, however, been taken by the Government and the explanatory notes on Reports are being delayed inordinately. Out of 734 paragraphs (including reviews) included in the Reports for the years 1991-92 and 2000-01, explanatory notes from Government are awaited in respect of 143 paragraphs (July 2003).