

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 2003-2004, 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)

S.No.		1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
I.	Revenue raised by the State Government					
(a)	Tax Revenue	5,795.21	5,639.58	4,678.98	6,164.55	6,788.86
(b)	Non-tax Revenue	2,468.97	1,724.33	1,601.68	1,635.48	1,479.82
	Total	8,264.18	7,363.91	6,280.66	7,800.03	8,268.68
II.	Receipt from the Government of India					
(a)	State's share of divisible Union taxes	3,261.64	3,955.51	3,439.30	3,728.73	4,247.14 ¹
(b)	Grants-in-aid	1,677.85	1,519.88	1,491.12	1,861.64	1,773.14
	Total	4,939.49	5,475.39	4,930.42	5,590.37	6,020.28
III.	Total receipts of the State	13,203.67	12,839.30	11,211.08	13,390.40	14,288.96
IV.	Percentage of I to III	63	57	56	58	58

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 2003-04. 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 2003-2004 along with the figures for the preceding four years are given below:-

(Rupees in crore)

Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Per cent increase (+)/ decrease (-) in 2003-2004 over 2002-2003
1.	(a) Sales Tax (b) Central Sales Tax	25,55.08	2,766.57	2,360.74	2,906.20	3,293.26	(+) 13.31
2.	State Excise	1,073.38	9,74.94	704.68	890.32	1,085.89	(+) 21.97
3.	Stamps and Registration Fees	470.12	477.08	444.96	535.05	614.49	(+) 14.85
4.	Taxes and Duties on Electricity	611.48	447.91	268.19	801.26	697.06	(-) 13.00
5.	Taxes on Vehicles	402.01	405.90	393.33	428.64	454.92	(+) 6.13
6.	Taxes on goods and passengers	428.36	333.85	262.40	351.20	390.99	(+) 11.33
7.	Other Taxes on Income and Expenditure Tax on Professions, Trades, Callings and Employments	179.58	167.50	173.05	187.44	188.90	(+) 0.78
8.	Other Taxes and Duties on Commodities and Services	26.94	22.95	19.99	20.08	15.32	(-) 23.70
9.	Land Revenue	43.26	38.47	48.21	40.44	43.63	(+) 7.89
10.	Hotel Receipts	5.00	4.41	3.43	3.92	4.40	(+) 12.24
	Total	5,79,5.21	5,639.58	4,678.98	6,164.55	6,788.86	(+) 10.13

Reasons for variations in receipts during 2003-2004 compared to those of 2002-2003 as intimated by the respective departments are given below:-

Sales Tax/Central Sales Tax: The increase (13.31 per cent) was due to levy of tax on use of telephone instruments, equipments, plant and machinery used in telecommunication network etc. and more receipts from inter-State sales.

State Excise: The increase (21.97 per cent) was due to more receipts under the head country spirits, foreign liquor and spirits and normal growth in revenue.

Stamps and Registration Fees: The increase (14.85 per cent) was due to more receipts under the head sale of stamps and normal growth in revenue.

Taxes on goods and passengers: The increase (11.33 per cent) was due to more receipts under the head Tax on entry of goods into Local Areas and normal growth in revenue.

Taxes and Duties on Electricity: The decrease (13 per cent) was due to less receipt under the head taxes on consumption and sale of electricity.

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

1.1.3 The details of major non-tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage increase (+)/ decrease (-) in 2003-2004 over 2002-2003
1.	Interest Receipts	257.07	184.56	246.59	32.05	19.22	(-) 40.03
2.	Dairy development	7.87	0.04	--	--	--	--
3.	Other Non-Tax Receipts	254.78	208.14	237.68	249.32	144.57	(-) 42.01
4.	Forestry and Wild life	315.28	372.56	306.45	497.30	496.75	(-) 0.11
5.	Non-ferrous Mining and Metallurgical Industries	867.84	721.04	528.39	590.69	646.71	(+) 9.48
6.	Miscellaneous General services (including lottery receipts)	101.02	75.17	141.03	120.94	22.92	(-) 81.05
7.	Power	478.87	0.28	0.05	0.24	0.12	(-) 50.00
8.	Major and Medium Irrigation	66.85	47.17	39.15	24.64	37.80	(+) 53.41
9.	Medical and Public Health	15.45	8.76	16.14	20.36	10.98	(-) 46.07
10.	Co-operation	18.39	16.79	13.23	14.45	15.60	(+) 7.96
11.	Public Works	13.03	21.84	6.75	8.57	9.09	(+) 6.07
12.	Police	33.96	32.95	42.49	39.23	24.99	(-) 36.30
13.	Other Administrative Services	38.56	35.03	23.73	37.69	51.07	(+) 35.50
	Total	2,468.97	1,724.33	1,601.68	1,635.48	1,479.82	(-) 9.52

Reasons for variations in receipts during 2003-04 compared to those of 2002-03 as intimated by the respective departments are given below:

Miscellaneous and General Services: The decrease (81.05 per cent) was due to less receipts under the head unclaimed deposits.

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

1.2 Variations between Budget estimates and actuals

(a) The variations between the budget estimates and actuals of revenue receipts for the year 2003-2004 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 (-)	Per cent of variation
A.	Tax Revenue				
1.	Sales Tax	3,340.00	3,293.26	(-) 46.74	1.40
2.	State Excise	1,100.00	1,085.89	(-) 14.11	1.28
3.	Stamp and Registration Fees	610.00	614.49	(+) 4.49	0.74
4.	Taxes and Duties on Electricity	628.64	697.06	(+) 68.42	10.88
5.	Land Revenue	60.00	43.63	(-) 16.37	27.28
B.	Non-Tax Revenue				
1.	Forestry and Wildlife	400.00	496.75	(+) 96.75	24.19
2.	Non ferrous mining and metallurgical Industries	658.18	646.71	(-) 11.47	1.74
3.	Co-operation	11.00	15.60	(+) 4.60	41.82

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 (10.88 per cent) was due to recovery of arrears and increase in tariff.

The reasons for substantial variation between budget estimates and actuals, though called for, have not been received from the other departments (May 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 2001-2002, 2002-2003 and 2003-2004 along with the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 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 2001-02
1.	Sales Tax	2001-02	2360.74	37.42	1.59	1.26
		2002-03	2906.21	41.14	1.42	
		2003-04	3293.26	50.84	1.54	
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2001-02	655.73	10.94	1.67	2.99
		2002-03	779.84	14.71	1.89	
		2003-04	845.91	16.27	1.92	
3.	State Excise	2001-02	704.68	87.64	12.44	3.21
		2002-03	890.32	106.28	11.94	
		2003-04	1,085.89	226.27	20.84	
4.	Stamp Duty and Registration Fee	2001-02	444.96	59.87	13.46	3.51
		2002-03	535.05	56.48	10.56	
		2003-04	awaited	awaited	awaited	

It is evident from the above 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 to bring down the cost of collection of these taxes and fee.

Details of cost of collection and expenditure on collection of revenue for the year 2003-04 have not been received in respect of Stamp Duty and Registration fee.

1.4 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assessee	Sales Tax revenue ²	Revenue/assessee
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
2003-2004	2,23,157	3,370.75	0.015

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.872.81 crore of which Rs.38.45 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 2004	Amount outstanding for more than 5 years as on 31 March 2004
1.	Taxes on vehicle	20.35	Not furnished
2.	Excise	43.39	22.21
3.	Taxes & Duties on Electricity	52.83	7.31
4.	Sales Tax	646.47	Not furnished
5.	Non-ferrous mining and metallurgical industries	49.59	Not furnished
6.	Co-operation	8.66	3.96
7.	Stamp Duty and Registration Fees	51.52	4.97 (28 districts)
	Total	872.81	38.45

1.6 Arrears of 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 2003-04 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:-

² Figures furnished by Department varies with Finance Account figures

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
Finance Department						
Sales Tax	2,59,313	3,23,197	5,82,510	2,96,147	2,86,363	50.84
Motor Spirit Tax	--	--	--	--	--	--
Professional Tax	83,576	99,390	1,82,966	94,912	88,054	51.87
Purchase Tax on Sugar Cane	--	--	--	--	--	--
Entry Tax	1,36,509	1,97,180	3,33,689	1,73,980	1,59,709	52.14
Lease Tax	--	--	--	--	--	--
Luxury Tax	471	681	1152	713	439	61.89
Tax on Works contracts	1,201	883	2084	1,028	1,056	49.33
Total	4,81,070	6,21,331	11,02,401	5,66,780	5,35,621	51.41

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 2003	Cases detected during 2003-2004	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 2004
					No. of cases	Amount of demand	
1.	Sales Tax	240	172	412	262	22.57	150
2.	State Excise	1,217	332	1,549	245	0.02	1,304

1.8 Refunds

The number of refund cases pending at the beginning of the year 2003-2004, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-2004 as reported by the departments are given below:-

(Rupees in crore)

Sl. No.	Category	State Excise	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	176	1.43
2.	Claims received during the year	17	0.30
3.	Refunds made during the year	35	0.79
4.	Balance outstanding at the end of the year	158	0.94

1.9 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 2003-2004 revealed under-assessment/short levy/loss of revenue amounting to Rs.920.26 crore in 1,96,236 cases. During the course of the year the departments accepted under-assessment and other losses of Rs.392.58 crore in 96,740 cases pointed out in 2003-2004 and earlier years. No replies have been received in respect of the remaining cases.

This Report contains 42 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc. involving Rs.125.53 crore. The Department/Government accepted audit observations involving Rs.26.26 crore.

1.10 Lack of responsiveness of Government to audit

Inspection Reports (IR) issued upto December 2003, pertaining to various offices of Commercial tax, Land revenue, Registration and other departments under Government of Madhya Pradesh disclosed that 20,261 paragraphs relating to 5,929 IRs remained outstanding since 1980-81 to the end of December 2003. 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.	2.	3.	4.	5.
1.	Commercial Tax	952	5,749	422.82
2.	Land Revenue	1449	3,745	988.92
3.	Excise	332	1,120	489.95
4.	Entertainment	162	219	3.82
5.	Mining	204	613	343.67
6.	M.V.T.	236	1,532	269.88

1.	2.	3.	4.	5.
7.	Electricity	80	251	173.45
8.	Registration and Stamp duty	862	1,960	70.36
9.	D.R.A.P. (PWD Irrigation PHE)	1,057	3,521	329.41
10.	Forest	595	1,551	857.74
	Total	5,929	20,261	3,950.02

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 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 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 within 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.

1.11 Departmental Audit Committee Meetings/special drive

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, 13 IRs and 137 paras in respect of Forest Department were settled. As a result of special drive in November 2003, 71 inspection reports and 894 paras in respect of Commercial Tax Department were settled.

1.12 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 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.

1.13 Follow up on Audit Report

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2003 (Revenue Receipts) was laid on the table of Vidhan Sabha on 09 December 2004. Reports upto the year 1994-95 have been discussed.

The Audit Reports for the period 1995-96 to 2001-2002 have been discussed partially and recommendations of Public Accounts Committee (PAC) have not been received. Action taken reports on the PAC recommendation upto 1985-86 have been received. In respect of Audit Report 1986-87, the reports have been received only from eight departments.