

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Tamil Nadu during the year 2005-06, 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)

		2001-02	2002-03	2003-04	2004-05	2005-06
I	Revenue raised by the State Government					
	• Tax Revenue	13,009.70	14,341.71	15,944.97	19,357.04	23,326.03
	• Non tax revenue*	1,556.73	1,860.62	2,093.79	2,208.35	2,600.75
		(1,499.85)	(1,742.46)	(2,058.53)		
	Total	14,566.43 (14,509.55)	16,202.33 (16,084.17)	18,038.76 (18,003.50)	21,565.39	25,926.78
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	2,870.07	3,047.57	3,544.20	4,236.39	#5,012.74
	• Grants in aid	1,381.54	1,586.84	2,122.75	2,649.75	3,020.47
	Total	4,251.61	4,634.41	5,666.95	6,886.14	8,033.21
III	Total receipts of the State [(I) + (II)]	18,818.04 (18,761.16)	20,836.74 (20,718.58)	23,705.71 (23,670.45)	28,451.53	33,959.99
IV	Percentage of I to III	77	77	76	76	76

* Figures in bracket represent non tax revenue including receipts from lotteries net of expenditure on prize winning tickets.

For details please see Statement No.11 – Detailed accounts of revenue by minor heads of Finance Accounts of the Government of Tamil Nadu 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 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1	Sales tax	8,385.59	9,589.60	11,004.63	12,996.18	15,554.69	20
2	State excise	2,058.22	2,113.61	1,657.10	2,549.00	3,176.65	25
3	Stamp duty and registration fees	1,137.89	1,079.12	1,316.40	1,604.36	2,084.86	30
4	Taxes on vehicles	648.43	745.62	934.29	1,014.75	1,124.93	11
5	Land revenue	50.47	8.40	17.50	71.95	179.48	149
6	Taxes on agricultural income	2.02	1.63	1.25	0.59	0.13	(-) 78
7	Taxes on immovable property other than agricultural land (urban land tax)	14.11	12.69	12.03	11.81	11.86	---
8	Others	712.97	791.04	1,001.77	1,108.40	1,193.43	8
Total		13,009.70	14,341.71	15,944.97	19,357.04	23,326.03	---

Sales tax: The increase was due to increase of 24.58 *per cent* under Central Sales Tax Act and 19.05 *per cent* under State Sales Tax Act.

State excise: The increase was mainly due to increase in receipts under malt liquor, foreign liquors and spirits.

Stamp duty and registration fees: The increase was mainly due to increase of 31 *per cent* under stamps-non judicial, 20 *per cent* under stamps-judicial and 25 *per cent* under registration fees.

Land revenue: The increase was mainly due to increased receipts from sale proceeds of waste lands and redemption of land tax.

Reasons for increase/shortfall, though called for from other departments, have not been received (November 2006).

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

(Rupees in crore)

Sl. No.	Heads of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1	Interest receipts, dividends and profits	535.42	594.70	559.74	590.05	819.91	39
2	Crop husbandry	79.19	62.22	61.61	57.27	66.43	16
3	Forestry and wild life	97.04	157.44	90.21	155.07	138.59	(-) 11
4	Non-ferrous mining and metallurgical industries	160.40	181.09	377.54	409.58	465.68	14
5	Education, sports, art and culture	65.79	89.50	122.58	143.43	209.98	46
6	Other receipts						
	• State lotteries	126.70	119.50	22.18	---	----	
	• Others	492.19	656.17	859.93	852.95	900.16	6
	Total	1,556.73	1,860.62	2,093.79	2,208.35	2,600.75	

Interest receipts: The increase was mainly due to increase of 108 *per cent* under interest from public sector and other undertakings, 105 *per cent* under interest realised on investment of cash balances and 131 *per cent* under other receipts.

Non ferrous mining and metallurgical industries: The increase was mainly due to increase of 21 *per cent* under mineral concession fees, rents and royalties.

Education, sports, art and culture: The increase was mainly due to increase of 52 *per cent* under general education and 23 *per cent* under technical education.

Reasons for increase/shortfall, though called for from other departments, have not been received (November 2006).

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 principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) or short fall (-)	Percentage of variation
1	Sales tax	14,360.71	15,554.69	1,193.98	8
2	State excise	2,478.00	3,176.65	698.65	28
3	Stamp duty and registration fees	1,562.81	2,084.86	522.05	33
4	Taxes on vehicles	1,130.50	1,124.93	(-) 5.57	(-) 0.49
5	Land revenue	25.46	179.48	154.02	605
6	Taxes on immovable property other than agricultural land (urban land tax)	15.50	11.86	(-) 3.64	(-) 23
7	Taxes and duties on electricity	240.00	95.22	(-) 144.78	(-) 60
8	Interest receipts, dividends & profits	589.89	819.91	230.02	39
9	Non ferrous mining and metallurgical industries	427.49	465.68	38.19	9
10	Crop husbandry	62.07	66.43	4.36	7
11	Roads and bridges	30.50	36.11	5.61	18
12	Major and medium irrigation	19.43	14.90	(-) 4.53	(-) 23

Taxes and duties on electricity: The decrease (60 per cent) was due to decrease under taxes on consumption and sale of electricity.

Land revenue: The increase was mainly due to increased receipts from sale proceeds of waste lands and redemption of land tax.

Reasons for variations, though called for from other departments, have not been received (November 2006).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection, during the years 2003-04, 2004-05 and 2005-06 along with the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2004-05
1	Sales tax	2003-04	11,004.63	93.70	0.85	0.95
		2004-05	12,996.18	102.34	0.79	
		2005-06	15,554.69	106.64	0.69	
2	Taxes on vehicles	2003-04	934.29	34.69	3.71	2.74
		2004-05	1,014.75	48.56	4.79	
		2005-06	1,124.93	49.50	4.40	
3	State excise	2003-04	1,657.10	19.84	1.20	3.34
		2004-05	2,549.00	25.88	1.02	
		2005-06	3,176.65	27.76	0.87	
4	Stamp duty and registration fees	2003-04	1,316.40	79.00	6.00	3.44
		2004-05	1,604.36	84.02	5.24	
		2005-06	2,084.86	86.83	4.16	

It would be seen from the above that the percentage of expenditure on collection of taxes on vehicles and stamp duty and registration fees was higher than the all India average.

1.4 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assessees	Sales tax revenue	Revenue/ assessee
2001-02	1,06,946	8,385.59	0.08
2002-03	1,45,489	9,589.60	0.07
2003-04	1,57,126	11,004.63	0.07
2004-05	1,83,707	12,996.18	0.07
2005-06	1,69,374	15,554.69	0.09

There was reduction in the number of assessees in 2005-06 as compared to 2004-05 and the revenue per assessee remained more or less at the same level over the years since 2001-02.

1.5 Arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.11,132.07 crore, of which Rs.3,330.60 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006	Remarks
1	2	3	4	5
1	Sales tax	10,507.52	3,075.19	Out of the total arrears of Rs.10,507.52 crore, demands amounting to Rs.3,898.78 crore were covered under Revenue Recovery Act. Demands amounting to Rs.1,850 crore were stayed by Government, High Court and other judicial authorities. Rs.276.91 crore was held up due to rectification/review applications. Rs.3,881.99 crore was pending under deferral/BIFR* cases, etc. Rs.565.20 crore was likely to be written off/waived. Rs.34.64 crore has since been collected.
2	Mines and Minerals	261.63	112.28	Out of the total arrears of Rs.261.63 crore, demands amounting to Rs.30.51 crore were covered under Revenue Recovery Act, demands amounting to Rs.110.51 crore were stayed by High Court and other judicial authorities. A sum of Rs.3.13 crore was likely to be written off. Rs.117.22 crore was under various stages of collection, while Rs.0.26 crore has since been collected.
3	Stamp duty and registration fees	174.64	43.21	The entire arrears were covered by recovery certificates.
4	Urban land tax	107.26	39.39	Demands amounting to Rs.33.09 crore were stayed by Government, High Court and other judicial authorities. Rs.70.98 crore was under various stages of collection. Rs.3.19 crore has since been collected.

* Board for Industrial & Financial Reconstruction

1	2	3	4	5
5	State excise	41.16	41.16	Out of the total arrears of Rs.41.16 crore, demands amounting to Rs.11.66 crore were covered under Revenue Recovery Act, demands amounting to Rs.2.03 crore were stayed by Government, High Court and other judicial authorities. Rs.4.00 crore was held up as whereabouts of licensees was not known. Rs.0.33 crore was held up on account of persons becoming insolvent, Rs.2.02 crore was likely to be written off, Rs.4.75 crore was under various stages of collection. Rs.16.37 crore has since been collected.
6	Taxes on vehicles	2.33	1.00	Out of the total arrears of Rs.2.33 crore, demands amounting to Rs.1.78 crore were covered under Revenue Recovery Act. Demands amounting to Rs.0.31 crore were stayed by High Court and other judicial authorities. Rs.0.24 crore was under various stages of collection.
7	Land revenue	37.53	18.37	Out of the total arrears of Rs.37.53 crore, demands amounting to Rs.4.66 crore were stayed by High Court and other judicial authorities, Rs.2.39 crore was stayed by State Government, Rs.0.01 crore was likely to be written off, Rs.26.76 crore was under various stages of collection. Rs.3.71 crore has since been collected.
Total		11,132.07	3,330.60	

1.6 Arrears in assessment

The number of cases pending assessment at the beginning of the year 2005-06, cases that are 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 and by Revenue Department in respect of urban land tax are as follows:

Heads of revenue	Opening balance	New cases due for assessment during 2005-06	Total cases due for assessments	Cases disposed of during 2005-06	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales tax	54,292	1,77,496	2,31,788	1,62,872	68,916	70
Urban land tax	5,937	3,812	9,749	2,101	7,648	22

1.7 Evasion of tax

The details of cases of evasion of tax detected, sales tax cases finalised and demands for additional tax raised as reported by the Sales Tax Department are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2005	Cases detected during 2005-06	Total	Cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2006
					No.	Amount	
1	Sales tax						
	• Enforcement wing.	5,803	10,203	16,006	9,424	NF*	6,582
	• Administrative wing.	5,366	7,468	12,834	6,077	412.22	6,757
* Not furnished.							

1.8 Write off and waiver of revenue

During the year 2005-06, Rs.0.04 crore (in 297 cases) relating to sales tax was written off by the department as irrecoverable. Reasons for the write off as reported by the department were as follows:

(Rupees in lakh)

Sl. No.	Reasons	No. of cases	Amount
1	Whereabouts of defaulters not known	31	0.57
2	Defaulters no longer alive	1	0.51
3	Defaulters not having any property	265	2.53
Total		297	3.61

In addition to the above, sales tax amounting to Rs.0.42 crore in 12 cases, was waived during the year.

1.9 Refunds

The number of refund cases pending at the beginning of the year as on 1 April 2005, claims received during the year, refunds allowed during the year and cases pending at the close of the year (31 March 2006) as reported by the departments are given below:

(Rupees in crore)

Sl. No.	Particulars	Sales tax		Taxes on vehicles		Mines and minerals	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	71,426	134.02	67	0.06	6	0.04
2	Claims received during the year	30,339	85.25	358	0.65	21	66.44
3	Refunds made during the year	22,267	56.40	403	0.62	21	66.44
4	Balance outstanding at the end of the year	79,498	162.87	22	0.09	6	0.04

1.10 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts and non tax receipts conducted during 2005-06 revealed under assessment/short levy/loss of revenue amounting to Rs.1,211.90 crore in 2,416 cases. During the year, the departments accepted under assessment of Rs.4.97 crore in 975 cases pointed out in 2005-06 and earlier years and recovered Rs.2.70 crore.

This Report contains 22 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalties etc., involving Rs.228.71 crore. The departments/Government accepted audit observations involving Rs.4.08 crore, of which Rs.1.70 crore was recovered upto November 2006. Final reply has not been received in respect of the remaining cases (November 2006).

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

Audit observations on incorrect assessments, short levy of taxes, duties and fees, etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the heads of departments concerned and Government. The heads of offices are required to furnish replies to the inspection reports through their respective heads of departments within a period of two months.

1.11.1 The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 2005, which were pending settlement by the departments as on 30 June 2006, along with corresponding figures for the preceding two years, are given below:

	Position as on 30 June		
	2004	2005	2006
Number of inspection reports pending settlement	5,629	6,134	6,708
Number of outstanding audit observations	18,709	20,477	22,549
Amount of revenue involved (Rs.in crore)	2,139.19	2,399.64	2,556.70

Increase in the outstanding audit reports and objections is indicative of non compliance with Government's instruction to send replies to initial audit observations and report on further action taken thereon within the stipulated time. Though State audit committee and departmental audit committee were constituted in March 1993 with the objective of expeditious settlement of outstanding paras, the number of outstanding reports and observations were on the increase.

1.11.2 Revenue headwise breakup of the inspection reports and audit observations outstanding as on 30 June 2006 is given below:

Sl. No.	Revenue heads	Number of outstanding		Amount (in crore of Rs)	Earliest year to which the inspection report relates
		Inspection reports	Audit observations		
1	2	3	4	5	6
1	Sales tax	3,079	14,768	758.58	1987-88
2	Stamp duty and registration fees	990	1,969	67.38	1984-85
3	Land revenue	750	1,833	1,059.94	1988-89
4	Taxes on vehicles	422	1,009	83.39	1983-84
5	State excise	295	601	129.87	1987-88
6	Taxes on agricultural income	80	213	81.43	1986-87
7	Mines and minerals	258	702	299.85	1989-90
8	Urban land tax	241	644	31.81	1983-84
9	Electricity duty	66	122	30.57	1986-87
10	Entertainment tax	114	123	9.13	1992-93
11	Luxury tax	179	194	1.44	1997-98
12	Betting tax	12	23	0.09	1991-92
13	Entry tax	222	348	3.22	2003-04
Total		6,708	22,549	2,556.70	

1.12 Departmental audit committee meeting

During the course of the year 2005-06, three meetings were held in respect of Commercial Taxes Department (Sales Tax) and Home-Transport (Taxes on Vehicles). Ninety seven paras with a value of Rs.58.52 lakh were settled during these meetings. In respect of other departments, no departmental audit committee meeting was held during the year 2005-06.

1.13 Response of the department/Government to draft audit paragraphs

Government (Finance Department) issued directions (April 1952) to all departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are forwarded to the secretaries of the concerned departments through demi official letters, drawing their attention to the audit findings and requesting them to send their response within six weeks from the date of receipt of the draft paragraphs. The fact of non receipt of replies from the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Fifty four draft paragraphs (finally clubbed into 22 paragraphs including three reviews) proposed to be included in this Report were forwarded to the secretaries of the respective departments during the period from April to June 2006, through demi official letters followed up with reminders in August 2006.

The secretaries of the departments did not send replies to 31 draft paragraphs including one review. These paragraphs have been included in this report without the response of the secretaries of the departments.

1.14 Follow up on Audit Reports – summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in Audit Reports, the Public Accounts Committee (PAC) directed that the concerned departments should furnish remedial/corrective action taken notes (ATN) on all paragraphs contained therein, within the prescribed time frame.

A review of outstanding ATNs as of 31 March 2006 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that the departments had not submitted ATNs on 972 recommendations pertaining to 280 audit paragraphs. Out of the 972 recommendations pending, ATNs have not been received even once in respect of 620 recommendations; the earliest of which relate to the Report of 1986-87.

Further, PAC has also laid down that necessary explanatory notes for the issues mentioned in the Audit Reports should be furnished to the committee within a maximum period of two months from the date of placing the Reports before legislature. Though the Audit Reports for the years from 1998-99 to 2003-04 were placed before the Legislative Assembly between May 2000 and September 2005, the departments are yet to submit explanatory notes for 81 paragraphs (including nine reviews) included in these reports.

1.15 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05, the department/Government accepted audit observations involving Rs.121.57 crore of which only an amount of Rs.11.25 crore was recovered till 31 August 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	668.90	27.29	5.72
2001-02	512.60	9.78	2.23
2002-03	1,032.59	53.47	1.13
2003-04	815.05	25.92	0.44
2004-05	576.20	5.11	1.73
Total	3,605.34	121.57	11.25