

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2006-07, 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 mentioned below:

(Rupees in crore)

Sl.No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue	12,783.81	13,601.23	15,692.61	18,857.90	22,997.97
	• Non-tax revenue	1,913.49	2,282.08	2,720.29	2,930.32	6,532.64
	Total	14,697.30	15,883.31	18,412.90	21,788.22	29,530.61
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	10,814.87	13,272.97	15,055.26	18,203.13	23,218.31 ¹
	• Grants-in-aid	2,309.02	2,481.69	4,149.28	5,357.80	7,850.60
	Total	13,123.89	15,754.66	19,204.54	23,560.93	31,068.91
III.	Total receipts of the State (I + II)	27,821.19	31,637.97	37,617.44	45,349.15	60,599.52
IV.	Percentage of I to III	53	50	49	48	49

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 49 per cent of the total revenue receipts (Rs. 60,599.52 crore) against 48 per cent in the preceding year. The balance 51 per cent of receipts during 2006-07 was from the Government of India.

¹ For details, please see Statement No. 11 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2006-07. Figures under the major heads 0020 - Corporation tax, 0021 - Other taxes on income and expenditure, 0028 - Taxes on income other than corporation tax, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - 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 following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Increase (+) or decrease (-) in 2006-07 with reference to 2005-06	Percentage of increase or decrease with reference to 2005-06
1.	Trade tax	6,850.93	7,684.13	8,888.31	11,284.67	13,278.82	(+) 1,994.15	(+) 17.67
2.	State excise	2,555.05	2,472.37	2,686.19	3,088.54	3,551.25	(+) 462.71	(+) 14.98
3.	Stamp duty and registration fees	2,078.68	2,296.06	2,682.36	2,996.78	4,513.67	(+) 1,516.89	(+) 50.62
4.	Taxes on vehicles	618.84	676.96	775.84	965.20	1,017.60	(+) 52.40	(+) 5.43
5.	Taxes and duties on electricity	145.29	174.72	354.36	182.26	193.92	(+) 11.66	(+) 6.40
6.	Land revenue	64.23	117.67	102.44	108.69	187.52	(+) 78.83	(+) 72.53
7.	Other taxes and duties on commodities and services	100.02	92.78	112.28	114.76	131.57	(+) 16.81	(+) 14.65
8.	Taxes on goods and passengers	77.33	80.21	81.74	105.19	108.70	(+) 3.51	(+) 3.34
9.	Other (hotel receipts, corporation tax, etc.)	3.70	6.33	9.09	11.81	14.92	(+) 3.11	(+) 26.33
	Total	12,783.81	13,601.23	15,692.61	18,857.90	22,997.97	4,140.07	21.95

The concerned departments did not inform (October 2007) the reasons for variation despite being requested (September 2007).

1.1.3 The following table presents the details of non-tax revenue realised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Increase (+) or decrease (-) in 2006-07 with reference to 2005-06	Percentage of increase/ decrease with reference to 2005-06
1.	Misc. general services	48.28	41.80	58.02	75.02	2,281.23	(+) 2,206.21	(+) 2,940.83
2.	Interest receipts	515.38	658.09	597.93	457.94	828.86	(+) 370.92	(+) 81.00
3.	Forestry and wild life	86.27	60.96	107.42	161.98	212.37	(+) 50.39	(+) 31.11

4.	Major and medium irrigation	90.12	136.10	176.60	53.78	143.29	(+) 89.51	(+) 166.44
5.	Education, sports, art and culture	255.35	227.68	581.02	934.81	814.96	(-) 119.85	(-) 12.82
6.	Other administrative services	110.95	116.91	128.23	99.96	99.71	(-) 0.25	(-) 0.25
7.	Non-ferrous mining and metallurgical industries	262.54	251.05	292.01	354.60	345.34	(-) 9.26	(-) 2.61
8.	Police	95.40	75.91	97.58	96.66	209.60	(+) 112.94	(+) 116.84
9.	Crop husbandry	25.58	188.73	18.60	40.84	33.96	(-) 6.88	(-) 16.85
10.	Social security and welfare	19.59	33.65	17.25	14.23	15.77	(+) 1.54	(+) 10.82
11.	Medical and public health	41.44	42.69	42.03	39.75	62.67	(+) 22.92	(+) 57.66
12.	Minor irrigation	12.11	18.53	12.53	21.21	33.02	(+) 11.81	(+) 55.68
13.	Roads and bridges	17.97	41.79	31.67	55.36	58.83	(+) 3.47	(+) 6.27
14.	Public works	25.26	19.92	31.44	36.09	26.59	(-) 9.50	(-) 26.32
15.	Co-operation	6.18	7.57	8.15	6.27	7.02	(+) 0.75	(+) 11.96
16.	Others	301.07	360.70	519.81	481.82	1,359.42	(+) 877.60	(+) 182.14
	Total	1,913.49	2,282.08	2,720.29	2,930.32	6,532.64	3,602.32	122.93

The concerned department did not inform (October 2007) the reasons for variations despite being requested (September 2007).

1.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 in respect of principal heads of revenue are mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variation excess (+) short fall (-)	Percentage of variation
Tax revenue					
1.	Trade tax	14,528.00	13,278.82	(-) 1,249.18	(-) 8.60
2.	State excise	3,650.00	3,551.25	(-) 98.75	(-) 2.71
3.	Stamp duty and registration fees	3,500.00	4,513.67	(+) 1,013.67	(+) 28.96
4.	Taxes on goods and passengers	642.32	108.70	(-) 533.62	(-) 83.08
5.	Taxes on vehicles	709.68	1,017.60	(+) 307.92	(+) 43.39

6.	Other taxes and duties on commodities and services	143.45	131.57	(-) 11.88	(-) 8.28
7.	Taxes and duties on electricity	220.00	193.92	(-) 26.08	(-) 11.85
8.	Land revenue	81.78	187.52	(+) 105.74	(+) 129.30
Non-tax revenue					
1.	Misc. general services	81.10	2,281.23	(+) 2,200.13	(+) 2,712.86
2.	Interest receipts	651.57	828.86	(+) 177.29	(+) 27.21
3.	Forestry and wild life	127.46	212.37	(+) 84.91	(+) 66.62
4.	Major and medium irrigation	35.11	143.29	(+) 108.18	(+) 308.12
5.	Education, sports, art and culture	71.22	814.96	(+) 743.74	(+) 1,044.29
6.	Non-ferrous mining and metallurgical industries	350.50	345.34	(-) 5.16	(-) 1.47

The concerned departments did not inform (October 2007) the reasons for variations despite being requested (September 2007).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 were as follows:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the year 2005-06
1.	Trade tax	2004-05	8,888.31	178.53	2.00	0.91
		2005-06	11,284.67	193.51	1.71	
		2006-07	13,278.82	200.19	1.51	
2.	Taxes on vehicles, goods and passengers	2004-05	857.58	12.99	1.60	2.67
		2005-06	1,070.39	31.27	2.92	
		2006-07	1,126.30	30.25	2.69	
3.	State excise	2004-05	2,686.19	29.66	1.10	3.40
		2005-06	3,088.54	33.39	1.08	
		2006-07	3,551.25	37.34	1.05	
4.	Stamp duty and registration fees	2004-05	2,682.36	58.84	2.20	2.87
		2005-06	2,996.78	52.55 ^s	1.75	
		2006-07	4,513.67	61.36	1.36	

Thus, the cost of collection under trade tax was higher than the all India average percentage for the year 2005-06.

1.4 Arrears in assessment

The details of assessments relating to trade tax pending at the beginning of the year, additional cases became due for assessment during the year, cases

^s Decrease due to saving of Rs. 8.41 crore under special circumstances

disposed during the year and cases pending finalisation at the end of the year as furnished by the Trade Tax Department during 2002-03 to 2006-07 are mentioned below:

Year	Opening balance	Cases which become due for assessment	Total	Cases disposed of during the year	Cases pending at the close of the year
1	2	3	4	5	6
2002-03	4,67,623	5,29,858	9,97,481	5,21,969	4,75,512
2003-04	4,75,512	4,83,428	9,58,940	4,76,263	4,82,677
2004-05	4,82,677	5,87,405	10,70,082	5,39,360	5,30,722
2005-06	5,30,722	5,33,349	10,64,071	5,22,962	5,41,109
2006-07	5,41,109	6,00,531	11,41,640	5,64,532	5,77,108

The pending cases have been steadily increasing every year. The department needs to take appropriate steps to dispose of the arrears in assessment.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007, in respect of some principal heads of revenue amounted to Rs. 15,021.59 crore of which Rs. 8,390.34 crore relating to trade tax were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount of arrears as on 31 March 2007	Arrears outstanding for more than five years as on 31 March 2007	Remarks
1.	Trade tax	14,569.19	8,390.34	Out of Rs. 14,569.19 crore, demand for Rs. 644.70 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 995.83 crore had been stayed by the Courts/ Government. Recoveries amounting to Rs. 257.11 crore were outstanding against Government / semi-Government departments. Demand of Rs. 1,183.27 crore was likely to be written off. Rs. 55.72 crore were outstanding on transporters. Recovery certificates amounting to Rs. 892.13 crore have been sent to other States. Arrears not covered under recovery certificates but under specific action of department amounted to Rs. 10,540.43 crore.
2.	Entertainment tax	12.43	4.54	Out of Rs. 12.43 crore, demand for Rs. 6.86 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 4.69 crore had been stayed by the courts/Government. Further notices have been issued for balance of Rs. 88 lakh.
3.	State excise	52.98	N.A.	Out of Rs. 52.98 crore, demand for Rs. 27.16 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 21.83 crore had been stayed by the Court and

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				Rs. 1.72 crore by the Government/department. Demand for Rs. 2.27 crore was likely to be written off.
4.	Taxes on vehicles, goods and passengers Road tax = 5.39 Goods tax = 5.85 Passenger tax = 11.76	23.00	N.A.	Out of Rs. 23 crore, demands for Rs. 1.92 crore and Rs. 18 lakh had been stayed by judicial and administrative orders respectively. Balance demand of Rs. 20.90 crore was pending recovery.
5.	Stamp and registration	352.61	N.A.	Out of Rs. 352.61 crore, demands for Rs. 60.03 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 27.02 crore had been exempted by court. Demand for Rs. 154.25 crore had been stayed by different courts. Balance demand of Rs. 111.31 crore was pending recovery.
6.	Land revenue	11.38	N.A.	Out of Rs. 11.38 crore, demands for Rs. 1.55 crore had been stayed by the Government. Balance demand for Rs. 9.83 crore was pending recovery.
	Total	15,021.59	8,394.88	

1.6 Results of audit

Test check of the records of trade tax, state excise, taxes on vehicles, goods and passengers, stamp duty and registration fees, land revenue and public works, irrigation, housing and urban development, education, mines and minerals, police, finance departments, etc. conducted during the year 2006-07 revealed underassessments/short levy/loss of revenue amounting to Rs. 405.08 crore in 2,370 cases. During the course of the year 2006-07, the concerned departments accepted underassessments and other deficiencies of Rs. 56.23 lakh in 41 cases of which Rs. 19.58 lakh had been recovered upto March 2007.

This report contains 24 paragraphs including two reviews involving financial effect of Rs. 92.18 crore. The departments/Government accepted audit observations involving Rs. 174.47 lakh, of which Rs. 2.80 lakh had been recovered upto August 2007.

1.7 Outstanding inspection reports and audit observations

Accountant General (Commercial & Receipts Audit) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during the inspection are not settled on the spot, these IRs are issued to the heads of offices inspected with a copy to the next higher authorities. More important irregularities are reported to the heads of departments and the Government. The heads of offices are required to furnish replies to IRs through the respective heads of departments within a period of two months.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2006 which were pending settlement by the departments as on 30 June 2007, along with corresponding figures for the preceding two years are as mentioned below:

Sl. No.		2005	2006	2007
1.	Number of inspection reports pending settlement	8,567	7,832	9,524
2.	Number of outstanding audit observations	17,394	19,257	21,445
3.	Amount of revenue involved (Rs. in crore)	4,102.33	4,225.60	4,782.48

The department wise details of IRs and audit observations outstanding as on June 2007 and the amount involved are indicated below:

Sl. No.	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved (in crores of rupees)	Year to which the observations relate
1.	Forestry and wild life	957	1,691	1,822.09	1991-92 to 2006-07
2.	Trade tax	1,932	8,744	1,772.67	1984-85 to 2006-07
3.	State excise	764	1,173	412.17	1984-85 to 2006-07
4.	Land revenue	918	1,293	39.98	1987-88 to 2006-07
5.	Taxes on vehicle, goods and passengers	932	2,862	126.19	1984-85 to 2006-07
6.	Public works	604	559	27.54	1985-86 to 2006-07
7.	Irrigation	384	672	81.63	1984-85 to 2006-07
8.	Taxes on purchase of sugarcane	99	113	56.08	1985-86 to 2006-07
9.	Stamp duty and registration fees	2,052	3,041	161.80	1984-85 to 2006-07
10.	Agriculture	208	311	22.55	1985-86 to 2006-07
11.	Electricity duty	280	358	170.64	1985-86 to 2006-07
12.	Food and civil supplies	114	179	19.61	1991-92 to 2006-07
13.	Co-operation	112	121	59.8	1985-86 to 2006-07
14.	Entertainment tax	101	146	6.12	1986-87 to 2006-07
15.	Medical and public health	64	179	3.59	2002-03 to 2006-07
16.	Jail	3	3	0.02	2002-03 to 2006-07
	Total	9,524	21,445	4,782.48	

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

1.8 Follow-up on Audit Reports - summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/reviews figuring in the ARs irrespective of whether the cases were taken up for examination by the PAC or not. Out of paragraphs/reviews included in ARs relating to the period 2001-02 to 2005-06 which have already been laid before the State legislature, explanatory notes (ENs) in respect of 70 paragraphs/reviews were not received in audit office as on August 2007 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2001-02 are as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/ reviews included in the Audit Reports	No. of paragraphs/ reviews on which ENs have been received from the departments	No. of paragraphs/ reviews on which ENs are awaited from the departments
2001-02	27 July 2004	34	25	09
2002-03	08 November 2004	26	11	15
2003-04	20 July 2005	25	10	15
2004-05	11 March 2006	22	12	10
2005-06	25 January 2007	21	00	21
TOTAL		128	58	70

1.9 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2005-06 cases of underassessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs. 4,363.79 crore were reported. As of August 2007, the departments concerned have accepted observations amount to Rs. 303.17 crore and have recovered Rs. 1.94 crore only. Audit Report wise details of cases accepted and recovered are mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	987.71	50.95	0.54
2002-03	1,546.48	109.91	0.05
2003-04	473.20	104.01	0.12
2004-05	449.74	30.39	1.18
2005-06	906.66	7.91	0.05
Total	4,363.79	303.17	1.94