

CHAPTER-VI

REVENUE RECEIPTS

6.1 GENERAL

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Uttarakhand during the year 2006-07, State's share of divisible Union taxes and grants-in-aid received from Government of India during the year and corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)					
	2002-03	2003-04	2004-05	2005-06	2006-07
I. Revenue raised by the State Government					
• Tax revenue	1,018.87	1,225.96	1,444.36	1,784.69	2,513.78
• Non-tax revenue	374.85	370.41	547.70	650.09	646.82
Total	1,393.72	1,596.37	1,992.06	2,434.78	3,160.60
II. Receipts from the Government of India					
• State's share of divisible Union taxes	372.14	435.03	519.97	1,009.82 ¹	1131.83 ¹
• Grants-in-aid	1,450.25	1,568.68	1,573.57	2,092.42	3080.79
Total	1,822.39	2,003.71	2,093.54	3,102.24	4,212.62
III. Total receipts of the State (I+II)	3,216.11	3,600.08	4,085.60	5,537.02	7,373.22
IV. Percentage of I to III	43	44	48	43	42

Source: Finance Accounts 2006-07.

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 42 per cent of the total revenue receipts (Rs. 7,373.22 crore) against 43 per cent in the preceding year. The balance 58 per cent of the receipts during 2006-07 was from the Government of India.

6.1.2 The following table presents the details of the 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.	Commercial tax	548.84	661.96	793.51	1,014.33	1,361.42	(+) 347.09	34.22
2.	State excise	245.86	273.37	292.01	292.75	372.91	(+) 80.16	27.38
3.	Stamp duty	123.35	168.94	207.80	333.39	546.32	(+) 212.93	63.87

¹ For details see statement No. 11 - Detailed accounts of revenue by minor head of the Finance Accounts of the Government of Uttarakhand for the year 2006-07. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties and 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.

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	and registration fees							
4.	Taxes on vehicles, goods and passengers	71.68	86.12	98.91	114.85	141.46	(+) 26.61	23.17
5.	Taxes and duties on electricity	18.10	16.45	37.49	12.24	66.19	(+) 53.95	440.77
6.	Land revenue	2.52	12.64	7.74	9.18	15.42	(+) 6.24	67.97
7.	Other taxes and duties on commodities and services	6.70	6.04	4.04	4.39	5.44	(+) 1.05	23.92
8.	Others	1.82	0.45	2.86	3.56	4.62	(+) 1.06	29.78
	Total	1,018.87	1,225.97	1,444.36	1,784.69	2,513.78	729.09	40.85

Source: Finance Accounts 2006-07.

The following reasons for variations were reported by the concerned departments:

Stamps and registration fees: The increase was attributed to unprecedented registration of sale deeds which was 37,600 more than the previous year.

Taxes and duties on electricity: The department did not accept the figures as there is substantial variation between the figures depicted in the Finance Accounts and those in the records maintained by the department. This has been caused by the failure of the department to reconcile the figures despite repeated efforts.

Land revenue: The increase was attributed to the increase in irrigation tax and taxes on land.

Taxes on vehicles: The increase was attributed to the increase in registration of new vehicles.

The other departments did not inform (November 2007) the reasons for variation, despite being requested (June 2007).

6.1.3 The following table presents the details of the non-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/decrease with reference to 2005-06
1.	Interest receipts	3.92	30.22	21.96	34.60	40.94	(+) 6.34	18.32
2.	Forestry and wildlife	177.69	131.88	130.58	159.47	188.09	(+) 28.62	17.95
3.	Major and medium irrigation	10.38	9.36	5.74	6.21	5.69	(-) 0.52	(-) 8.37
4.	Education, sports, art and culture	22.67	21.28	22.27	24.84	23.34	(-) 1.50	(-) 6.04
5.	Other administrative services	9.70	20.65	27.04	35.71	11.83	(-) 23.88	(-) 66.87

6.	Non-ferrous mining and metallurgical industries	23.93	31.82	36.61	52.97	62.58	(+) 9.61	18.14
7.	Police	3.84	4.01	4.20	5.23	5.24	(+) 0.01	0.19
8.	Crop husbandry	49.31	22.11	6.40	2.80	2.73	(-) 0.07	(-) 2.50
9.	Social security and welfare	0.38	1.95	0.98	1.15	2.06	0.91	79.13
10.	Medical and public health	3.37	4.25	2.60	6.04	4.29	(-) 1.75	(-) 28.97
11.	Minor irrigation	0.22	0.65	1.01	0.92	1.20	(+) 0.28	30.43
12.	Roads and bridges	1.08	0.93	1.06	1.38	1.75	(+) 0.37	26.81
13.	Public works	2.90	2.19	3.99	8.62	11.52	(+) 2.90	33.64
14.	Co-operation	1.15	1.17	2.94	1.19	3.99	(+) 2.80	235.29
15.	Others	64.31	87.94	280.32	308.96	281.57	(-) 27.39	(-) 8.87
	Total	374.85	370.41	547.70	650.09	646.82	(-) 3.27	(-) 0.50

Source: Finance Accounts 2006-07.

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

6.1.4 Variations between the budget estimates and actuals

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

Sl. No.	Revenue head	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage of variation
	Tax revenue				
1.	Commercial tax	1,158.84	1,361.42	(+) 202.58	17.48
2.	State excise	400.94	372.91	(-) 28.03	(-) 6.99
3.	Stamp duty and registration fees	328.27	546.32	(+) 218.05	(+) 66.42
4.	Taxes and duties on electricity	27.59	66.19	(+) 38.60	(+) 139.91
	Non-tax revenue				
5.	Interest receipts	27.68	40.94	(+) 13.26	(+) 47.90
6.	Other administrative services	17.22	11.83	(-) 5.39	(-) 31.30
7.	Crop husbandry	8.41	2.73	(-) 5.68	(-) 67.54
8.	Social security and welfare	0.97	2.06	(+) 1.09	(+) 112.37
9.	Medical and public health	2.98	4.29	(+) 1.31	(+) 43.96
10.	Roads and bridges	0.51	1.75	(+) 1.24	(+) 243.14
11.	Public works	4.46	11.52	(+) 7.06	(+) 158.30

Source: Receipt Budget 2006-07.

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

6.1.5 Analysis of collection

The breakup of the total collection at the pre assessment stage and after regular assessment of commercial tax and entry tax for the year 2006-07 as furnished by the department, is mentioned below:

(Rupees in crore)

Head of revenue	Amount collected at the pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
1	2	3	4	5	6	7
Commercial tax	1,343.01	7.32	0.09	2.77	1,347.65	99.66
Entry tax	7.33	0	0	0	7.33	100.00

6.1.6 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to 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 are mentioned 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 2005-06
1.	Sales/Commercial tax	2004-05	793.51	21.17	2.67	0.91
		2005-06	1,014.33	13.95	1.38	
		2006-07	1354.98	31.02	2.28	
2.	State excise	2004-05	292.05	3.22	1.10	3.40
		2005-06	292.75	3.11	1.06	
		2006-07	372.84	3.93	1.05	
3.	Taxes on vehicles	2004-05	85.32	4.27	5.00	2.67
		2005-06	114.85	4.71	4.10	
		2006-07	136.95	5.30	3.87	
4.	Stamp duty and registration fees	2004-05	207.80	4.46	2.15	2.87
		2005-06	333.39	3.24	0.97	
		2006-07	546.24	4.34	0.79	

Thus, the percentage cost of collection of the sales/commercial tax was significantly higher than the all India average which the Commercial Tax Department attributed to construction of various check posts and departmental buildings. While the percentage collection cost of tax on vehicles showed a downward trend in the last two years, it was higher than the all India average. The Transport Department did not furnish (November 2007) the reasons.

6.1.7 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.284.32 crore of which Rs.138.02 crore was outstanding for more than five years as mentioned in the following table:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007
1.	Commercial tax	214.21	137.39
2.	Taxes on vehicles	1.90	0.27
3.	Stamp duty and registration fee	6.87	0.36
4.	Taxes and duties on electricity	55.20	Nil
5.	Tax on purchase of sugarcane	6.14	Nil

Source: State Department.

The Government needs to take effective steps to recover the arrears of which 48.54 per cent is more than five years old.

6.1.8 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised and the demands for additional tax raised as reported by the department are mentioned below:

(Rupees in lakh)

Name of tax/duty	Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of pending cases as on 31 March 2007
				No. of cases	Amount of demand	
Commercial tax	140	114	254	163	243.91	91

6.1.9 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received, refunds allowed and cases pending at the end of the year 2006-07, as reported by the departments are mentioned below:

(Rupees in lakh)

Sl. No.	Reasons	Commercial tax		Stamp duty and registration	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	405	105.88	-	-
2.	Claims received during the year	3020	922.68	7	131.61
3.	Refunds made during the year	2982	913.31	7	105.83
4.	Balance outstanding at the end of the year	412	115.25	-	25.78

6.1.10 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs.196.35 crore in 281 cases.

This Report contains four paragraphs involving financial effect of Rs. 1.03 crore of which Rs. 2 lakh had been accepted. The departments contested paragraph involving Rs. 39 lakh and no reply has been furnished in other cases. In respect of observations not accepted by the department, gist of the reasons for department's non-acceptance has been included in the related paragraphs itself along with further comments of audit. Replies from the Government have not been received (October 2007).

6.1.11 Failure to enforce accountability and protect interest of the Government

Accountant General (Audit), Uttarakhand arranges to conduct periodical inspection of Government departments concerned with the tax revenue to test check the transactions and verify the maintenance of important records in accordance with the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during 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. The heads of offices and the next higher authorities are required to ensure compliance with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Accountant General (Audit). Serious irregularities are also brought to the notice of the heads of departments by the office of the Accountant General (Audit). The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2006 and pending settlement by the departments as on 30 June 2007 along with corresponding figures for the preceding two years are mentioned below:

Particulars	As at the end of		
	June 2005	June 2006	June 2007
Number of pending IRs	1,538	1,588	1,863
Number of outstanding audit observations	2,937	3,033	3,400
Amount of revenue involved (Rupees in crore)	1,556	1,604	1,757.02

STAMP AND REGISTRATION DEPARTMENT

6.2 Short levy of stamp duty

Under valuation of residential/commercial property resulted in short levy of stamp duty of Rs. 60.52 lakh.

Under the Indian Stamp Act, 1899 (as amended in its application in Uttar Pradesh and adopted in Uttarakhand) stamp duty on a deed of conveyance is chargeable on the market value of the property or on the value of consideration set forth therein, whichever is higher. As per Uttar Pradesh Stamp (valuation of property) Rules, 1997, market rates of various categories of land and building are to be fixed biennially by the collector for the guidance of registering authorities.

During audit of the office of the sub registrar, Ranikhet, Almora (May 2007), it was noticed that one residential building and one commercial complex at Mall Road, Ranikhet each constructed on plot area measuring 11,600 sq. meter and

12,296 sq. meter and with covered area of 1,400 sq. metre and 918 sq. meter respectively were registered at Rs. 2.95 crore on which stamp duty of Rs. 23.60 lakh was levied. The value of the property should have been calculated as Rs. 10.51 crore on the rates fixed by the collector. Hence, stamp duty of Rs. 84.12 lakh was payable on the value of the property. This resulted in short levy of stamp duty amounting to Rs. 60.52 lakh.

The matter was reported to the department and the Government between May 2007 and June 2007. The department stated (August 2007) that the matter has been referred to District Magistrate, Almora. The reply of the Government has not been received (November 2007).

COMMERCIAL TAX DEPARTMENT

6.3 Non-realisation of value added tax (VAT) on the sale of aircraft

VAT of Rs. 38.80 lakh on the sale of aircraft was not realized.

As per Section 3 (3) of Uttaranchal VAT Rules 2005, a person or dealer has to pay tax from the date he becomes liable, for each assessment year. Further, as per the provision of sub section 11 of Section 2 of Uttaranchal VAT Act, tax will be levied even if the transaction is incidental to regular work or there is disposal of any surplus/old goods.

Test check of the records (February 2006) of the Director, Civil Aviation, revealed that the department sold (May 2006) an old aircraft (King Air-C 90 A-VT- EQO) to M/s Toubro Airways Pvt. Ltd. for Rs. 3.11 crore. This amount was accepted without realising VAT of Rs. 38.80 lakh from the firm.

After the case was pointed out to the Civil Aviation Department, it was stated that the responsibility of paying VAT did not lie with them as it was not part of the regular business of the Department. The reply is not tenable in view of the provisions of the VAT Act/Rules.

The matter was reported to the Government (June 2006); their reply has not been received (November 2007).

6.4 Non-imposition of penalty

Penalty of Rs. 3.75 lakh on false declaration in form 'C' was not levied.

Under Section 10 A of the Central Sales Tax (CST) Act, 1956, a dealer is liable to pay penalty upto one and a half times of the tax if he purchases goods from outside the state and falsely represents it as covered by his registration certificate.

During audit of Deputy Commissioner (A) Commercial Tax, Roorkee, it was noticed that a dealer assessed in January 2006 for the year 2002-03 purchased goods (LDO¹ and Oil) valued as Rs. 11.92 lakh against declarations in Form 'C' on items which were not covered in the certificate of registration. The dealer was

¹ Light diesel oil

liable to pay penalty of Rs. 3.75* lakh. The assessing authority while finalising the assessment, however, failed to detect the irregularity and levy penalty. This resulted in non-levy of maximum penalty of Rs. 3.75 lakh.

The matter was reported to the Government/department in June 2007. The department levied penalty of Rs. 3.75 lakh (July 2007). A report on recovery has not been received (November 2007).

TRANSPORT DEPARTMENT

6.5 Non-levy of road/additional tax on maxi-cab

The department did not levy road tax/additional tax of Rs. 4.12 lakh on maxi-cabs.

Under the provision of Uttaranchal Motoryan Karadhan Sudhar Adhiniyam, 2003, quarterly road tax and additional tax in respect of maxi-cab (10 seater) was fixed at Rs. 350 and Rs. 3,375 respectively.

During test check of the records of three regional transport offices² (RTO's) in May/June 2007 it was noticed that road/additional tax on 16 maxi-cabs from August 2003 to June 2007 was not assessed at the prescribed rates. This resulted in non-levy of road/additional tax amounting to Rs. 4.12 lakh.

The cases were reported to the department and the Government in June 2007. RTO Pauri, Garhwal levied tax of Rs. 2.13 lakh (August 2007) and the replies from RTO's US Nagar and Almora have not been received (November 2007).

* Rs. 3.75 lakh = 1.5 x .21 x Rs. 11,91,900/100

² US Nagar, Pauri Garhwal and Almora