

CHAPTER – VI

REVENUE RECEIPTS

General

6.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Uttaranchal during the year 2002-2003, 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 years are given below:

(Rs. in crore)

	2001-02	2002-2003
I. Revenue raised by the State Government		
(a) Tax revenue	970.88	1018.87
(b) Non tax revenue	162.06	374.85
Total	1132.94	1393.72
II. Receipts from the Government of India		
(a) State's share of divisible Union taxes	151.40	372.14*
(b) Grants-in-aid	1323.85	1450.25
Total	1475.25	1822.39
III. Total receipts of the State (I + II)	2608.19	3216.11
IV. Percentage of I to III	43.44	43.34

6.1.1 The details of tax revenue for the year 2002-2003 along with the figures for the preceding year are given in the following table:

* For details please see statement No. 11- detailed accounts of revenue by Minor Heads in the Finance Accounts of the Government of Uttaranchal for the year 2002-2003. 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 - 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 States share of divisible Union taxes in this statement.

(Rs. in crore)

<i>Revenue Head</i>	2001-02	2002-03	Increase (+) or decrease (-) in 2002-03 with reference to 2001-02	Percentage of increase or decrease with reference to 2001-02
1. Trade Tax	486.13	548.84	(+) 62.71	(+) 12.90
2. State Excise	232.04	245.86	(+) 13.82	(+) 5.96
3. Stamp Duty and Registration Fees	89.45	123.35	(+) 33.90	(+) 37.90
4. Tax on Sale of Motor Spirit and Lubricants	0.08	0.00	(-) 0.08	(-) 100.00
5. Taxes on Vehicles	67.41	71.68	(+) 4.27	(+) 6.33
6. Taxes and Duties on Electricity	7.94	18.10	(+) 10.16	(+) 127.96
7. Land Revenue	3.28	2.52	(-) 0.76	(-) 23.17
8. Other Taxes and Duties on Commodities and Services	82.89	6.70	(-) 76.19	(-) 91.92
9. Other	1.66	1.82	(+) 0.16	(+) 9.64
Total	970.88	1018.87	(+) 47.99	(+) 4.94

Reasons for variations, though called for from the Government (April 2004) have not been received (May 2004).

6.1.2 The details of non-tax revenue for the year 2002-2003 along with the figures for the preceding year are exhibited in the following table:

(Rs. in crore)

<i>Revenue Head</i>	2001-02	2002-03	Increase (+) or decrease (-) in 2002-03 with reference to 2001-02	Percentage of increase / Decrease with reference to 2001-02
1	2	3	4	5
1. Interest Receipts	3.15	3.92	(+) 0.77	(+) 24.44
2. Forestry and Wild Life	80.70	177.69	(+) 96.99	(+) 120.19
3. Major and Medium Irrigation	6.78	10.38	(+) 3.60	(+) 53.10
4. Education, Sports, Art and Culture	17.96	22.67	(+) 4.71	(+) 26.22
5. Other Administrative Services	3.85	9.70	(+) 5.85	(+) 151.95
6. Non-ferrous Mining and Metallurgical Industries	18.24	23.93	(+) 5.69	(+) 31.20
7. Police	3.60	3.84	(+) 0.24	(+) 6.67
8. Crop Husbandry	3.20	49.31	(+) 46.11	(+) 1440.94
9. Social Security and Welfare	0.17	0.38	(+) 0.21	(+) 123.53
10. Medical and Public	3.58	3.37	(-) 0.21	(-) 5.87

Health				
11. Minor Irrigation	0.12	0.22	(+) 0.10	(+) 83.33
12. Roads and Bridges	1.20	1.08	(-) 0.12	(-) 10.00
13. Public Works	1.74	2.90	(+) 1.16	(+) 66.67
14. Co-operation	0.83	1.15	(+) 0.32	(+) 38.55
15. Others	16.94	64.31	(+) 47.37	(+) 279.63
Total	162.06	374.85	(+) 212.79	(+) 131.30

Reasons for variations, though called for from the Government (April 2004) have not been received (May 2004).

6.1.3 Variations between Budget estimates and Actuals

The variations between Budget estimates and actuals of tax and non-tax revenues during the year 2002-2003 are given in the table below :

A: Tax Revenue (Rs. in crore)

<i>Revenue Head</i>	Budget estimates	Actuals	Variation Increase (+) short fall (-)	Percentage of variations
1	2	3	4	5
1. Trade Tax	401.90	548.84	(+) 146.94	(+) 36.56
2. State Excise	255.36	245.86	(-) 9.50	(-) 3.72
3. Stamp duty and Registration fee	123.20	123.35	(+) 0.15	(+) 0.12
4. Tax on Sale of Motor Spirit and Lubricants	155.10	0.00	(-) 155.10	(-) 100.00
5. Taxes on Vehicles	106.41	71.68	(-) 34.73	(-) 32.64
6. Taxes and Duties on Electricity	12.00	18.10	(+) 6.10	(+) 50.83
7. Land Revenue	3.27	2.52	(-) 0.75	(-) 22.94
8. Other taxes and duties and services	5.60	6.70	(+) 1.10	(+) 19.64
9. Others	6.36	1.82	(-) 4.54	(-) 71.38

B: Non-tax revenue

<i>Revenue Head</i>	Budget estimates	Actuals	Variation Increase (+) short fall (-)	Percentage of variations
1. Interest Receipts	1.07	3.92	(+) 2.85	(+) 266.36
2. Forestry and Wild Life	120.00	177.69	(+) 57.69	(+) 48.08
3. Major and Medium Irrigation	2.61	10.38	(+) 7.77	(+) 297.70
4. Education, Sports, Art and	7.50	22.67	(+) 15.17	(+) 202.27

Culture				
5. Other Administrative services	5.50	9.70	(+) 4.20	(+) 76.36
6. Non-ferrous Mining and Metallurgical Industries	20.00	23.93	(+) 3.93	(+) 19.65
7. Police	2.00	3.84	(+) 1.84	(+) 92.00
8. Crop Husbandry	2.00	49.31	(+) 47.31	(+) 2365.50
9. Social Security and Welfare	0.00	0.38	(+) 0.38	(+) 100.00
10. Medical and Public Health	2.00	3.37	(+) 1.37	(+) 68.50
11. Minor Irrigation	0.23	0.22	(+) 0.01	(+) 4.35
12. Road and Bridges	1.02	1.08	(+) 0.06	(+) 5.88
13. Public works	0.00	2.90	(+) 2.90	(+) 100.00
14. Co-operation	0.50	1.15	(+) 0.65	(+) 130.00
15. Others	11.07	64.31	(+) 53.24	(+) 480.94

Reasons for substantial variations between budget estimates and actuals as intimated by the Government of Uttaranchal are as under:

1. Tax on sale of motor spirit and lubricants: This amount has been included in Trade Tax receipts. Due to this Trade Tax receipts were more than the Budget estimates and receipts under this head have been shown less. After adding these two, there has been a variation of near about one *per cent* between the estimates and the receipts.

2. Forestry and wild life: Increase under this head was due to lump- sum receipts in the case of transfer of forestland. It was not pre expected and would not be exhibited in coming years.

6.1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and *per centage* of such expenditure to the gross collection during the years 2001-2002 and 2002-2003 along with the relevant All India Average percentage of expenditure on collection to gross collection for 2001-2002 are given below:

(Rupees in crore)					
Revenue Head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average for the year 2001-2002
1. Trade Tax	2001-02	486.13	6.82	1.40	1.26
	2002-03	548.84	9.50	1.73	
2. Taxes on vehicle, Goods and passengers	2001-02	58.57	2.21	3.77	2.99
	2002-03	66.28	3.08	4.65	

3. State Excise	2001-02	232.04	1.96	0.84	3.21
	2002-03	245.86	2.62	1.07	
4. Stamp duty and Registration Fees	2001-02	89.45	1.71	1.91	3.51
	2002-03	123.35	1.31	1.06	

6.1.5 Result of Audit

Test check of records of Trade Tax, State Excise, Taxes on Motor Vehicles and stamp duty and registration fee offices, conducted in audit during for the year 2002-2003 disclosed short realization or loss of revenue of Rs. 20.24 crore in 90 cases. During the course of the year 2002-2003, the concerned departments accepted short realization or loss of revenue aggregating to Rs. 2.29 crore in 207 cases of which 183 cases (Rs. 2.14 crore) were pointed out in audit in earlier years.

This chapter contains 8 paragraphs including one long para involving financial effect of Rs. 17.85 crore. The departments have accepted audit observation involving Rs. 0.14 crore. No reply to audit observations with a total revenue effect of Rs. 17.71 crore in 47 cases have been received from the Departments (May 2004).

Trade Tax

6.2 Short levy of tax

Under Section 3A of U.P.TradeTax Act, 1948 as applicable to state of Uttaranchal read with Government Notification dated 23 November 1998, Tax on sale of cordless phone is leviable at the rate of 7.5 *per cent* with effect from 1 December 1998 to 16 January 2000. Mobile phone is a cordless phone and taxable at the rate of 7.5 *per cent*.

During audit of Assistant Commissioner (Assessment)-I Trade Tax, Dehradun, it was noticed that a dealer had sold imported mobile phones worth Rs. 4.6 crore during the period 1 April 1999 to 16 January 2000. Tax was levied at the rate of 5 *per cent* instead of the correct rate of 7.5 *per cent*, resulting in short levy of tax amounting to Rs. 10.14 lakh.

On this being pointed out in audit, the department raised additional demand of tax amounting to Rs. 10.14 lakh in December 2001.

The matter was reported to the Government in September 2001; reply was awaited (May 2004).

6.3 Non-imposition of penalty under Central Sales Tax Act

Under Section 10 A of the Central Sales Tax Act, 1956, if a registered dealer purchases any goods from outside the state at concessional rate of tax on the strength of declaration in Form 'C' by falsely representing that such goods are covered by his central registration certificate, or if goods purchased from outside

the state at concessional rate of tax are used for a purpose other than that for which registration was granted, the dealer is liable to be prosecuted. However, in lieu of prosecution if the assessing authority deems it fit, he may impose penalty upto one and a half times of tax payable on sale of such goods.

During audit of Trade Tax officer, Shri Nagar, it was noticed that a dealer had purchased Skimmed Milk Powder, Packing material and Lab equipments etc. worth Rs.28.29 lakh from outside the State during the year 1996-97 & 1997-98 at concessional rate of tax against declaration in Form 'C', though these goods were not covered by his registration certificate. The dealer was, therefore, liable to pay penalty upto Rs. 4.24 lakh which was not imposed.

On this being pointed out in audit the department stated that penalty amounting to Rs. 4.24 lakh had since been imposed (March 2001).

The case was reported to the Government in September 2000; reply was awaited (May 2004).

State Excise

6.4 Working of Distilleries

6.4.1 Introduction

Section XLIII of the Uttar Pradesh Excise Act, 1910 adopted as Uttaranchal (Uttar Pradesh Excise Act, 1910) Adoption and Modifications Order 2002 (Act) and rules made under the Act provide for the registration of distilleries. Distilleries are production units where molasses and other wash[^] are distilled to obtain spirit, which is compounded, blended, processed and diluted to produce different kinds of Indian Made Liquor and other intoxicants. Licenses for the functioning of distilleries are granted on payment of prescribed license fees every year by the Excise Department.

6.4.2 Low production of alcohol from molasses

Under the U.P. Excise working of Distilleries (Amendment) Rules, 1978 as applicable to state of Uttaranchal, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 alcoholic litre (AL). For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Alcohol Technologist. Failure to maintain minimum yield of alcohol from molasses consumed entails cancellation of licence and forfeiture of security deposit besides other penalties.

Test check of records of three distilleries[^], revealed that 137 composite samples of molasses were sent to the Alcohol Technologist during April 1998 to March

[^] Wash means a saccharine solution from which spirit is obtained by distillation.

[^] Dehradun (1), Udham Singh Nagar (2).

2003 from 10.09 lakh quintal of fermentable sugar. As per reports of Alcohol Technologist, 529.70 lakh alcoholic litres of alcohol should have been extracted but actual production of alcohol was 517.32 lakh alcoholic litre. The short fall in production of 12.38 lakh litre of alcohol resulted in loss of excise revenue of Rs.5.75 crore. Besides, security deposit of Rs.1.37 crore was also not forfeited.

6.4.3 Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

Under the provision of the U.P. Sheera Niyantran Adhiniyam, 1964 read with U.P. Sheera Niyantran Niyamawali, 1974 as applicable to the state of Uttaranchal, an allowance of upto 1 *per cent* is admissible for transit loss of molasses from sugar factory to the distillery. There is no provision for any short fall in the percentage of TRS present in molasses during transit. 46.20 A.L. of spirit is produced from 1 quintal of TRS*.

Scrutiny of records of three distilleries[♦] revealed that during the period from 1998-99 to 2002-03 percentage of TRS received at distillery gate was recorded as 1 to 5 *per cent* less than what was shown as dispatched from the sugar factory, where as no such reduction is provided in the Act/Rules. This worked out to a shortfall of 0.43 lakh quintal of TRS and resulted in non-production of 19.68 lakh A.L. of spirit depriving the government of excise duty amounting to Rs.9.28 crore.

6.4.4 Non realization of compounding fee/excise duty

Under the provision of the Uttaranchal (U.P. Bottling of foreign liquor rule, 1969) Adoption and Modification Order 2002, the licensee is required to execute a bond to deliver the spirit at the destination and furnish a certificate from the excise authority of the importing state/district within 90 days from the date of dispatch. If the licensee fails to furnish the required certificate within the specified period he shall pay excise duty at the prescribed rate. Further if the pass is received after 90 days, a compounding fee of upto Rs.5000 may be imposed in each case.

Test check of records of a distillery at Dehradun, revealed that 38 passes, on which spirit was exported out of state, were received during December 2000 to March 2001 after the expiry of the prescribed period of 90 days, the delay ranging from one to 87 days. The bonds were released without recovering the compounding fee of Rs.1.90 lakh.

Test check of records of a distillery at Udham Sing Nagar, revealed that 84,945 AL spirit was exported out of state during the period from March 1999 to February 2001. The licensees had not furnished the required certificate of delivery prescribed till November 2003. The Department had not taken any action to recover excise duty of Rs.38.51 lakh.

* 88 *per cent* fermentable sugar are present in TRS.

♦ Dehradun (1), Udham Singh Nagar (2).

6.4.5 Short levy of excise duty due to non-adoption of actual strength of country liquor

Under the U.P. Excise Act, 1910 and rules made thereunder as applicable to the state of Uttaranchal the apparent strength of spirit as indicated by the hydrometer after the addition of colouring and flavouring material, is to be mentioned on the label affixed on the sealed bottles and pouches. Different strengths are prescribed for country liquor volume by volume (v/v). Depending on the kind of the country liquor, duty is chargeable on that strength.

During the scrutiny of records of three distilleries* and two bonded warehouses of the distilleries, it was noticed that 68.81 lakh AL of country liquor was manufactured and issued for bottling and pouching during the year 2001-2002 and 2002-2003. The labels affixed on the bottles/pouches indicated different alcoholic content of country liquor and excise duty was levied accordingly. However, the actual strength of country liquor after addition of colouring and flavouring materials as indicated by the hydrometer exceeded the prescribed strength by 0.1 *per cent* v/v. Non-levy of excise duty on the basis of actual percentage of the content of alcohol resulted in loss of Rs.37.67 lakh.

6.4.6 Loss of revenue due to short levy of over time fees

Under the provisions of the UP Excise Act, 1910 and rules made thereunder, if the excise staff is retained beyond office hours or their services utilized on holidays, the distiller shall be required to pay over time fees at prescribed rates which shall be credited to Government Account. The rates of over time were revised from 1 April 2001.

During the scrutiny of records of two distilleries•, it was noticed that the department continued to realize over time fees at pre-revised rates during the period from April 2001 to March 2003, which resulted in loss of revenue of Rs.3.64 lakh.

The matter was reported to the Department and Government in December 2003; their replies had not been received (May 2004).

6.5 Non-levy of stamp duty

Under the U.P. Excise Licence (Tender-cum-Auction) Rules, 1991, as per applicable to the state of Uttaranchal in case the licensing authority has accepted the bid for allotment of licences for sale of country/foreign liquor, an advance security shall be paid by the bidder for performance of the contract in the prescribed manner. Every bidder in whose favour the licence is settled shall also execute an agreement in conformity with the terms of the licence on a stamp paper of the requisite value. In the Government notification dated 12

* Dehradun (1), Udham Singh Nagar (2)

• Dehradun (1), Udham Singh Nagar (1)

April, 1999 it has been clearly mentioned that these documents fall under the category of mortgage deed and are chargeable to stamp duty accordingly.

Scrutiny of records of District Excise Officer, Chamoli revealed that during 1997-98 to 2000-2001 on acceptance of bid for licence to sell country / foreign liquor, the licensees deposited security of Rs. 1.20 crore in advance in cash for due performance of the contract and executed counterpart agreements which fall under the category of mortgage deed. However, stamp duty amounting to Rs. 14.94 lakh leviable on such instruments was neither levied nor realised.

The matter was reported to the Department and Government in December 2002; replies were awaited (May 2004).

6.6 Non-levy of licence fee from the settled shops of beer

Under the provisions of U.P. Excise Act, 1910, read with U. P. Excise (Settlement of licence for retail sale of Beer) Rules 2000, as applicable to the state of Uttaranchal beer could also be sold in a shop selling Indian made foreign liquor. But the licence fee of such a shop for beer was prescribed as Rs. 1 lakh, which was to be paid in advance.

During audit of records of District Excise Officer, Pauri, it was noticed that during 2000-2001 beer was sold by 28 shops selling Indian made foreign liquor. The prescribed licence fee amounting to Rs. 28 lakh was to be realised in those cases was not realised. Thus, the Government was deprived of revenue of Rs. 28 lakh.

The matter was reported to the Department and Government in September 2001; replies were awaited (May 2004).

6.7 Non-imposition of penalty

Under the State Excise Act, 1910 and rules framed thereunder as applicable to the state of Uttaranchal a licensed retail vendor is entitled to obtain country liquor from a wholesale vendor (contractor) after payment of excise duty. If the contractor fails to supply the demanded quantity of country liquor within the time as decided by the collector concerned, the cost of country liquor and loss thereon to the Government would be recovered from the contractor. In addition, the contractor shall be liable to pay penalty not exceeding Rs. 17.50 per alcoholic litre on the country liquor demanded by the retail vendor concerned but not supplied.

During test check of records of the office of the Bajpur Distillery, Udham Singh Nagar, it was noticed that during the excise year 2000-2001 the distillery had a licence for supply of country liquor as wholesale vendor for the districts of Hardoi, Sultanpur and Bahraich. The distiller failed to supply 15,480 alcoholic litre of country liquor, which was demanded by the licensed retail vendors. Due to non-supply of demanded quantity of country liquor, the distiller was liable to pay penalty of Rs. 2.71 lakh, which was not imposed.

The matter was reported to the Department and Government in May 2002 and December 2002; replies were awaited (May 2004).

Taxes on Motor Vehicles

6.8 Loss of revenue due to delay in circulation of Government notification

In terms of notification dated 28th March 2001, amending the motor vehicles rules, rates of licence fee, registration fees and fitness fees were enhanced by the Government of India with effect from 28 March 2001.

During test check of the records of the office of two Assistant Regional Transport Offices (Hardwar and Tehri at Rishikesh), it was noticed that enhanced rates were not charged from the due date resulting in loss of revenue of Rs. 1.66 lakh.

The matter was reported to the Department and the Government between August 2002 and September 2002; replies were awaited (May 2004).

Stamp Duty and Registration Fees

6.9 Short levy of stamp duty and registration fees due to undervaluation of property

Under the Indian Stamp Act, 1899 (as amended in its application to U.P./Uttaranchal), 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 U.P. Stamp Rules, 1942 and U.P. Stamp (Valuation of Property) Rules, 1997, market rates of various categories of land situated in a district are to be fixed biennially by the Collector concerned for the guidance of the registering authorities in his district. Besides, registration fees at the rate of two *per cent* on the value of documents, subject to maximum of Rs. 5000 is also chargeable.

During audit of records of the Sub-Registrar, Hardwar, it was noticed that a deed of conveyance relating to non-agricultural land was registered on 9 January 2002 for a consideration of Rs. 3.35 lakh at agricultural rate instead of Rs. 15.61 lakh at residential rate fixed by the collector. The adoption of lower valuation of land resulted in short levy of stamp duty and registration fees amounting to Rs.1.35 lakh.

The matter was reported to the Department and Government between January 2003 and March 2003; replies were awaited (May 2004).

OTHER DEPARTMENTAL RECEIPTS

Forest Department

6.10 Non renewal/non-realisation of lease rent

Non-raising of demand resulted in non-realisation of lease rent of Rs. 14.48 crore.

Fixation and renewal of lease rent and its realisation from the lease holders for forest land diverted for non-forest purposes is necessary for augmenting the resources of the State Government.

The consolidated guidelines for diversion of forest land under the Forest Conservation Act, 1980 revised in October 1992 *inter alia* stipulate that diversion of forest land for non forest purposes would require prior approval of the Central Government, except in cases where orders for the diversion of land had been issued by the State Government prior to 25.10.1980. They also specify that proposals for renewal should be reviewed within 60 days by the State Government and within 90 days by the Central Government.

A test check (March 2003 to April 2003) of records of Director, Rajaji National Park, Dehradun and Divisional Forest Officer (DFO), Nainital revealed the following facts:

1. There were 132 cases where leases had not been renewed by the Forest Department. The lease rent realizable from the lessees concerned amounted to Rs. 14.48 crore (March 2003).
2. Proposals for renewal of 28 leases of the above 132 cases involving a realizable rent of Rs. 12.80 crore had neither been received from the lessees nor had the Forest Department itself initiated any action to renew the same. The lessees, however, continue to occupy the forest land resulting in unauthorized occupation. This included the Dudadhari Barfani Ashram which occupied 1.6187 hectare of land valued at Rs. 6.31 crore and had not paid any lease rent since 1986.
3. Of the above 132 cases, 8 cases were more than 25 years old, 21 cases were more than 20 years old, 66 cases were more than 15 years old, 23 cases were more than 10 years old, 13 cases were less than 10 years old and one case is sub- judice.

Further scrutiny revealed that departmental delays viz (i) non-action after serving notice for renewal to the lessees (ii) non-furnishing of requisite information to the nodal officer by the DFOs concerned and (iii) non-approval of proposals submitted prior to enactment of the Act of 1980 were the main reasons for non renewal of lease rents.

The matter was reported to Government in December 2003; reply was awaited (May 2004).