

CHAPTER-1: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory (NCT) of Delhi during the year 2008-09, 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	2004-05	2005-06	2006-07	2007-08	2008-09
I	Revenue raised by the NCT Government					
	Tax revenue	7,106.13	8,939.28	10,155.80	11,782.80	12,180.70
	Non-tax revenue	921.39	1,398.96	1,463.58	1,816.70	2,300.72
	Total	8,027.52	10,338.24	11,619.38	13,599.50	14,481.42
II	Receipts from the Government of India					
	Grants-in-aid	535.11	505.29	574.23	1,312.88	1,870.79
III	Total receipts of the State	8,562.63	10,843.53	12,193.61	14,912.38	16,352.21
IV	Percentage of I to III	94	95	95	91	89

The above table indicates that during the year 2008-09, the revenue raised by the NCT Government was 89 per cent of the total revenue receipts (Rs. 16,352.21crore) against 91 per cent in the preceding year. The balance 11 per cent of the receipts during 2008-09 was from the Government of India.

1.1.2 The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09:

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) on 2008-09 over 2007-08
1.	Taxes on sales, trade, etc.	5,199.93	6,500.56	7,365.79	8,310.49	9,152.09	(+) 10.13
2.	State excise	843.68	1,024.80	1,133.19	1,301.25	1,420.91	(+) 9.20
3.	Stamp duty and registration fee	668.34	827.65	917.97	1,318.40	788.01	(-) 40.23
4.	Taxes on vehicles	195.98	298.74	362.84	420.20	419.12	(-) 0.26
5.	Other taxes	198.20	287.53	376.01	432.46	400.57	(-) 7.37
Total		7,106.13	8,939.28	10,155.80	11,782.80	12,180.70	(+) 3.38

The concerned departments reported the following reasons for increase/decrease in receipts during 2008-09 over those of 2007-08:

State excise: Due to efforts of the enforcement branch, the number of licensees had increased which resulted in increased collection of revenue during the year 2008-09.

Stamp duty and registration fee: The decrease was attributed to recession in real estate transactions and reduction in stamp duty rates during the year.

1.1.3 The following table presents the details of non-tax revenue raised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	821.96	1,254.17	1,284.98	1,634.79	2,101.41	(+) 28.54
2.	Dividend & profit	3.75	38.62	22.17	31.15	29.92	(-) 3.95
3.	General services	48.18	49.11	62.23	85.20	64.91	(-) 23.81
4.	Social services	27.73	31.60	31.91	37.47	54.53	(+) 45.53
5.	Economic services	19.77	25.46	62.29	28.09	49.95	(+) 77.82
Total		921.39	1,398.96	1,463.58	1,816.70	2,300.72	(+) 26.64

The reasons for increase/decrease in receipts during 2008-09 over those of 2007-08 as given by the concerned departments are as under:

General services: The decrease was due to introduction of e-tendering system in works department while in the previous years tenders were printed and sold to contractors. Also, Delhi Subordinate Services Selection Board deposited postal orders in Post Office during the year 2008-09 but these were credited during the year 2009-10.

Social services: The increase was due to the sale of application forms of the Rajiv Ratan Awas Yojna under the JNNURM Scheme, realisation of fees on account of opening of new college and increase in numbers of students of technical education.

Economic services: The increase was due to the realisation of outstanding dues under village and small industries head, receipt of land and ground rent from the Public Health University of India and allotment of more plots and receipt of premium of the plots under power transmission and distribution head.

1.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual collection of revenue receipts for the year 2008-09 in respect of principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variation excess (+)/shortfall (-)	Percentage of variation
Tax revenue					
1.	Taxes on sales, trade, etc.	9,800	9,152.09	(-) 647.91	(-) 6.61
2.	State excise	1,425	1,420.91	(-) 4.09	(-) 0.29
3.	Stamp duty and registration fee	1,620	788.01	(-) 831.99	(-) 51.36
4.	Taxes on vehicles	500	419.12	(-) 80.88	(-) 16.18
5.	Other taxes	495	400.57	(-) 94.43	(-) 19.08
Non-tax revenue					
1.	Interest receipts	1,918.50	2,101.41	(+) 182.91	(+) 9.53
2.	Dividend and profit	34.50	29.92	(-) 4.58	(-) 8.67
3.	General services	61.55	64.91	(+) 3.36	(+) 5.46
4.	Social services	31.18	54.53	(+) 23.35	(+) 74.89
5.	Economic services	23.77	49.95	(+) 26.18	(+) 110.14

The concerned departments reported the following reasons for variations:

Stamp duty and registration fee: The decrease was attributed to recession in real estate transactions and reduction in stamp duty rates.

Taxes on vehicles: The decrease was attributed to global recession in sale of vehicles during the year.

Non-tax revenue: The Department stated (January 2010) that budget estimates were prepared 16 to 18 months in advance and there was every possibility of variation between budget estimates and actual receipts. The reply is not tenable as a scientific budgeting process helps in estimating the revenues to a reasonable degree of accuracy. The wide variations in respect of revenues receipts under Social and Economic Services are indicative of the need to streamline the budgeting process.

1.3 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 alongwith the relevant all India average percentage of expenditure on collection to gross collection for the year 2007-08 are mentioned below:

(Rupees in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2007-08
Taxes on sales, trade etc.	2006-07	7,365.79	19.54	0.27	0.83
	2007-08	8,310.49	46.45	0.55	
	2008-09	9,152.09	47.61	0.52	
State excise	2006-07	1,133.18	2.75	0.24	3.27
	2007-08	1,301.25	6.53	0.50	
	2008-09	1,420.91	6.89	0.48	
Taxes on vehicles	2006-07	362.84	11.38	3.14	2.58
	2007-08	420.20	10.99	2.61	
	2008-09	419.12	14.67	3.50	
Stamp duty and registration fees	2006-07	917.97	20.51	2.23	2.09
	2007-08	1,318.39	44.05	3.34	
	2008-09	788.01	26.62	3.38	

Thus, while the percentage of expenditure on collection of taxes on sales, trade etc. and State Excise was lower than the all India average, it was higher in respect of the taxes on vehicles and stamp duty and registration fees. The Government needs to take measures to bring down the cost of collection for these taxes, duty and fees.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 8,674.85 crore, of which Rs. 8674.12 crore related

to sales tax/value added tax as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Addition during the year	Collected during the year	Amount outstanding as on 31 March 2009	Remarks
1.	Taxes on sales, trade etc.	8,463.96	534.79	324.63	8,674.12	The department stated (October 2009) that most of the arrears relate to the DST regime. In respect of 2,000 cases demand has been raised for Rs. 150 crore in the last two months.
2.	Luxury tax	0.72	0.35	0.34	0.73	In the beginning of the year, arrear of Rs. 72 lakh was outstanding which increased to Rs. 73 lakh at the end of the year. The department stated (January 2010) that outstanding recovery as on date is Rs. 56 lakh.
Total		8,464.68	535.14	324.97	8,674.85	

In Transport Department the arrears of revenue were reported as nil. The Revenue Department stated that the DC Offices had been requested to furnish the required information to Audit. However, the information had not been received.

1.5 Arrears in assessments

The details of pending assessments during the year 2006-07 to 2008-09 as furnished by the Luxury Tax Department are mentioned below:

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed during the year	Cases pending at the end of the year
2006-07	664	710	1,374	507	867
2007-08	867	560	1,427	743	684
2008-09	684	678	1,362	210	1,152

The above table indicates that the arrears of assessments in respect of luxury tax had increased from 684 (2007-08) to 1,152 (2008-09). The department stated (January 2010) that assessment proceedings were an ongoing process, however, vigorous efforts have been undertaken to clear pending assessment cases. The present status of pending assessment cases is 1027 cases. Regular assessments have been dispensed with under DVAT regime in the department of Trade and Taxes.

The Luxury Tax Department needs to substantially enhance the rate of assessments to be able to liquidate the present level of pending cases which represents over a year of backlog.

1.6 Evasion of tax

The number of cases of evasion of tax detected by the Department of Trade and Taxes during the years 2006-07, 2007-08 and 2008-09 as reported by it

were 238, 959 and 956 respectively. Variations of Rs. 284.33 crore between the figures as per accounts and that physically verified during raids conducted by the enforcement branch were reported during the year 2008-09 as shown below:

(Rupees in crore)		
Sl. no.	Type of variation	Amount detected
1.	Cash variation	3.60
2.	Stock variation	40.47
3.	Seizure detected	240.26
Total		284.33

The cases detected by the branch were then forwarded to the concerned assessing authorities of the department for further necessary action.

1.7 Refunds

The number of refund cases allowed during the year 2008-09 as reported by the concerned departments is mentioned below:

(Rupees in crore)		
Name of the department	No. of cases	Amount
Department of Trade and Taxes	21,847	289.57
Transport Department	42	0.02
Department of Revenue	1,051	7.59

1.8 Outstanding inspection reports and audit observations

Accountant General (Audit) (AG) 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. Important irregularities and defects in assessments, demand and collection of state receipts, noticed during these inspections but not settled on the spot, are communicated to the heads of the offices and to the next higher departmental authorities through inspection reports (IRs).

The number of IRs and audit observations relating to revenue receipts issued upto 31 March 2009 which were pending with the departments as on 30 June 2009 alongwith the figures for the preceding two years are mentioned below:

Sl. No.	Particulars	2006-07	2007-08	2008-09
1.	Number of IRs pending	123	206	289
2.	Number of outstanding audit observations	1,582	2,645	4,481
3.	Amount of revenue involved (Rupees in crore)	530.98	1,758.51	3,093.36

The departments wise break up of the IRs and audit observations outstanding

as on 30 June 2009 are mentioned below:

Sl. No.	Department	Number of outstanding IRs	Number of outstanding audit observations	Amount (Rs. in crore)	Number of IRs where even first reply has not been received	Earliest year to which the reports relate
1.	Trade & Taxes (VAT)	224	4,305	2,998.32	48	2005-06
2.	Transport department etc.	65	176	95.04	29	2005-06
Total		289	4,481	3,093.36	77	

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

1.9 Departmental audit committee meetings

In order to expedite the settlement of outstanding audit observations contained in the IRs, an audit review committee (ARC) was constituted by the Department of Trade and Taxes in May 2005 at the instance of the Accountant General. Three meetings of the ARC were held during 2008-09 which resulted in settlement of 324 paragraphs. More meetings of the ARC need to be held during a year. The Government also needs to take immediate measures to set up the system of audit committees in other departments.

1.10 Response of the department to draft audit paragraphs

Draft paragraphs proposed for inclusion in the Audit Report are forwarded by the AG to the concerned departments through demi-official letters. All the departments are required to furnish their remarks within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs clubbed into 15 paragraphs (including two reviews) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009 were forwarded to the respective departments and the Government in June, September and October 2009. The replies from the department were received in parts in respect of all the paragraphs which have been reflected in the report.

1.11 Follow-up on Audit Reports

Once the Reports of Comptroller and Auditor General of India are placed in the State Legislative Assembly, the various departments are required to submit action taken notes (ATNs) on all paragraphs contained therein for consideration of the Public Accounts Committee (PAC). Undue delay in submission of ATNs dilutes the accountability of the Executive to the Legislature and is to be viewed seriously. The position of outstanding ATNs on paragraphs and reviews included in the Report relating to Revenue Receipts of the Comptroller and Auditor General of India, Government of

NCT of Delhi as of September 2009 is mentioned below:

Sl. No.	Year of Report ending 31 March	Number of paragraphs and reviews printed in Report	Number of paragraphs for which ATNs were awaited
1.	1995	13	10
2.	1996	07	Nil
3.	1997	09	Nil
4.	1998	10	07
5.	1999	16	Nil
6.	2000	11+1 (Review)	Nil
7.	2001	11+1 (Review)	Nil
8.	2002	11+1 (Review)	Nil
9.	2003	11+1 (Review)	Nil
10.	2004	20+3 (Reviews)	4
11.	2005	26+1 (Review)	1
12.	2006	19+1 (Review)	6
13.	2007	15+1 (Review)	5
14.	2008	9+2 (Reviews)	4

Thus, ATNs have been pending for periods upto 15 years. The government needs to view this seriously and take expeditious action.

1.12 Compliance with the earlier Audit Reports

During the years between 2005-06 and 2007-08, the department/government accepted audit observations involving revenue of Rs. 255.67 crore out of which only Rs. 51 lakh was recovered till October 2009 as mentioned below:

(Rupees in crore)			
Year of the Audit Report	Money value of Audit Reports	Money value of accepted cases	Amount recovered
2005-06	177.85	18.44	0.06
2006-07	254.93	209.06	0.27
2007-08	945.52	28.17	0.18
Total	1,378.30	255.67	0.51

1.13 Results of audit

Test check of the records of the departments of trade and taxes, transport, state excise, registration etc., conducted during the year 2008-09 indicated underassessment/short levy/loss of revenue, etc., aggregating Rs. 1,981.18 crore in 2,474 cases. The departments concerned accepted underassessment, non-recovery and other deficiencies of Rs. 50.70 crore involved in 82 cases which had been pointed out by audit in earlier years. Of these, the departments recovered Rs. 14.46 lakh in 36 cases during the year 2008-09.

This report contains 15 paragraphs including two reviews relating to underassessment/short/non-levy of taxes, etc., involving Rs. 1,729.62 crore of which Rs. 109 crore has been accepted by the Government/departments. These are discussed in succeeding chapters II and III.