

Chapter I: General

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Punjab during the year 2008-09, the 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 given below:

(In crore of rupees)						
Sr.no.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
I	Revenue raised by the State Government					
	• Tax revenue	6,944.63	8,989.38	9,017.16	9,899.17	11,150.19
	• Non-tax revenue ¹	5,358.03 (2,739.06)	4,536.33 (1,439.47)	7,744.58 (5,699.85)	5,253.97 (1,787.80)	5,783.91 (2,264.36)
	Total-I	12,302.66 (9,683.69)	13,525.71 (10,428.85)	16,761.74 (14,717.01)	15,153.14 (11,686.97)	16,934.10 (13,414.55)
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	902.35	1,227.45	1,565.75	1,974.99	2,084.01
	• Grants-in-aid	602.47	2,213.32	2,239.65	2,109.49	1,694.68
	Total II	1,504.82	3,440.77	3,805.40	4,084.48	3,778.69
III	Total receipts of the State Government (I+II)	13,807.48 (11,188.51)	16,966.48 (13,869.62)	20,567.14 (18,522.41)	19,237.62 (15,771.45)	20,712.79² (17,193.24)
IV	Percentage of I to III	89	80	81	79	82

The above table indicates that during the year 2008-09, the revenue (Rs. 16,934.10 crore) raised by the State Government was 82 *per cent* of the total revenue receipts (Rs. 20,712.79 crore) against 79 *per cent* in the preceding year. The balance 18 *per cent* of the receipts during 2008-09 were received from the Government of India.

1.1.2 The following table presents the details of tax revenue raised during the

¹ The figures shown in brackets in the chapter are net of expenditure on prize winning tickets of lotteries conducted by the Government.

² For details please see statement number 11-Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Punjab for the year 2008-09. 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 the State's share of divisible Union taxes in this statement.

period from 2004-05 to 2008-09:

(In crore of rupees)

Sr. no.	Revenue head	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	VAT ³ / Sales tax	3,337.15	4,270.28	4,503.31	5,014.50	6,166.46	(+) 22.97
	Central sales tax	479.23	356.60	325.71	327.99	269.17	(-) 17.93
2.	State excise	1,486.62	1,568.16	1,367.79	1,861.52	1,809.95	(-) 2.77
3.	Stamp duty and registration fees	965.89	1,670.50	1,803.93	1,567.84	1,730.29	(+) 10.36
4.	Taxes and duties on electricity	251.65	669.41	527.58	603.80	631.33	(+) 4.56
5.	Taxes on vehicles	403.93	431.19	468.05	499.45	524.09	(+) 4.93
6.	Other taxes and duties on commodities and services	6.43	6.95	5.52	6.76	3.46	(-) 48.82
7.	Land revenue	13.73	16.29	15.27	17.31	15.44	(-) 10.80
Total		6,944.63	8,989.38	9,017.16	9,899.17	11,150.19	(+) 12.64

The Excise and Taxation Department mentioned the following reasons for increase in sales tax/VAT during 2008-09 over those of 2007-08.

The increase of 22.97 *per cent* was due to levy of VAT on tobacco, besides increase in prices of various commodities.

The other departments did not intimate (September 2009) the reasons for variations in receipts from that of the previous year despite being requested (July 2009).

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

(In crore of rupees)

Sr. no.	Revenue head	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	1,890.29	644.07	658.57	348.78	181.98	(-) 47.82
2.	Dairy development	0.15	0.52	0.12	0.09	0.09	0.00
3.	Other non-tax receipts	344.69	459.44	509.28	441.62	760.97	(+) 72.31
4.	Forestry and wild life	14.70	11.80	14.62	14.70	15.52	(+) 5.58

³ Value Added Tax (VAT) with effect from 1 April 2005.

5.	Non-ferrous mining and metallurgical industries	11.40	10.79	12.72	16.03	37.07	(+) 131.25
6.	Miscellaneous general services (including State lotteries)	2,804.25	3,244.37	6,386.49	4,189.72	4,567.80	(+) 9.02
7.	Major and medium irrigation	90.96	26.17	20.14	20.02	11.85	(-) 40.81
8.	Medical and public health	48.85	44.22	42.82	48.12	47.63	(-) 1.02
9.	Co-operation	3.40	3.37	5.02	4.60	4.55	(-) 1.09
10.	Public works	63.40	11.66	12.26	16.83	17.52	(+) 4.10
11.	Police	52.43	33.62	36.68	44.71	58.58	(+) 31.02
12.	Other administrative services	33.51	46.30	45.86	108.75	80.35	(-) 26.11
Total		5,358.03 (2,739.06)	4,536.33 (1,439.47)	7,744.58 (5,699.85)	5,253.97 (1,787.80)	5,783.91 (2,264.36)	(+) 10.09 (+) 26.66

The Police department mentioned the following reasons for increase/decrease in receipts during 2008-09 over those of 2007-08:

The increase of 31.02 *per cent* was due to recovery of police cost from other Governments against deployment of Punjab police.

The other departments did not intimate (September 2009) the reasons for the variations in receipts from that of the previous year despite being requested (July 2009).

1.2 Initiatives for mobilisation of additional resources

In the budget for the year 2008-09, the State Government had mentioned creation of a 'Punjab State Development Fund' (PSD Fund) to facilitate smooth flow of funds for activities in the field of education, health and social welfare. The PSD Fund would consist of five *per cent* of the amount realised from the bidders, from sale proceeds of all immoveable properties auctioned by the Urban Development Authorities, Punjab State Industrial Export Corporation, Department of colonisation and any other Government Instrumentality from 2 April 2007. The PSD Fund would be operated and managed by the Department of Finance.

The notification for the levy of five *per cent* PSD Fund on the sale proceeds of immoveable properties auctioned by the aforesaid agencies from 2 April 2007 onwards was issued on 31 March 2008. During the year 2008-09 an amount of Rs. 65.05 crore was collected.

1.3 Variations between the budget estimates and actuals

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

Audit Report (Revenue Receipts) for the year ended 31 March 2009

(In crore of rupees)

Sr. no.	Revenue head	Budget estimates	Actuals	Variations excess (+)/ short fall (-)	Percentage of variation
A. Tax revenue					
1.	VAT/Sales tax/ Central sales tax/ Luxury tax	6,290.00	6,435.63	(+) 145.63	(+) 2.32
2.	State excise	1,830.01	1,809.95	(-) 20.06	(-) 1.10
3.	Stamp duty and registration fees	1,870.00	1,730.29	(-) 139.71	(-) 7.47
4.	Taxes on vehicles	576.00	524.09	(-) 51.91	(-) 9.01
5.	Taxes and duties on electricity	653.00	631.33	(-) 21.67	(-) 3.32
6.	Other taxes and duties on commodities	9.00	3.46	(-) 5.54	(-) 61.56
7.	Land revenue	19.00	15.44	(-) 3.56	(-) 18.74
B. Non-tax revenue					
1.	Interest receipts	199.19	181.98	(-) 17.21	(-) 8.64
2.	Road transport ⁴	232.67	115.86	(-) 116.81	(-) 50.20
3.	Major and medium irrigation	24.40	11.85	(-) 12.55	(-) 51.43
4.	Police	46.08	58.58	(+) 12.50	(+) 27.13
5.	Public works	14.80	17.52	(+) 2.72	(+) 18.38
6.	Crop husbandry	11.85	9.23	(-) 2.62	(-) 22.11
7.	Forestry and wild life	17.70	15.52	(-) 2.18	(-) 12.32
8.	Miscellaneous general services (including State lotteries)	4,380.71	4,567.80	(+) 187.09	(+) 4.27

The reasons for the variation as furnished by the department of Agriculture is given below:-

Crop Husbandry: The decrease of 22.11 *per cent* was due to renewal of less number of licenses for sale of fertilizer, plant protection equipments, pesticides and weedicides.

The other departments did not intimate (September 2009) the reasons for variations despite being requested (July 2009).

1.4 Analysis of collection

The breakup of the total collection at pre assessment stage and after regular assessment of VAT/sales tax, for the year 2008-09 and the corresponding figures for the preceding two years as furnished by the department is mentioned below:

⁴ Budget estimates were revised from Rs. 232.67 crore to Rs. 117.90 crore by the Finance Department in February 2009.

(In crore of rupees)

Sr. no.	Year	Amount collected at 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 7 to 3
1	2	3	4	5	6	7	8
1.	2006-07	4,967.60	37.08	3.25	220.05	4,787.88	96.38
2.	2007-08	6,128.94	49.04	14.15	320.84	5,871.29	95.80
3.	2008-09	7,397.86	14.67	4.27	373.80	7,043.00	95.20

The above table shows that the net collection of revenue ranged between 95.20 and 96.38 *per cent* of the collection at pre assessment stage during the years 2006-07 to 2008-09.

1.5 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 the gross collection during the years 2006-07 to 2008-09 alongwith the relevant all India average percentage of expenditure on collection are mentioned below:

(In crore of rupees)

Sr. no.	Revenue head	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of expenditure on collection for the year 2007-08
1.	Taxes on sales, trade etc./VAT	2006-07	4,829.02	41.78	0.87	0.83
		2007-08	5,342.49	45.81	0.86	
		2008-09	6,435.63	48.53	0.75	
2.	Taxes on vehicles	2006-07	468.05	7.33	1.57	2.58
		2007-08	499.45	7.66	1.53	
		2008-09	524.09	9.20	1.76	
3.	Stamp duty and registration fees	2006-07	1,803.93	30.21	1.67	2.09
		2007-08	1,567.84	18.22	1.16	
		2008-09	1,730.29	23.69	1.37	
4.	State excise	2006-07	1,367.79	12.26	0.90	3.27
		2007-08	1,861.52	13.27	0.71	
		2008-09	1,809.95	14.57	0.80	

1.6 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. 1,357.06 crore of which Rs. 618.97 crore

was outstanding for more than five years as detailed below:

(In crore of rupees)				
Sr. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than 5 years as on 31 March 2009	Remarks
1.	Taxes on sales, trade etc./VAT	860.10	401.48	Recovery of arrears of Rs. 354.98 crore were stayed by the High Court/judicial/departmental authorities. Demands of Rs. 1.35 crore were covered by recovery certificates; recovery of Rs. 4 crore was outstanding as dealers had become insolvent; demands of Rs. 25.28 crore were likely to be written off; demands of Rs. 2.52 crore were being recovered in instalments and the balance amount of Rs. 471.80 crore was at different stages of action. Recovery of Rs. 16.88 lakh was held up due to rectification.
2.	State excise	11.60	11.60	Demands of Rs. 1.58 crore were covered by recovery certificates; recovery of Rs. 47 lakh was stayed by the High Court/other judicial and departmental authorities; recovery of Rs. 1.13 lakh was outstanding as licencees had become insolvent. Demands amounting to Rs. 3.22 crore were likely to be written off; Rs. 58 lakh were being recovered in instalments; recovery of Rs. 7.19 lakh was held up due to rectification and the balance of Rs. 5.67 crore was at different stages of action.
3.	Taxes and duties on electricity	148.43	35.21	Recovery of Rs. 56 lakh was stayed by the High Court/other judicial and departmental authorities. No reasons for non-recovery of the balance amount of Rs. 147.87 crore were intimated by the department.
4.	Taxes on vehicles	109.20	46.17	Recovery of Rs. 19.39 lakh was stayed by the High Court/ judicial authorities. Demands of Rs. 12.64 lakh were likely to be written off. No reasons for non-recovery of the balance amount of Rs. 108.88 crore were intimated by the department.
5.	Interest receipts			
	1. Pepsu Road Transport Corporation	67.50	48.98	Non-payment of interest liability was attributed to paucity of funds.
	2. Punjab State Tubewell Corporation	10.23	10.23	Non-payment of interest liability was attributed to having no source of income.
6.	Irrigation	135.87	64.37	Reasons for non-recovery of arrears were not intimated by the department.
7.	Forestry and wild life	13.82	0.91	Demand of Rs. 72.39 lakh was covered by recovery certificates. Recovery amounting to Rs. 39.61 lakh was likely to be written off; Rs. 65.67 lakh was being recovered in instalments; Rs 10.94 crore was recoverable from PSFDC ⁵ for royalty and the balance amount of Rs.1.10 crore was at different stages of action.
8.	Co-operation	0.31	0.02	Reason for non-recovery of Rs 31 lakh was not intimated by the department.
Total		1,357.06	618.97	

The arrears outstanding for more than five years constituted 45.61 per cent of the total arrears.

⁵ Punjab State Forest Development Corporation.

1.7 Arrears in assessments

The number of cases pending for assessment at the beginning of the year 2008-09, becoming due during the year, disposed during the year and pending at the end of each year during 2004-05 to 2008-09 as furnished by the department in respect of sales tax 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
2004-05	2,93,183	1,49,621	4,42,804	1,46,836	2,95,968
2005-06	2,95,968	1,46,121	4,42,089	1,58,593	2,83,496
2006-07	2,83,496	1,62,447	4,45,943	87,560	3,58,383
2007-08	3,58,383	—	3,58,383	30,460	3,27,923 ⁶
2008-09	80,650	—	80,650	27,623	53,027

The VAT has been introduced in the State from April 2005 and there is no regular assessment under VAT. The department needs to complete the pending assessments cases pertaining to pre-VAT period in a time bound manner.

1.8 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised during 2008-09 as reported by the departments are given below:

Sr. no.	Revenue head	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total no. of cases	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2009
					No. of cases	Amount (In crore of rupees)	
1.	Sales tax/VAT	3,307	1,725	5,032	2,706	17.84	2,326
2.	Taxes on vehicles	182	79	261	42	0.86	219
3.	Public health	4	-	4	-	0.00	4
4.	State excise	1	-	1	1	0.01	-

1.9 Write off and waiver of revenue

During the year 2008-09, demands for Rs. 17.24 crore in 441 cases were written off as reported by the departments. The details are mentioned below:

⁶ Closing balance includes 2,47,273 cases pertaining to VAT and there is no provision of regular assessment under the Punjab Value Added Tax Act 2005.

(In crore of rupees)

Sr. no.	Reasons	Sales tax/VAT		State excise		Total	
		Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
1.	Whereabouts of defaulters not known	120	5.14	39	0.55	159	5.69
2.	Defaulters no longer alive	40	1.35	22	0.62	62	1.97
3.	Defaulters not having any property	109	7.72	37	0.59	146	8.31
4.	Defaulters adjudged as insolvent	17	0.45	14	0.39	31	0.84
5.	Records not traceable	14	0.08	-	-	14	0.08
6.	Others	15	0.22	14	0.13	29	0.35
Total		315	14.96	126	2.28	441	17.24

1.10 Refunds

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2008-09, as reported by the Excise and Taxation Department are mentioned below:

(In crore of rupees)

Sr. no.	Reasons	VAT/Sales tax		State excise		Total	
		Number	Amount	Number	Amount	Number	Amount
1.	Cases outstanding at the beginning of the year	3,214	124.02	84	0.19	3,298	124.21
2.	• Cases received during the year	10,621	496.66	61	1.96	10,682	498.62
	• Cases rejected	46	5.89	-	-	46	5.89
3.	Refunds made during the year	8,666	373.80	31	1.76	8,697	375.56
4.	Balance outstanding at the end of the year	5,123	240.99	114	0.39	5,237	241.38

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

The Principal Accountant General (Audit) Punjab arranges to conduct periodical inspection of various offices of the Government departments to test check transactions of tax and non-tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of inspection reports (IRs) to the heads of offices with a copy to the next higher authorities. The State Government prescribed that first replies to the IRs should be sent to audit within a period of four weeks by the executive after ensuring action in compliance with the prescribed Acts, Rules and procedures and fixing accountability for the deficiencies, lapses, etc., noticed during inspection. Serious irregularities are also brought to the notice of the heads of the departments. A half yearly report of pending IRs is also sent to the Secretary of the department to facilitate monitoring of the audit observations at the Government level.

IRs issued upto 31 December 2008 pertaining to the offices under Excise and Taxation, Revenue, Forests, Power and Irrigation, Transport and Finance departments disclosed that 9,227 observations relating to 4,494 IRs involving Rs. 3,223.30 crore were outstanding at the end of June 2009. Of these, 4,204 IRs containing 8,439 observations involving Rs. 2,453.22 crore were pending for settlement for more than one year. The year wise position of the outstanding IRs and observations is detailed in Appendix-I.

In respect of 295 observations relating to 139 IRs involving Rs. 1,203.70 crore issued upto December 2008, even the first replies, which were required to be received from the heads of offices within four weeks from the date of issue of IRs had not been received.

A review of the IRs which were pending due to non-receipt of replies, in respect of various departments, revealed that the heads of offices and the heads of the departments failed to send reply to a large number of IRs/observations. The heads of department/Administrative Secretaries to the Government, who were informed of the position through half yearly reports, also did not ensure timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to the Government.

It is recommended that the Government may look into this matter to ensure that replies to the IRs/observations are sent as per the prescribed time schedule, recovery of loss/under assessment is effected in a time bound manner and system of response to audit observations in the department is revamped.

1.12 Departmental audit committee meetings

For expeditious settlement of the outstanding audit observations contained in the IRs, audit committees were constituted (March 1985) in all the departments.

In order to expedite clearance of the outstanding audit observations, it is necessary that audit committees should meet regularly and ensure appropriate action on all audit observations leading to their settlement. During the year 2008-09, out of nine departments only one department convened three audit committee meetings in which 49 paras were settled. The departments concerned had not convened audit committee meetings to discuss IRs on revenue receipts relating to state excise, entertainment duty/tax, state lotteries, forest, land revenue, stamp duty and registration fees, taxes on vehicles and power and irrigation. This indicates that the Government departments had not taken initiative to use the machinery created for expeditious settlement of the outstanding audit observations.

1.13 Response of the departments to the draft audit paragraphs

On the recommendation of the Public Accounts Committee (PAC), the Department of Finance issued directions to all the departments in October 1967 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 by the audit office to the secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each paragraph included in the Audit Report.

Fifty paragraphs/reviews included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2009 were forwarded to the secretaries of the respective departments between April 2008 and April 2009 through demi official letters. Replies to 42 of the paragraphs have not been received.

1.14 Follow up on the Audit Reports - Summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various audit reports, the Department of Finance issued instructions in August 1992 to initiate *suo moto* action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the PAC or not. Out of 193 paragraphs/reviews included in Audit Reports relating to the period 2002-03 to 2007-08, which had already been laid before the State Legislature, action taken notes (ATNs) in respect of 101 paragraphs/reviews were not received as on June 2009 even after the lapse of the prescribed period of three months. The outstanding ATNs date back to 2002-03 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 ATN were due from the departments
2002-03	25 June 2004	34	4
2003-04	31 March 2005	23	5
2004-05	13 March 2006	25	10
2005-06	29 March 2007	30	18
2006-07	12 March 2008	32	15
2007-08	4 March 2009	49	49
Total		193	101

Though the time limit of three months for furnishing the ATNs for the Audit Report for the period from 2002-03 to 2007-08 has elapsed, the departments have not submitted/furnished remedial ATNs on the paragraphs.

1.15 Compliance with the earlier Audit Reports

During the years between 2003-04 and 2007-08, the departments/Government accepted audit observations involving Rs. 79.39 crore, out of which an amount of Rs. 7.02 crore was recovered till 31 March 2009 as mentioned below:

Sr. no.	Year of Audit Report	Total money value	Accepted money value	(In crore of rupees)
				Recovery made
1.	2003-04	367.23	6.74	2.29
2.	2004-05	101.11	32.13	1.79
3.	2005-06	245.62	2.17	0.40
4.	2006-07	197.96	2.89	1.91
5.	2007-08	352.33	35.46	0.63
Total		1,264.25	79.39	7.02

1.16 Results of audit

Test check of the records of sales tax, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax and non-tax receipts during the year 2008-09 revealed under assessment, short levy, loss of revenue etc.

amounting to Rs. 295.59 crore in 2,021 cases. During the year, the departments accepted under assessment of Rs. 5.46 crore in 562 cases pointed out in 2008-09 and earlier years and recovered Rs. 2.46 crore in 225 cases.

This report contains 50 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalty etc. involving Rs. 218.15 crore. The department/Government accepted audit observations involving Rs. 42.58 crore of which Rs. 28.26 lakh had been recovered upto June 2009. These are discussed in succeeding chapters II to VII.