

Chapter-1
Introduction

CHAPTER – 1 General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2012-13, 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 given in the **Table 1.1**.

Table 1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Revenue raised by the State Government					
	Tax Revenue	2682.96	3027.32	3482.58	4745.49	5832.43
	Non-tax revenue	837.16	955.03	1093.11	2001.64	2160.19
	Total	3520.12	3982.35	4575.69	6747.13	7992.62
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	1826.95	1914.76	3066.98	3495.11	3870.37
	Grants-in-aid	8955.46	11690.71	14590.98	14540.72	14353.87
	Total	10782.41	13605.47	17657.96	18035.83	18224.24
3.	Total revenue receipts of the State Government¹ (1& 2)	14302.53	17587.82	22233.65	24782.96	26216.86
4.	Percentage of 1 to 3	25	23	21	27	30

The above table indicates that during the year 2012-13, the over all receipts of the State increased by 6 per cent over the previous year. The State's own revenue (₹ 7992.62 crore) was 30 per cent of the total revenue receipts against 27 per cent in the preceding year. The balance 70 per cent were met from the funds received from Government of India (GOI) of which 78.76 per cent came in the form of Grant-in-aid. The Grant-in-aid from GOI constituted 54.75 per cent of the total receipts of the State.

1.1.1 The details of tax revenue raised during the period 2008-09 to 2012-13 are given in **Table 1.2**.

¹ For details please see Statement No.11-Detailed accounts of revenue by minor heads in the Finance Accounts of Jammu and Kashmir for the year 2012-13. 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, 044- 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 the State's share of divisible Union taxes in this table.

Table 1.2

(₹ in crore)

S. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Tax on Sales Trade (sales Tax/VAT) etc.	1835.99	2145.72	2424.52	3414.01	4174.39	(+) 22
2.	State Excise	238.67	293.78	337.24	385.47	421.28	(+) 9
3.	Stamps- judicial	5.83	9.01	12.49	19.56	7.81	(-) 60
	Stamps- non-judicial	41.75	51.97	59.24	124.66	202.75	(+) 63
	Registration Fees	9.56	8.53	6.85	26.75	29.58	(+) 11
4.	Taxes and Duties on Electricity	150.76	120.34	147.50	179.12	277.86	(+) 55
5.	Taxes on Vehicles	65.47	83.09	115.33	104.52	117.89	(+) 13
6.	Tax on Goods and Passengers	271.39	299.43	337.16	457.93	504.91	(+) 10
7.	Land Revenue	63.53	15.41	42.03	33.00	95.45	(+) 189
8.	Others Taxes and Duties Commodities and Services	0.01	0.02	0.22	0.47	0.51	(+) 9
	Total	2682.96	3027.30	3482.58	4745.49	5832.43	(+) 23

The respective Departments reported the following reasons for variation:

Taxes on Sales/trade etc.: The increase in receipts under Tax on sales, trade is mainly due to more receipts under State VAT Act.

Land Revenue: The increase in receipts from 'Land revenue' was due to more revenue collection on account of land revenue.

Stamp duty: The collection of more receipts on account of Stamp duty is due to increase in collection on account of sale of non judicial stamps.

Taxes and duties on electricity: The increase in 'Taxes and Duties on Electricity' was due to collection of more receipts on account of power tariff under the head '0801 – Power'.

The other departments despite being requested (October 2013) did not furnish the reasons for variations in receipts from that of the previous year (December 2013).

1.1.2 The details of the non-tax revenue raised during the period 2008-09 to 2012-13 are indicated in **Table 1.3**.

Table 1.3
Details of non-tax revenue raised

(₹ in crore)

S. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Power	629.98	723.64	822.09	1006.93	1588.62	(+) 58
2.	Interest Receipts, Dividends and Profits	56.51	54.80	67.04	101.22	103.73	(+) 2
3.	Forestry and Wild Life	31.61	37.46	47.47	55.20	59.31	(+) 7
4.	Public Works	16.89	23.87	23.58	25.94	27.19	(+) 5
5.	Medical and Public Health	9.92	9.49	9.40	14.55	18.08	(+) 24
6.	Water Supply and Sanitation	14.65	13.16	15.97	20.56	31.92	(+) 55
7.	Police	10.35	12.84	10.99	24.91	28.34	(+) 14
8.	Non-ferrous Mining and Metallurgical Industries	14.86	25.34	34.51	41.18	54.02	(+) 31
9.	Crop Husbandry	5.00	5.23	4.53	11.73	7.63	(-) 35
10.	Animal Husbandry	4.70	5.13	5.41	6.41	6.52	(+) 2
11.	Education, Sports, Art and Culture	1.61	2.21	2.56	4.06	4.22	(+) 4
12.	Others	41.08	41.86	49.55	688.95	230.61	(-) 67
	Total	837.16	955.03	1093.10	2001.64	2160.19	8

The reasons for variation in receipts from that of the previous year though called for (October 2013) were not provided (December 2013).

1.2 Variation between the budget estimates and actuals

Variation between the budget estimates and actual of revenue receipts for the year 2012-13 in respect of the principal heads of tax and non-tax revenue are given in **Table 1.4**.

Table 1.4
Details of budget estimates and actuals

(₹ in crore)

Revenue head	Budget estimates	Actual Receipts	Variations increase (+)/ Shortfall (-)	Percentage of variation
Tax Revenue				
Taxes/ VAT on sales, trade etc.	4218.57	4174.39	(-) 44.18	(-) 1
State Excise	413.00	421.28	(+) 8.28	(+) 2
Stamp duty and registration fees	270.55	240.14	(-) 30.41	(-) 11.24
Taxes on vehicles	139.00	117.89	(-) 21.11	(+) 15.18
Taxes and duties on electricity	423.36	277.86	(-) 145.50	(+) 34.36
Land revenue	35.60	95.45	(+) 59.85	(+) 168.12
Other taxes and duties on commodities and services	0.54	0.51	(-) 0.03	(-) 5.55
Taxes on goods and passengers-Tax on entry of goods into local areas	474.39	504.91	(+) 30.52	(+) 6.43
Non Tax Revenue				
Non-ferrous mining and metallurgical industries	50.35	54.02	(+) 3.67	(+) 7.29
Forestry and wild life	68.07	59.31	(-) 8.76	(-) 12.87
Interest receipts	21.94	103.73	(+) 81.79	(+) 372.78
Major and Medium Irrigation	22.45	103.73	(+) 81.28	(+) 362.04

The reasons for variation between budget estimates and actuals though called for from various departments, were not received (December 2013).

1.3 Analysis of collection of Tax Revenue

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade during the year 2012-13 and corresponding figures for the preceding four years as furnished by the Finance (Commercial Taxes) Department is mentioned in **Table 1.5**.

Table 1.5

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Total collection	Percentage of column 3 to 6
1	2	3	4	5	6	7
Taxes on Sales/VAT	2008-09	1275.28	4.65	55.43	1335.36	96
	2009-10	1768.08	7.42	16.15	1791.65	99
	2010-11	2049.92	3.82	70.83	2124.57	96
	2011-12	2475.19	21.80	11.16	2508.15	99
	2012-13	3162.62	29.50	10.28	3202.40	99

It would be seen from the table that the collection of tax at pre-assessment stage under Taxes on Sales/ VAT has been between 96 and 99 *per cent* during the period from

2008-09 to 2012-13 indicating meagre contribution of the department in collection of taxes at the time of regular assessment of the dealers.

1.4 Cost of collection of revenue receipts

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the year 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collections for the year 2011-12 are mentioned below:-

Table 1.6

(₹ in crore)

S.No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2011-12
1.	Taxes/VAT on sales, trade etc.	2010-11	2424.52	22.17	0.91	1.89
		2011-12	3414.01	27.60	0.81	
		2012-13	4174.39	88.07	2.11	
2.	State excise	2010-11	337.24	14.38	4.26	2.98
		2011-12	385.47	17.09	4.43	
		2012-13	421.28	18.88	4.48	
3.	Stamp duty and registration fees	2010-11	78.58	12.68	16.14	0.83
		2011-12	170.97	20.87	12.20	
		2012-13	240.14	23.27	9.69	
4.	Taxes on vehicles	2010-11	115.33	5.38	4.66	2.96
		2011-12	104.52	7.44	7.12	
		2012-13	117.89	8.17	6.93	

Evidently the percentage of cost of collection in respect of all the revenue heads mentioned in the table was much higher except Taxes/VAT on sales, trade etc. than the All India Average and the Government needs to look into this aspect.

1.5 Analysis of arrears of revenue

The arrears of revenue, as on 31 March 2013, in respect of the principal heads of revenue as reported by the Departments was ₹ 1405.21 crore, of which ₹ 697.28 crore were outstanding for more than five years as mentioned in **Table 1.7**.

Table 1.7

(₹ in crore)

S. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years	Remarks
1.	Taxes on Sales/VAT, Trades etc.	1334.18	640.15	Out of the arrears, recovery of ₹ 145.04 crore was stayed by the courts/ Appellate Authority/ proposed for recovery as arrears of land revenue, etc. Specific action taken in respect of the remaining arrears of ₹1189.14 crore was not intimated (December 2013).
2.	State excise	4.52	4.52	Out of the arrears, ₹ 2.95 crore was stayed by Court & ₹1.57 was recoverable. Specific action to recover these arrears has not been intimated (December 2013).
3.	Motor spirit tax	3.99	-	Specific action taken in respect of these arrears was not intimated (December, 2013).
4.	Passenger tax	33.62	25.35	Specific action taken in respect of these arrears was not intimated (December, 2013).
5.	Entertainment tax	0.21	0.21	Arrears of ₹0.21 was recoverable. Specific action to recover these arrears has not been intimated (December 2013).
6.	Toll Tax	28.69	27.05	Out of the arrears, ₹28.35 crore was stayed by court and ₹0.34 crore was recoverable.
	Total	1405.21	697.28	

Steps taken for effecting recovery of arrears of revenue though called for were awaited (December 2013).

We recommend that the Government may take immediate steps for recovery of the arrears of revenue, particularly in those cases which have been pending for a long time.

1.6 Arrears in assessment

The details of assessments relating to Sales Tax/ VAT and taxes on Works Contracts pending at the beginning of the year, additional cases due for assessment during the year, cases disposed off during the year and cases pending at the end of each year during 2008-09 to 2012-13 as furnished by the Commercial Taxes Department are given in **Table 1.8**.

Table-1.8

Year	Opening balance	New Cases which became due for assessment	Total	Cases disposed during the year	Cases pending at the end of the year	Percentage of cases disposed to total cases
2008-09	18279 ²	10815	28024	9838	19256	34
2009-10	28539 ³	22178	50717	19916	30801	39
2010-11	30801	18647	49448	20265	29183	41
2011-12	29183	19641	48824	22130	26694	45
2012-13	26694	33700	60394	26812	33582	44

The above table indicates that the percentage of assessments completed to the total cases due for assessment ranged between 34 *per cent* and 45 *per cent* during the period from 2008-09 to 2012-13. The cases disposed off by the Commercial Taxes Department were lower than the new cases which had become due for assessment during the years from 2008-09 to 2012-13 (excepting 2010-11 and 2011-12).

We recommend that the Government may consider fixing a time limit for finalisation of the pending assessment and put in place a system for monitoring the progress of finalisation of assessment periodically, to ensure that the time limit so fixed is adhered to by the Departmental authorities.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalized and demands raised as on 31 March 2013, as reported by the departments concerned are mentioned in **Table 1.9**.

Table-1.9

Department	Cases pending as on 31 March 2012	Cases detected during 2012-13	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty etc. raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	(₹ in crore)	
Sales Tax/VAT	1272	11449	12721	10981	60.84	1740
Toll Tax	Nil	441	441	441	0.26	-
State Excise	1 ⁴	Nil	1	Nil	Nil	1
Passenger Tax	-	1843	1843	1843	0.04	NIL
Total	1273	13733	15006	13265	61.14	1741

² The variation in closing balance ending 31 March 2008 and opening balance as on 01 April 2008 has been pointed out to the Department (September 2009), the reply is awaited (December 2013)

³ The variation in closing balance ending 31 March 2009 and opening balance as on 01 April 2009 has been pointed out to the Department (September 2010), the reply is awaited (December 2013)

⁴ As per departmental reply (July 2012) the number of cases pending as on 31 March 2011 in respect of State Excise was one only.

The progress of recovery against the demand raised had not been intimated by the Department (December 2013).

1.8 Non-disposal of Refund cases

The number of refund cases pending at the beginning of the year 2012-13, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2013), as reported by the Commercial Taxes Department is mentioned in **Table 1.10**.

Table-1.10

(₹ in lakh)

S. No.	Particulars	VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	13	13.70
2.	Claims received during the year	1	3.67
3.	Refunds made during the year	1	3.67
4.	Balance outstanding at the end of the year	13	13.70

It may be seen from the above that the disposal in respect of pending refund claims was not encouraging as only one claim of refund had been settled during the year.

1.9 Response of the Departments/ Government towards audit

Principal Accountant General (Audit) Jammu and Kashmir (PAG), conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of offices/Government are required to comply promptly with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG's office within one month from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

1.10 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last three years, paragraphs included in these Reports and their status as on 31 March 2013 are tabulated in **Table 1.11**.

Table-1.11

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2010-11	540	1891	1625.48	65	280	132.61	6	118	31.21	599	2053	1726.88
2011-12	599	2053	1726.88	72	341	57.14	20	107	41.66	651	2287	1742.36
2012-13	651	2287	1742.36	82	430	289.23	-	164	121.74	733	2553	1909.85

This large pendency of the IRs and audit observations indicated that the Heads of Offices and Heads of the Departments do not take prompt action to rectify the defects, omissions and irregularities pointed out by the PAG. The prolonged delay in settlement of the audit observations is fraught with the risk of their becoming too old for effecting recovery/ action by the concerned Departments.

1.11 Departmental Audit Committee Meetings

During the year 2012-13, no Audit Committee Meeting was held by the State Government for settlement of the audit observations raised by the State Revenue Audit.

We recommend that the Government should in the interest of revenue:

- advise the concerned Departments to hold Audit Committee Meeting frequently and monitor the progress of settlement of paragraphs and ensure that demands/ recoveries are timely made; and
- take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/ officers who fail to send replies to the IRs/ paragraphs as per the prescribed time schedules and also fail to take action to recover loss/ outstanding demand in a time bound manner.

1.12 Response of the Departments to draft audit paragraphs

Serious and important audit observations (paragraphs) noticed during local inspections are proposed to be included in the Report of the Comptroller and Auditor General of India (CAG), are forwarded to the Secretaries of the Departments concerned, 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 Departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Six draft paragraphs and one Performance Audit proposed to be included in the Part A of the Audit Report for the year ended 31 March 2013 were sent to the concerned Secretaries of the respective Departments upto October 2013 with the request to send the replies within six weeks. Replies in respect of three draft paragraphs have been received and included in the paragraphs. The Performance Audit was discussed in the exit conference held with the Government/concerned Department.

1.13 Follow up on Audit Reports – Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments of the Government are required to prepare and send to the Jammu and Kashmir Legislative Assembly Secretariat, *suo-motu* Action Taken Notes (ATNs) on the Audit paragraphs within three months of an Audit Report being laid on the table of the Legislature. A

review of the position in this regard showed that as of October 2013, out of 86 Audit paragraphs included in the Audit Reports for the years 2000-01 to 2011-12, the ATNs in respect of 75 Audit paragraphs due between June 2002 to September 2013 had not been finalized.

1.14 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.14.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 5 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.12**

Table-1.12

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year
2007-08	7	5.11	7	4.26	0.42
2008-09	7	28.58	7	6.50	0.01
2009-10	6	1.80	6	1.80	-
2010-11	10	39.90	10	31.41	0.01
2011-12	7	80.10	7	80.10	0.65
Total		155.49		124.07	1.09

It would be seen from the above that in respect of paragraphs featured in the Audit Reports 2007-08 to 2011-12, the Department/Government accepted Audit observations involving ₹ 124.07 crore, of which only ₹ 1.09 crore was recovered till March 2013. This shows that the Department/ Government did not recover the dues fully even in the cases where the audit observations had been accepted.

The Department may ensure prompt recovery of dues involved in the accepted cases.

1.15 Results of Audit

1.15.1 Position of local audit conducted during the year

Test-check of the records of 70 units of Commercial Tax, State Excise, Motor Vehicles and other Departments conducted during the year 2012-13 showed underassessment/ short levy / loss of revenue aggregating to ₹ 749.94 crore in 365 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 2.99 crore involved in 80 cases pointed out in audit during 2012-13 and earlier years.

1.16 Contents of the Part A (Revenue Chapter)

The Revenue Chapter contains one performance audit on "Exemption and remission of taxes to industrial units" and six paragraphs including a paragraph on "Irregularities in implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act, 2001 (Roshni Act), involving revenue implication of ₹ 493.39 crore relating to short/ non-levy of tax, duty, interest, and penalty, etc.

The Departments/ Government have accepted audit observations involving ₹ 268.13 crore out of which ₹ 4.62 lakh has been recovered. The replies in the remaining cases have not been received (December 2013).