

## CHAPTER-I GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Gujarat during the year 2014-15, the State's share of net proceeds of divisible Union Taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are as mentioned in **Table 1.1.1**:

**Table 1.1.1**  
**Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	36,338.63	44,252.29	53,896.69	56,372.37	61,339.81
	• Non-tax revenue	4,915.02	5,276.52	6,016.99	7,018.31	9,542.61
	<b>Total</b>	<b>41,253.65</b>	<b>49,528.81</b>	<b>59,913.68</b>	<b>63,390.68</b>	<b>70,882.42</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	6,679.44	7,780.31	8,869.05	9,701.93	10,296.35 <sup>1</sup>
	• Grants-in-aid	4,430.55	5,649.87	6,445.80	6,883.13	10,799.01
	<b>Total</b>	<b>11,109.99</b>	<b>13,430.18</b>	<b>15,314.85</b>	<b>16,585.06</b>	<b>21,095.36</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>52,363.64</b>	<b>62,958.99</b>	<b>75,228.53</b>	<b>79,975.74</b>	<b>91,977.78<sup>2</sup></b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>79</b>	<b>77</b>

(Source: Finance Accounts of the State)

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 70,882.42 crore) was 77 *per cent* of the total revenue receipts against 79 *per cent* in the preceding year. The balance 23 *per cent* of the receipts during 2014-15 was from the Government of India.

<sup>1</sup> Figures under the 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, 0044 - Service tax, 0045 - Other taxes and duties on commodities and services", - share of net proceeds assigned to State 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.

<sup>2</sup> For details, please see **Statement No. 14-** Detailed Statement of revenue and capital receipts by minor heads of the Finance Accounts of the Government of Gujarat for the year 2014-15.

**1.1.2** The details of the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 1.1.2**:

**Table 1.1.2**  
**Details of tax revenue raised**

(₹ in crore)

Sl. No.	Heads of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1.	Sales tax/Value Added Tax <sup>3</sup>	20,226.78	27,259.38	34,086.69	35,685.20	38,418.73	(+) 7.66
	Central sales tax	4,666.68	3,942.93	5,377.98	5,290.86	5,726.53	(+) 8.23
2.	Taxes and duties on electricity	3,262.64	3,654.56	4,406.60	4,692.77	5,877.65	(+) 25.25
3.	Stamp duty and registration fees	3,666.24	4,670.27	4,426.93	4,749.35	5,503.34	(+) 15.88
4.	Land revenue	1,788.78	1,477.18	2,207.85	1,727.41	1,892.65	(+) 9.57
5.	Taxes on vehicles	2,003.68	2,251.03	2,276.26	2,282.81	2,695.09	(+) 18.06
6.	Taxes on goods and passengers	6.38	208.34	210.58	833.56	210.35	(-) 74.76
7.	State excise	62.97	72.11	84.91	109.82	140.27	(+) 27.73
8.	Other taxes on income and expenditure <sup>4</sup>	228.22	222.18	207.80	222.22	230.87	(+) 3.89
9.	Other taxes <sup>5</sup>	426.26	494.31	611.09	778.37	644.33	(-) 17.22
	<b>Total</b>	<b>36,338.63</b>	<b>44,252.29</b>	<b>53,896.69</b>	<b>56,372.37</b>	<b>61,339.81</b>	<b>(+) 8.81</b>

(Source: Finance Accounts of the State)

- It would be seen from the above table that overall tax revenue as well as different types of tax receipts had shown upward trend during 2014-15 except receipts under “Taxes on Goods and Passengers”.
- There was abnormal decrease in receipts under major head “Taxes on goods and passengers” during 2014-15 over 2013-14 mainly due to (i) decrease in receipts under the minor head “Tax Collection-Passenger Tax” and (ii) abnormal increase during 2013-14 which could not be sustained during 2014-15.
- The reasons for substantial decrease/ increase, wherever applicable though called for, were not reported by the concerned Departments.

<sup>3</sup> Sales Tax/Value Added Tax includes tax on sales of Motor Sprit and Lubricants, Trade Tax and Other Receipts.

<sup>4</sup> Other taxes on income and expenditure include “Taxes on Professions, Trades, Calling and Employment” and “Share of Net Proceeds assigned to States”.

<sup>5</sup> Other taxes include “Taxes on Immovable Property other than Agricultural land”, “Entertainment Tax”, “Luxury Tax” etc.

**1.1.3** The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 1.1.3**:

**Table 1.1.3**  
**Details of non-tax revenue raised**

(₹ in crore)

Sl. No.	Heads of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1.	Non-ferrous mining and metallurgical industries	2,019.31	1,819.64	1,847.16	1,578.34	4,285.85	(+) 171.54
2.	Interest receipts	403.88	631.89	1,325.84	1,267.18	1,011.47	(-) 20.18
3.	Major and medium irrigation	618.14	684.15	714.13	897.51	1,034.91	(+) 15.31
4.	Miscellaneous general services	62.29	69.65	(-)334.66 <sup>6</sup>	90.62	26.27	(-) 71.01
5.	Other administrative services	41.11	70.27	102.22	100.32	169.07	(+) 68.53
6.	Police	149.08	138.97	163.84	177.81	214.20	(+) 20.47
7.	Medical and public health	118.11	90.76	126.34	111.88	243.57	(+) 117.71
8.	Public works	36.71	38.07	44.36	54.99	59.27	(+) 7.78
9.	Forestry and wild life	45.22	39.93	54.39	60.04	48.15	(-) 19.80
10.	Other non-tax receipts <sup>7</sup>	1,421.17	1,693.19	1,973.37	2,679.62	2,449.85	(-) 8.57
<b>Total</b>		<b>4,915.02</b>	<b>5,276.52</b>	<b>6,016.99</b>	<b>7,018.31</b>	<b>9,542.61</b>	<b>(+) 35.97</b>

(Source: Finance Accounts of the State)

- There was an overall increase of 35.97 *per cent* in non-tax receipts during the year 2014-15 as compared to 2013-14.
- There was abnormal increase in receipts under major head “Non-ferrous mining and metallurgical industries” during 2014-15 over 2013-14. This was due to increase in receipts under the minor heads

<sup>6</sup> Includes ₹ 471.87 crore on account of recovery of debt waiver (write off) granted by Government of India to Government of Gujarat for 2009-10, which remained to be adjusted in the accounts for 2011-12.

<sup>7</sup> This includes receipts under “Ports and light houses”, “Education, Sports, Arts and Culture”, “Labour and Employment”, “Housing”, “Fisheries”, “Village and Small Industries”, “Crop Husbandry”, etc.

“Mineral concession fees, rents and royalties” and “Receipts under Carbide of Calcium Rules”.

- There was abnormal decrease in receipts under major head “Miscellaneous General Services” during 2014-15 over 2013-14. This was due to decrease in receipts under the minor heads “Unclaimed Deposits” and “Guarantee Fees”.
- There was abnormal increase in receipts under major head “Other Administrative Services” during 2014-15 over 2013-14. This was due to increase in receipts under the minor heads “Other Receipts”, “Home Guards” and “Receipts from Guest Houses, Government Hostels”, etc.
- There was abnormal increase in receipts under major head “Medical and public health” during 2014-15 over 2013-14. This was due to increase in receipts under the minor heads “Receipts from Employees State Insurance Scheme” and “Medical Store Depots”.
- The reasons for substantial variations, wherever applicable though called for, were not reported by the concerned Departments.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹ 22,397.30 crore of which ₹ 9,957.32 crore was outstanding for more than five years, as detailed in the **Table-1.2**:

**Table 1.2**  
**Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Remarks
1	VAT/ Sales Tax	20,764.76	8,531.85	Out of total outstanding amount of ₹ 20,764.76 crore, recovery of ₹ 1,950.38 crore was covered by Revenue Recovery Certificates, recovery of ₹ 10,228.45 crore was stayed by High Court/ Other Judicial Authorities and Government, recovery of ₹ 414.80 crore was outstanding due to dealers being insolvent and details of the stages of pendency/recovery of remaining amount was not furnished by the Department.
2	Stamp Duty and Registration Fees	1,156.55	1,156.55	The concerned Department did not furnish the stages at which the arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested by Audit (May/ August 2015).



3	Taxes and duties on electricity	140.43	107.40	Out of total outstanding amount of ₹ 140.43 crore, recovery of ₹ 11.20 crore was pending with BIFR, recovery of ₹ 95.41 crore was stayed by Courts, recovery of ₹ 0.79 crore was covered by Revenue Recovery Certificates, etc.
4.	Taxes on Vehicles and Taxes on Goods and passengers	335.56	161.52	The concerned Department did not furnish the stages at which the arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested by Audit (May/August 2015).
	<b>Total</b>	<b>22,397.30</b>	<b>9,957.32</b>	

(Sources: Information furnished by the Department)

It would be seen from the table that arrears aggregating to ₹ 9,957.32 crore were pending for more than five years under the above four heads of revenue.

The other Department like Revenue Department (in respect of Land Revenue), and Industries and Mines Department, etc. did not furnish the details regarding arrears of revenue despite being requested in May/August 2015. As such total arrears of tax and non-tax revenue pending for collection could not be ascertained.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of Value Added Tax/ Sales Tax and Profession Tax was as in **Table 1.3**:

**Table 1.3**  
**Arrears in assessments**

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed off during 2014-15	Balance at the end of the year as on 31 March 2015	Percentage of disposal (col.5 to 4)
1	2	3	4	5	6	7
Value Added Tax/Sales Tax	1,51,333	92,317 <sup>8</sup>	2,43,650	31,678	2,11,972	13.00
Profession Tax	36,308	7,794	44,102	2,842	41,260	6.44
<b>Total</b>	<b>1,87,641</b>	<b>1,00,111</b>	<b>2,87,752</b>	<b>34,520</b>	<b>2,53,232</b>	<b>12.00</b>

(Sources: Information furnished by the Department)

It could be seen from the above table that percentage of assessments made during 2014-15 was 12 *per cent* indicating therein that the Department needs to make more efforts to dispose off cases expeditiously.

<sup>8</sup> Inclusive of the assessment cases related to Central Sales Tax.

## 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 1.4**:

**Table 1.4**  
**Evasion of Tax**

(₹ in crore)

Sl. no.	Head of revenue	Cases pending as on 1 April 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
					Number of cases	Amount of demand	
1	Value Added Tax/ Sales Tax	721	1,500	2,221	1,589	752.82	632
2	Taxes on Vehicles and Taxes on Goods and passengers	58,667	23,880	82,547	23,761	199.69	58,786
	<b>Total</b>	<b>59,388</b>	<b>25,380</b>	<b>84,768</b>	<b>25,350</b>	<b>952.51</b>	<b>59,418</b>

(Sources: Information furnished by the Department)

Overall 70 *per cent* cases were still pending for finalisation in the Departments.

The other Departments like Revenue Department and Industries and Mines Department etc. did not furnish the details regarding evasion of tax/revenue despite being requested in May/ August 2015.

## 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Department is given in **Table 1.5**:

**Table 1.5**  
**Details of pendency of refund cases**

(₹ in crore)

Sl. no.	Particulars	Taxes on Vehicles and Taxes on Goods and passengers		Taxes and duties on electricity	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	194	9.37	00	0.00
2	Claims received during the year	620	6.06	05	1.76
3	Refunds made during the year	786	11.56	05	1.76
4	Balance outstanding at the end of year	28	3.87	00	0.00

(Sources: Information furnished by the Department)

The Revenue Department (in respect of Land Revenue), Commercial Tax Department and Industries and Mines Department did not furnish the details regarding claims outstanding at the beginning of the year, claims received during the year, balance outstanding at the end of year and refunds made during the year despite being requested in May/ August 2015.

## 1.6 Response of the Government/Departments towards audit

The Principal Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad (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 on the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG 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.

Inspection Reports issued upto December 2014 disclosed that 7,262 paragraphs involving ₹ 4,562.83 crore relating to 1,526 IRs remained outstanding at the end of June 2015 as mentioned below alongwith the corresponding figures for the preceding two years in **Table 1.6**.

**Table 1.6**

### Details of pending Inspection Reports

Particulars	June 2013	June 2014	June 2015
Number of Inspection Reports pending for settlement	3,653	3,518	1,526
Number of outstanding audit observations	13,275	12,846	7,262
Amount of revenue involved (₹ in crore)	5,736.81	7,510.40	4,562.83

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the **Table 1.6.1**.

**Table 1.6.1**

### Department-wise details of IRs

(₹ in crore)

Sl. no.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Finance (Commercial Tax)	Taxes/VAT on sales, trade etc. including Profession Tax	518	2,964	1,118.25

2	Revenue	Land revenue	140	592	528.85
		Stamp duty and registration fees	415	2,027	625.60
		Valuation of Property	52	145	9.83
		Expenditure <sup>9</sup>	172	533	15.79
3	Ports & Transport	Taxes on Vehicles and Taxes on Goods and Passengers	126	644	596.82
4	Energy & Petrochemicals	Electricity duty	20	24	15.75
		Director of Petroleum	4	21	1,574.64
5	Industries & Mines	Mining Receipts	79	312	77.30
<b>Total</b>			<b>1,526</b>	<b>7,262</b>	<b>4,562.83</b>

Audit did not receive even the first replies from the heads of office within one month from the date of issue of IRs for 28 IRs issued during 2014-15 pertaining to the Commercial Tax Department. In respect of remaining Departments, the first replies of IRs were received within one month of issue of IRs. This pendency of the IRs due to non-receipt of the replies indicates that the heads of offices and the Department need to take effective action to rectify the defects, omissions and irregularities pointed out in the IRs.

### 1.6.2 Departmental audit committee meetings

The Government sets up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. During 2014-15 one Audit Committee Meeting was held in respect of Energy and Petrochemicals Department in which 23 paragraphs were settled.

Audit Committee meetings in respect of Commercial Tax Department, Revenue Department, Ports and Transport Department and Industries and Mines Department were not held. However, it has been noticed that there has been a gradual decrease in the number of outstanding audit inspection reports and number of audit observations as mentioned in **Table 1.6**.

### 1.6.3 Non-production of records to audit for scrutiny

The programme of local audit of Tax Revenue/ Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15 as many as 1,820 assessment files, returns, refunds, registers and other relevant records, which had become due for audit in the year, were not made available to audit. Break-up of these cases is given in **Table 1.6.3**:

<sup>9</sup> Money value of the paragraphs included in IRs pertaining to Revenue Department issued by AG (General and Social Sector Audit), Gujarat, Rajkot has not been considered.

**Table 1.6.3**  
**Details of non-production of records**

Name of the office/Department	Year in which it was to be audited	Number of cases not audited
Sales Tax/VAT	2014-15	1,310
Land Revenue	2014-15	510
	<b>Total</b>	<b>1,820</b>

#### **1.6.4 Response of the Departments to the draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twelve draft paragraphs and one Performance Audit Report were sent to the Principal Secretaries/Secretaries of the respective Department by name between May and September 2015. The Principal Secretaries/Secretaries of the Department did not send replies to four draft paragraphs including Performance Audit despite issue of reminders (July 2015) and the same have been included in this Report without the response of the Department.

#### **1.6.5 Follow up on the Audit Reports - summarised position**

The internal working system of the Public Accounts Committee, notified in March 1966, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislature Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately.

Three hundred and two paragraphs (including performance audit reports) included in the Reports of the Comptroller and Auditor General of India on the Revenue Receipts and Revenue Sector of the Government of Gujarat for the years ended 31 March 2009, 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between March 2010 and March 2015. Action taken explanatory notes in respect of 127 paragraphs from five Departments (Commercial Tax Department, Revenue Department, Ports and Transport Department, Energy and Petrochemicals Department and Industries and Mines Department) had not been received from the Audit Report for the year ended 31 March 2009 onwards so far (October 2015).

## **1.7 Audit Planning and Results of Audit**

The unit offices under various Departments are categorised into high, medium and low risk according to their revenue realisation, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* include critical issues in Government revenues and tax administration i.e. budget, white paper on state finances, reports of the Finance Commission (Central and State), recommendations of the taxation reforms committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2014-15, the audit universe comprised 698 auditable entities, of which audit of 185 entities was planned and 182 entities were audited during the year, which is 26 *per cent* of the total auditable entities.

Besides the compliance audit mentioned above, one performance audit was also taken up to examine the efficacy of the tax administration of these receipts.

### **Position of local audit conducted during the year**

Test check of the records of 182 units of Commercial Tax Department, Revenue Department, Ports and Transport Department, Energy and Petrochemicals Department and Industries and Mines Department conducted during the year 2014-15 revealed under assessment/short levy/loss of revenue amounting to ₹ 264.12 crore in 1,028 cases.

During the course of the year, the concerned Departments accepted under assessment and other irregularities of ₹ 13.27 crore involved in 203 cases which were pointed out in audit during 2014-15 and earlier years. The Departments recovered ₹ 8.95 crore in 182 cases at the instance of audit.

## **1.8 Coverage of this Report**

This report contains 12 paragraphs and one Performance Audit of “System of registration, assessment and collection under VAT”, relating to irregular/excess allowance of ITC, short/non-levy of VAT/CST/premium price/ stamp duty/ registration fees and other irregularities involving financial effect of ₹ 154.81 crore.

The concerned Departments/Government have accepted audit observations involving ₹ 5.58 crore out of which ₹ 1.42 crore have been recovered. The replies in the remaining cases have not been received (October 2015). These are discussed in the succeeding Chapters II to V.