

## CHAPTER-I: GENERAL

### 1.1 Introduction

This Chapter presents an overview of the trend of receipts raised by the Government of Uttar Pradesh, and the arrears of revenue, both Tax and non-tax, pending collection against the backdrop of the audit findings.

### 1.2 Trend of receipts

**1.2.1** The tax and non-tax revenue raised by the Government of Uttar Pradesh, the State's share of the net proceeds of the divisible Union taxes and duties assigned to States, grants-in-aid received from the Government of India during 2017-18, and the corresponding figures for the preceding four years are presented in **Table - 1.1**.

**Table - 1.1**  
**Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	<b>Revenues raised by the State Government</b>					
	• Tax Revenue	66,582.08	74,172.42	81,106.26	85,965.92	97,393.00
	Percentage of growth compared to previous year	14.60	11.40	9.35	5.99	13.29
	• Non-tax Revenue	16,449.80	19,934.80	23,134.65	28,944.07	19,794.86
	Percentage of growth compared to previous year	26.82	21.19	16.05	25.11	(-) 31.60
	<b>Total</b>	<b>83,031.88</b>	<b>94,107.22</b>	<b>1,04,240.91</b>	<b>1,14,909.99</b>	<b>1,17,187.86</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	62,776.70	66,622.91	90,973.69	1,09,428.29	1,20,939.14 <sup>1</sup>
	• Grants-in-aid	22,405.17	32,691.47	31,861.34	32,536.87	40,648.45
	<b>Total</b>	<b>85,181.87</b>	<b>99,314.38</b>	<b>1,22,835.03</b>	<b>1,41,965.16</b>	<b>1,61,587.59</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>1,68,213.75</b>	<b>1,93,421.60</b>	<b>2,27,075.94</b>	<b>2,56,875.15</b>	<b>2,78,775.45</b>
4.	<b>Percentage of 1 to 3</b>	<b>49</b>	<b>49</b>	<b>46</b>	<b>45</b>	<b>42</b>

Source: Finance Accounts of the Government of Uttar Pradesh.

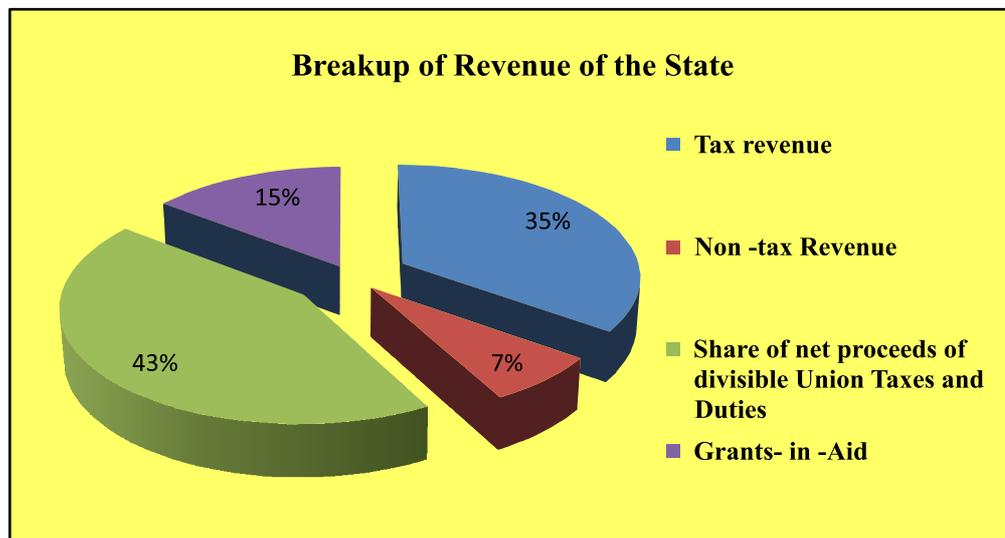
Above table indicates that the average annual growth rate in respect of tax revenue and non-tax revenue were 10.93 *per cent* and 11.51 *per cent* respectively during 2013-18.

The State's share in central taxes increased following the implementation (from 2015-16) of the recommendations of the 14<sup>th</sup> Finance Commission increasing the State's share by 10 *per cent* (from 32 to 42 *per cent*).

<sup>1</sup> For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2017-18. Figures under the major heads 0005 - Central Goods and Services Tax, 0008 - Integrated Goods and Services Tax, 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 and 0045 - Other taxes and duties on commodities and services, Minor Head 901 - 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 'State's share of net proceeds of divisible Union taxes' in this statement.

The breakup of revenue receipts of the State for the year 2017-18 in terms of percentage is shown in **Chart – 1.1**.

**Chart - 1.1**



**1.2.2** Details of the tax revenue raised during the period 2013-14 to 2017-18 are given in **Table - 1.2**.

**Table - 1.2**  
**Details of tax revenue**

(₹ in crore)								
Sl. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in actuals of 2017-18 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2017-18	Actuals of 2016-17
1.	Tax on Sales, Trade, etc.	43,936.00 39,645.45	47,497.92 42,931.54	52,670.69 47,692.40	57,940.30 51,882.88	36,397.30 31,112.52	(-) 13.10 <sup>2</sup>	(+) 8.87
	State Goods and Service Tax (SGST) <sup>3</sup> (July 2017 to March 2018)					28,602.70 25,373.96		
2.	State Excise	12,084.00 11,643.84	14,500.00 13,482.57	17,500.00 14,083.54	19,250.00 14,273.49	20,593.23 17,320.27	(-) 15.89	(+) 21.35
3.	Stamps and Registration Fees	10,555.00 9,520.92	12,722.67 11,803.34	14,836.00 12,403.72	16,319.60 11,564.02	17,458.34 13,397.57	(-) 23.26	(+) 15.86
4.	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	3,713.00 3,442.01	3,950.00 3,797.58	4,658.00 4,410.53	5,123.80 5,148.37	5,481.20 6,403.69	(+) 16.83	(+)24.38
5.	Others <sup>4</sup>	1,905.00 2,329.86	2,327.34 2,157.39	2,250.31 2,516.07	2,622.80 3,097.16	2,969.13 3,784.99	(+) 27.48	(+)22.21
<b>Total</b>		<b>72,193.00</b> <b>66,582.08</b>	<b>80,997.93</b> <b>74,172.42</b>	<b>91,915.00</b> <b>81,106.26</b>	<b>1,01,256.50</b> <b>85,965.92</b>	<b>1,11,501.90</b> <b>97,393.00</b>	<b>(-)12.65</b>	<b>(+)13.29</b>

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of Government of Uttar Pradesh.

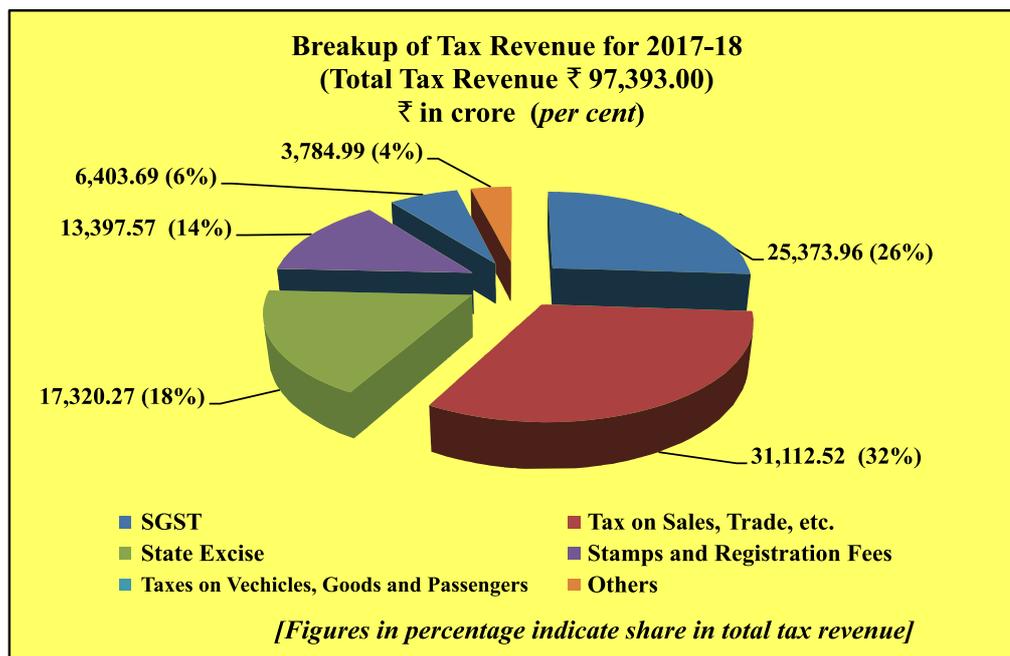
<sup>2</sup>  $\frac{36,397.30}{31,112.52} - \frac{28,602.70}{25,373.96} = 65,000.00 - 56,486.48$

<sup>3</sup> New Tax Revenue Head introduced from 01.07.2017

<sup>4</sup> Includes receipts (less than five per cent of tax revenue) from the following:  
Taxes and duties on Electricity, Land Revenue, Hotel Receipt Tax, Other Taxes and Duties on Commodities and Services etc.

The breakup of tax revenue for the year 2017-18 is shown in **Chart - 1.2**.

**Chart - 1.2**



- The overall growth of 13.29 per cent in own tax revenue during 2017-18 was mainly due to increase in 'State Excise' (by ₹ 3,047 crore), 'Stamp and registration' (by ₹ 1,834 crore), 'Taxes on vehicle' (by ₹ 1,255 crore), 'Land revenue' (by ₹ 576 crore) and 'Taxes and duties on Electricity' (by ₹ 568 crore).
- Taxes on sales, trade, etc. decreased by ₹ 20,770 crore during 2017-18 in comparison to the previous year, as this tax was subsumed in Goods and Services Tax (GST) which was implemented from 1 July 2017. However, State GST (SGST) collection during the year was ₹ 25,374 crore.
- The growth in 'State Excise' was due to increase in sale of country liquor (by ₹ 892 crore), Indian Made Foreign Liquor (by ₹ 795 crore) and Beer (by ₹ 279 crore). The State Excise Department also received ₹ 373 crore during the year from e-lottery tendering process for shops for the year 2018-19.
- The receipts under 'Stamps and Registration' increased mainly due to annual revision of circle rates of land, more receipts from fees for registering documents (58 per cent) and sale of judicial and non-judicial stamps (23 per cent). The increase of receipts 'taxes and duties on Electricity' was due to more collection of taxes on sale and consumption of electricity (41 per cent).

1.2.3 Details of the non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in **Table - 1.3**.

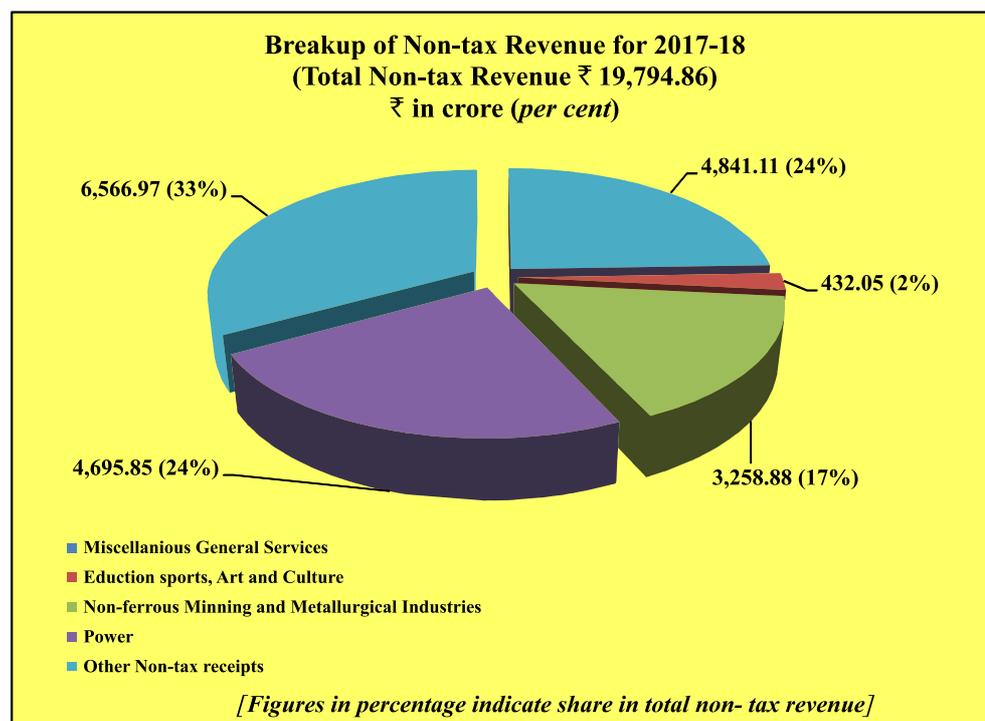
**Table - 1.3**  
**Details of non-tax revenue**

(₹ in crore)								
Sl. No.	Head of revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in actuals of 2017-18 in comparison to	
		BE Actual	BE of 2017-18	Actuals of 2016-17				
1.	Miscellaneous General Services	<u>2,970.98</u> 3,194.28	<u>4,037.81</u> 6,400.41	<u>4,774.00</u> 4,949.22	<u>4,220.61</u> 4,460.40	<u>4,502.00</u> 4,841.11	(+)7.53	(+)8.54
2.	Education, Sports, Art and Culture	<u>5,852.75</u> 6,414.09	<u>6,887.18</u> 5,798.52	<u>7,600.00</u> 10,652.08	<u>11,170.31</u> 14,092.31	<u>520.00</u> 432.05	(-)16.91	(-)96.93
3.	Non-Ferrous Mining and Metallurgical Industries	<u>1,000.00</u> 912.52	<u>1,100.00</u> 1,029.42	<u>1,500.00</u> 1,222.17	<u>1,650.00</u> 1,548.39	<u>3,200.00</u> 3,258.88	(+)1.84	(+)110.47
4.	Power	<u>270.00</u> 1,060.81	<u>2,700.00</u> 967.87	<u>2,700.00</u> 1,322.17	<u>2,700.00</u> 2,938.85	<u>4,448.34</u> 4,695.85	(+)5.80	(+)59.79
5.	Other Non-tax receipts <sup>5</sup>	<u>3,088.75</u> 4,868.10	<u>5,506.96</u> 5,738.58	<u>5,062.32</u> 4,989.01	<u>4,499.93</u> 5,904.12	<u>5,766.37</u> 6,566.97	(+)13.69	(+)11.23
	<b>Total</b>	<u><b>13,182.48</b></u> <b>16,449.80</b>	<u><b>20,231.95</b></u> <b>19,934.80</b>	<u><b>21,636.32</b></u> <b>23,134.65</b>	<u><b>24,240.85</b></u> <b>28,944.07</b>	<u><b>18,436.71</b></u> <b>19,794.86</b>	(+)7.37	(-)31.61

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of Government of Uttar Pradesh.

The breakup of non-tax revenue for the year 2017-18 is shown in **Chart - 1.3**.

**Chart - 1.3**



<sup>5</sup> Others includes receipts (less than five per cent of non-tax revenue) from the following: Interest receipts, Roads & Bridges, Other Administrative Services, Medium Irrigation, Village and Small Industries, Forestry and Wild Life, Medical and Public Health, Urban Development, etc.

There was overall decrease of 31.61 *per cent* in non-tax receipts amounting to ₹ 9,149 crore during 2017-18 over 2016-17. The decrease was mainly on account of the receipts under the head ‘Education, Sports, Art and Culture’ due to the fact that during 2017-18, the compensation by the Department in lieu of salary to the teachers appointed under *Sarva Shiksha Abhiyan* was accounted for as reduction in expenditure of the Primary Education Department, which was earlier shown as non-tax receipts of the Government. Further, the increase in realisation of mineral concession fees, rent and royalties (186 *per cent*) led to higher receipts under ‘Non-ferrous mining and metallurgical industry’, which was mainly due to revision of rates of royalty/dead rent of various minerals.

Further, Audit noted wide variations between the budget estimates approved by the Finance Department and the actual revenues (Tables 1.2 and 1.3 refer). The reasons for such wide variations could not be assessed as the Finance Department did not produce the budget files to Audit despite requests at that point of time. The matter was flagged in the Audit Report (Economic and Revenue Sectors) for the year ended 31 March 2017 (Chapter-3 General para No. 3.2.3).

**Recommendation:**

**The Finance Department should revisit their budgeting methods to make the budget estimates more realistic.**

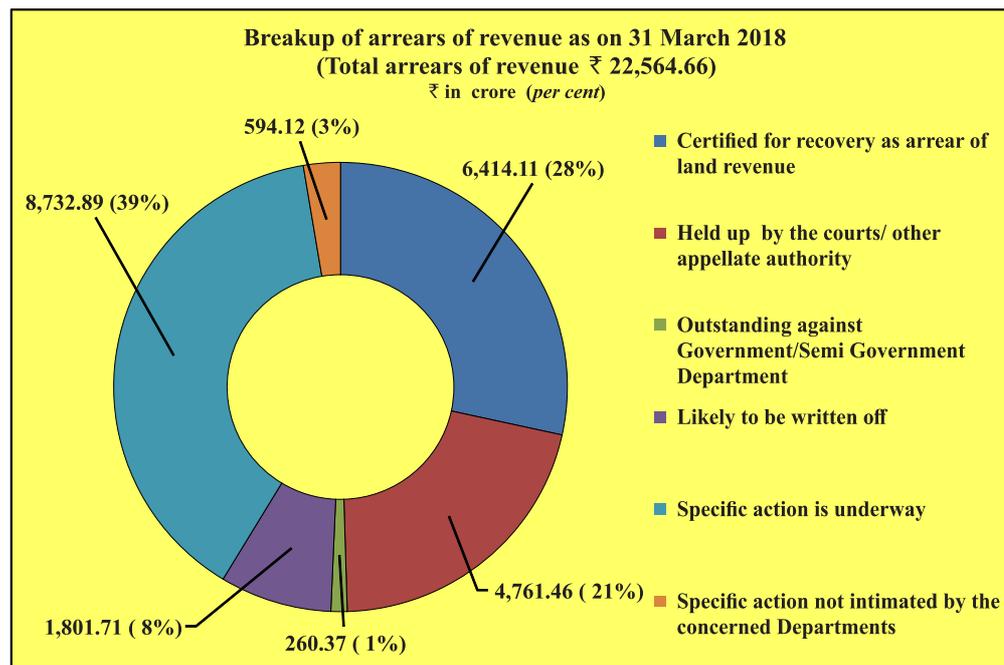
**1.3 Analysis of arrears of revenue**

Arrears of revenue as on 31 March 2018 in respect of some principal heads of revenue amounted to ₹ 22,564.66 crore<sup>6</sup>, of which ₹ 10,581.96<sup>7</sup> crore were outstanding for more than five years. Details as provided by the Departments are given in **Chart - 1.4**.

<sup>6</sup> Tax on Sales, Trade, etc.: ₹ 21,548.61 crore; Stamps and Registration Fees: ₹ 398.47 crore; Taxes on Vehicles, Goods and Passengers: ₹ 109.78 crore; State Excise: ₹ 52.37 crore; Entertainment Tax: ₹ 348.74 crore, Non-Ferrous Mining and Metallurgical Industries ₹ 106.69 crore.

<sup>7</sup> Tax on Sales, Trade, etc.: ₹ 10,257.17 crore; Stamps and Registration Fees: ₹ 140.71 crore; Taxes on Vehicles, Goods and Passengers: ₹ 53.83 crore; State Excise: ₹ 52.08 crore; Entertainment Tax: ₹ 13.14 crore, Non-Ferrous Mining and Metallurgical Industries ₹ 65.03 crore.

**Chart -1.4**



At ₹ 22,564.66 crore, the total arrears in revenue at the end of 2017-18 constituted 19 per cent of the total revenue receipts of the State (₹ 1,17,187.86 crore) of which 47 per cent (₹ 10,581.96 crore) of the arrears were pending recovery for periods of five years or more. This is indicative of lax revenue administration and non-compliance in the State. The quantum of arrears is unsustainably large and calls for concerted efforts at recovery of the same.

The Departments intimated pendency at different stages, but individual records relating to outstanding arrears were not made available for examination. There was no mechanism to monitor the progress of collection of arrears or to assess reasons for accumulation of arrears in the Departments<sup>8</sup>. Further, the Departments do not maintain any centralised database of outstanding arrears. Figures of outstanding arrears were compiled by the concerned Departments each year, at the instance of Audit, from the data furnished by their respective field units.

**Recommendation:**

**The Departments should create a centralised database of outstanding arrears and introduce a mechanism to monitor the progress of arrears on a periodic basis. The reasons for accumulation of arrears should also be analysed and mechanisms/procedures developed to prevent any further accumulation of arrears.**

**1.4 Follow up on the Audit Reports-summarised position**

To ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo motu* action on all Paragraphs/ Performance Audits figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Significant delays were observed in submission of explanatory notes (replies of the

<sup>8</sup> Commercial Tax, State Excise, Transport, Stamps and Registration, Entertainment Tax and Geology and Mining.

Departments) itself, with delays ranging between nine months and 52 months in respect of 164 Paragraphs (including Performance Audits) appearing in the CAG's Revenue Audit reports for the year ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between June 2014 and July 2019. Details of pending explanatory notes pertaining to the various Departments<sup>9</sup> are given in **Table - 1.4**.

Table - 1.4

Sl. No.	Audit Report ending on	Date of presentation in the legislature	Number of paragraphs	Number of paragraphs where explanatory notes received	Number of paragraphs where explanatory notes not received
1	31 March 2013	20 June 2014	49	49	00
2	31 March 2014	17 August 2015	43	36	07
3	31 March 2015	06 March 2016	31	00	31
4	31 March 2016	18 May 2017	26	00	26
5	31 March 2017	19 July 2019	15	00	15
<b>Total</b>			<b>164</b>	<b>85</b>	<b>79</b>

In 2017-18, no PAC meeting was held to discuss the pending Audit Reports. Action Taken Notes (ATNs) have also not been received in respect of paragraphs discussed in the PAC from time to time.

### 1.5 Response of the Government/Departments towards Audit

On completion of the Audit of Government/Departments and the offices, Audit issues the Inspection Reports (IRs) to the concerned head of the offices, with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to Heads of the Departments and the Government.

Review of IRs issued up to March 2018 revealed that 44,357 paragraphs relating to 12,582 IRs remained outstanding at the end of June 2018. The potentially recoverable revenue brought out in these IRs is as much as ₹ 8,075.46 crore whereas the total revenue collection of the State is ₹ 1,17,187.86 crore. Department-wise details relating to revenue sector of the State Government are given in **Table - 1.5**.

<sup>9</sup> Commercial Tax (17 paragraphs), State Excise (11 paragraphs), Transport (17 paragraphs), Stamps and Registration (15 paragraphs), Geology and Mining (14 paragraphs) and Entertainment Tax (5 paragraphs).

**Table - 1.5**  
**Department-wise details of Inspection Reports**

(₹ 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	Tax on Sales, Trade, etc.	5,779	25,474	3,925.45
		Entertainment tax	203	497	22.51
2.	State Excise	State Excise	1,072	1,972	1,086.60
3.	Transport	Taxes on vehicles	1,356	5,986	862.46
4.	Stamps and Registration	Stamps and registration fees	3,954	9,395	745.88
5.	Geology and Mining	Non-ferrous mining and metallurgical industries	218	1,033	1,432.56
<b>Total</b>			<b>12,582</b>	<b>44,357</b>	<b>8,075.46</b>

Source: Information available in the Audit office

Even the first replies, required to be received from the heads of offices within four weeks of receipt of IRs, were not received in time. Out of total 597 IRs issued during 2017-18, Audit received first reply from the heads of offices in case of seven IRs within six months, and in respect of 45 IRs beyond six months. The first replies had not been received in case of remaining 545 IRs issued during 2017-18. This large pendency of the IRs and non-receipt of first replies from the Departments is indicative of the fact that the Heads of Auditee units have failed to take cognisance of the reported Audit findings and initiate any corrective action in their respect. The lack of interest of the Executive in Audit is also evident from the fact that irregularities of similar nature are being reported year after year with no improvement/ evidence of any corrective action by the concerned Departments visible at the ground level. This adversely affected effectiveness of Audit.

**Recommendation:**

**The State Government should introduce a mechanism to ensure that the Departmental officers respond to IRs promptly, take corrective action, and work closely with Audit to bring about early settlement of IRs.**

**1.6 Results of audit**

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

Audit covered six Departments<sup>10</sup> of the State Government and test checked the records of 663 out of 1,585 auditable units (42 per cent) relating to Tax on Sales, Trade, etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration Fees, Entertainment Tax and Mining receipts during the year 2017-18. Further, this was a test audit. In six Departments, revenue of ₹ 85,142.94 crore was collected during 2016-17, out of which the 663 audited units collected ₹ 46,918.44 crore (55 per cent). In 663 audited units, records

<sup>10</sup> Commercial Tax, State Excise, Transport, Stamps and Registration, Entertainment Tax and Geology and Mining.

were test checked on the basis of turnover/tax payments which revealed underassessment/short levy/loss of revenue aggregating to ₹ 745.95 crore (two *per cent*) in 41,277 cases. The Department concerned accepted (between April 2017 and September 2019) underassessment and other deficiencies of ₹ 161.81 crore in 17,086 cases pointed out in the year 2017-18 by the audit. During the course of the year the Department reported (between April 2017 and September 2019) recovery of ₹ 45.03 crore out of which 185 cases of ₹ 4.9 crore is related to the year 2017-18 and the rest of the cases pertain to the earlier years.

**Recommendation:**

**The State Government should evolve a mechanism to ensure that Departments recover all under-assessments/short levies pointed out by Audit and accepted by the Departments.**

**1.7 Coverage of this Report**

This Report contains 17 paragraphs from the local audits conducted during the year and those of earlier years which could not be included in the previous reports involving financial effect of ₹ 195.88 crore including one Paragraph on “**Preparedness for transition to Goods and Services Tax**”.

The Departments have accepted audit observations involving ₹ 140.34 crore and recovered ₹ 2.09 crore. These are discussed in the succeeding Chapters II to V.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the concerned State Government Department, but were not covered in the test check conducted during the year. The Department/Government may therefore like to internally examine all other units with a view to ensuring that they are functioning as per requirement and rules.