

## 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 2017-18, the share of net proceeds of divisible Union Taxes and duties assigned to the State and Grants-in-aid received by the State 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: Revenue Receipts**

| (₹ in crore) |  |                  |                  |                  |                    |                                |
|--------------|--|------------------|------------------|------------------|--------------------|--------------------------------|
| Sl. No.      | Particulars  | 2013-14          | 2014-15          | 2015-16          | 2016-17            | 2017-18                        |
| <b>1.</b>    | <b>Revenue raised by the State Government</b>                            |                  |                  |                  |                    |                                |
|              | • Tax revenue  | 56,372.37        | 61,339.81        | 62,649.41        | 64,442.71          | 71,549.41                      |
|              | • Non-tax revenue  | 7,018.31         | 9,542.61         | 10,193.51        | 13,345.66          | 15,073.97                      |
|              | <b>Total</b>   | <b>63,390.68</b> | <b>70,882.42</b> | <b>72,842.92</b> | <b>77,788.37</b>   | <b>86,623.38</b>               |
| <b>2.</b>    | <b>Receipts from the Government of India</b>                             |                  |                  |                  |                    |                                |
|              | • Share of net proceeds of divisible Union taxes and duties <sup>1</sup> | 9,701.93         | 10,296.35        | 15,690.43        | 18,835.39          | 20,782.29                      |
|              | • Grants-in-aid  | 6,883.13         | 10,799.01        | 8,949.23         | 13,218.05          | 15,885.60                      |
|              | <b>Total</b>   | <b>16,585.06</b> | <b>21,095.36</b> | <b>24,639.66</b> | <b>32,053.44</b>   | <b>36,667.89</b>               |
| <b>3.</b>    | <b>Total revenue receipts of the State Government (1 and 2)</b>          | <b>79,975.74</b> | <b>91,977.78</b> | <b>97,482.58</b> | <b>1,09,841.81</b> | <b>1,23,291.27<sup>2</sup></b> |
| <b>4.</b>    | <b>Percentage of 1 to 3</b>  | <b>79</b>        | <b>77</b>        | <b>75</b>        | <b>71</b>          | <b>70</b>                      |

(Source: Finance Accounts of the State)

The above table indicates that there was overall increase in collection of revenue in the State during the last five years. The revenue raised by the State Government (₹ 86,623.38 crore) during the year 2017-18 was 70 per cent of the total revenue receipts against 71 per cent in the preceding year. The balance 30 per cent of the receipts during 2017-18 were from the Government of India.

<sup>1</sup> Figures under the Heads “0008 - Integrated Goods and Services Tax (IGST), 0020 - Corporation tax, 0021 - Taxes on Income other than corporation tax, 0028 - Other taxes on income and expenditure, 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 2017-18.

1.1.2 The details of the tax revenue raised during the period 2013-14 to 2017-18 are given in the following table.

**Table 1.1.2: Tax Revenue**

| (₹ in crore)                                   |  |                  |                  |                  |                  |                  |  |
|--|--|------------------|------------------|------------------|------------------|------------------|--|
| Sl. No.  | Heads of revenue                                   | 2013-14          | 2014-15          | 2015-16          | 2016-17          | 2017-18          | Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17 |
| 1.   | Sales tax/Value Added Tax <sup>3</sup>             | 35,685.20        | 38,418.73        | 37,755.00        | 41,530.49        | 26,176.14        | (-) 36.97  |
|  | Central sales tax                                  | 5,290.86         | 5,726.53         | 6,336.05         | 4,783.29         | 3,462.74         | (-) 27.61  |
|  | Entertainment and Luxury Tax                       | 201.59           | 185.06           | 195.63           | 223.57           | 85.41            | (-)60.97   |
|  | State Goods and Services Tax (SGST)                | 0.00             | 0.00             | 0.00             | 0.00             | 21,250.86        | NA   |
| <b>Sub-Total</b>                               |  | <b>41,177.65</b> | <b>44,330.32</b> | <b>44,286.68</b> | <b>46,537.35</b> | <b>50,975.15</b> | <b>9.54</b>  |
| 2.   | Taxes and duties on electricity                    | 4,692.77         | 5,877.65         | 5,999.66         | 5,833.10         | 6,484.29         | (+) 11.16  |
| 3.   | Stamp duty and registration fees                   | 4,749.35         | 5,503.34         | 5,549.42         | 5,782.93         | 7,254.75         | (+) 25.45  |
| 4.   | Land revenue                                       | 1,727.41         | 1,892.65         | 2,528.50         | 1,998.52         | 1,859.04         | (-) 6.98   |
| 5.   | Taxes on vehicles                                  | 2,282.81         | 2,695.09         | 3,007.98         | 3,212.95         | 3,885.44         | (+) 20.93  |
| 6.   | Taxes on goods and passengers                      | 833.56           | 210.35           | 265.19           | 66.40            | 131.28           | (+) 97.71  |
| 7.   | State excise                                       | 109.82           | 140.27           | 123.32           | 151.53           | 84.75            | (-) 44.07  |
| 8.   | Other taxes on income and expenditure <sup>4</sup> | 222.22           | 230.87           | 240.72           | 249.24           | 259.90           | (+) 4.28   |
| 9.   | Other taxes <sup>5</sup>                           | 798.00           | 690.14           | 888.66           | 859.93           | 874.72           | 1.72   |
|  | <b>Total</b>                                       | <b>56,372.37</b> | <b>61,339.81</b> | <b>62,649.41</b> | <b>64,442.71</b> | <b>71,549.41</b> | <b>(+) 11.03</b>   |
| <b>Percentage of growth over previous year</b> |  |                  | <b>8.81</b>      | <b>2.13</b>      | <b>2.86</b>      | <b>11.03</b>     |  |

(Source: Finance Accounts of the State)

<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> Taxes on Professions, Trades, Calling and Employment.

<sup>5</sup> Other taxes include "Taxes on Immovable Property other than Agricultural land".

The tax revenue has shown continuous increase during the last five years, maximum increase was in 2017-18 (11.03 *per cent*). There was substantial increase in Stamp Duty and Registration Fees and substantial decrease in State Excise, Sales Tax/ VAT and Central Sales Tax (CST). The reasons for substantial variation, as furnished (March 2019) by the respective Department are as follows:

**Stamp Duty and Registration Fees:** In 2016-17 the number of documents registered were 9,95,703 which increased to 11,81,471 (18.66 *per cent* increase). Thus, there was increase in receipts.

**Taxes on vehicles:** The trucks and tankers registered during 2016-17 were 21,688 whereas in 2017-18 the trucks and tankers registered were 32,858. Thus, there was increase of 51.50 *per cent* in the registration of trucks and tankers. Moreover, there was increase of 15 to 20 *per cent* in the registration of car, jeep, auto rickshaw, motorcycle and tractors during 2017-18 as compared to 2016-17. Thus, there was increase in revenue.

**Taxes on goods and passengers:** The Gujarat State Road Transport Corporation (GSRTC) paid passenger tax of ₹ 59 crore in 2016-17 whereas the Corporation paid passenger tax of ₹ 126 crore in 2017-18. Thus, there was increase in receipts.

**State Excise:** With the implementation of Goods and Services Tax (GST) w.e.f. 01 July 2017, the Medicinal and Toilet Preparation (Excise Duty) Act, 1955 has been repealed. Accordingly, the State Government received revenue under the M&TP (ED) Act up to 30 June 2017 during 2017-18. Thus, there is decrease in receipts. The Central Government will give the State's share of approximately ₹ 90 crore.

**Sales Tax/ VAT:** The reduction in Sale Tax/ Value Added Tax was due to introduction of Goods and Services Tax (GST) in the State in which tax on commodities (except petroleum products and alcohol for human consumption) were subsumed.

**1.1.3** The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in **Table 1.1.3:**

**Table 1.1.3: Non-Tax Revenue**

| Sl. No. | Heads of revenue                                | 2013-14  | 2014-15  | 2015-16  | 2016-17  | 2017-18  | (₹ in crore)   |
|---------|---|----------|----------|----------|----------|----------|--|
|         |   |          |          |          |          |          | Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17 |
| 1.      | Non-ferrous mining and metallurgical industries | 1,578.34 | 4,285.85 | 3,350.19 | 3,746.50 | 8,988.62 | (+) 139.92   |
| 2.      | Interest receipts                               | 1,267.18 | 1,011.47 | 843.00   | 2,580.10 | 1,081.44 | (-) 58.09  |

|  |                                     |                 |                 |                  |                  |                  |                  |
|--|-------------------------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| 3.   | Major and medium irrigation         | 897.51          | 1,034.91        | 1,028.42         | 1,086.10         | 1,211.52         | (+) 11.55        |
| 4.   | Miscellaneous general services      | 90.62           | 26.27           | 1,443.86         | 28.92            | 56.96            | (+) 96.96        |
| 5.   | Other administrative services       | 100.32          | 169.07          | 129.99           | 176.67           | 151.36           | (-) 14.33        |
| 6.   | Police                              | 177.81          | 214.20          | 219.82           | 248.88           | 318.01           | (+) 27.78        |
| 7.   | Medical and public health           | 111.88          | 243.57          | 171.51           | 981.98           | 173.81           | (-) 82.30        |
| 8.   | Public works                        | 54.99           | 59.27           | 130.01           | 52.52            | 48.56            | (-) 7.54         |
| 9.   | Forestry and wild life              | 60.04           | 48.15           | 48.92            | 45.59            | 54.74            | (+) 20.07        |
| 10.  | Other non-tax receipts <sup>6</sup> | 2,679.62        | 2,449.85        | 2,827.79         | 4,398.40         | 2,988.95         | (-) 32.04        |
| <b>Total</b>                                   |                                     | <b>7,018.31</b> | <b>9,542.61</b> | <b>10,193.51</b> | <b>13,345.66</b> | <b>15,073.97</b> | <b>(+) 12.95</b> |
| <b>Percentage of growth over previous year</b> |                                     |                 | <b>35.97</b>    | <b>6.82</b>      | <b>30.92</b>     | <b>12.95</b>     |                  |

(Source: Finance Accounts of the State)

The non-tax revenue has shown continuous increase during the last five years, maximum increase was in 2014-15 (35.97 per cent) owing to increase in receipts under the minor heads 'mineral concession fees, rents and royalties' and 'Receipts under Calcium Carbide Rules'. The increase in revenue during 2017-18 was mainly due to increase in a component under sub-head namely 'royalty on mineral oils'. The revenue under this sub-head increased from ₹ 2,205.29 crore in 2016-17 to ₹ 7,665.65 crore in 2017-18. This major jump was due to increase in receipt of arrears amounting to ₹ 1,258.80 crore in 2016-17 and ₹ 6,000.00 crore in 2017-18 from Government of India. This has been discussed in detail in Paragraph 5.2.3 of the Report.

The reasons for variation in respect of other Departments wherever found substantial (more than 10 per cent) though called for (April/ July 2018) were not furnished by the concerned Departments.

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 42,539.69 crore of which ₹ 13,240.83 crore was outstanding for more than five years, as detailed in the **Table-1.2**:

<sup>6</sup> This includes receipts under "Ports and light houses", "Education, Sports, Arts and Culture", "Labour and Employment", "Other Social Services", "Roads and Bridges", "Housing", "Fisheries", "Village and Small Industries", "Crop Husbandry", etc.

**Table 1.2: Arrears of revenue**

(₹ in crore)

| Sl. No. | Head of revenue                                      | Total Amount outstanding as on 31 March 2018 | Amount outstanding for more than five years as on 31 March 2018 | Remarks  |
|---------|--|--|---|--|
| 1.      | VAT/ Sales Tax                                       | 40,221.74                                    | 12,436.26   | Out of total outstanding amount of ₹ 40,221.74 crore, recovery of ₹ 3,971.55 crore was covered by Revenue Recovery Certificates, recovery of ₹ 14,992.70 crore was stayed by High Court/ Other Judicial Authorities and Government, recovery of ₹ 2,214.80 crore was outstanding due to dealers being insolvent. Details of the stages of pendency/ recovery of remaining amount were not furnished by the Department.   |
| 2.      | Stamp Duty and Registration Fees                     | 809.02                                       | 567.83  | Out of total outstanding amount of ₹ 809.02 crore, recovery of ₹ 38.23 crore was covered by Revenue Recovery Certificates, recovery of ₹ 17.07 crore was stayed by High Court/ Other Judicial Authorities and Government. The concerned Department did not furnish the stages at which the remaining amount of arrears of revenue were pending for collection or whether the cases were referred for write off, if any, despite being requested (April/ July 2018) by Audit. |
| 3.      | Taxes and duties on electricity                      | 146.76                                       | 118.00  | Out of total outstanding amount of ₹ 146.76 crore, recovery of ₹ 8.09 crore was pending with BIFR while recovery of ₹ 138.67 crore was held-up due to cases pending before the High Court of Gujarat.  |
| 4.      | Taxes on vehicles and Taxes on goods and passengers  | 228.97                                       | 118.74  | 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 (April/ July 2018) by Audit.   |
| 5       | Oil and Natural Gas receipts (Director of Petroleum) | 1,133.20                                     | Not provided by the Department                                  | 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 (April/ July 2018) by Audit.   |
|         | <b>Total</b>   | <b>42,539.69</b>                             | <b>13,240.83</b>  |  |

(Sources: Information furnished by the Departments)

It would be seen from the table above that the arrears aggregating to ₹ 13,240.83 crore were pending for more than five years, ₹ 4,009.78 crore

were covered by RRCs and ₹ 15,148.44 crore were stayed by Court under the above heads of revenue<sup>7</sup>.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the State Tax and Commercial Tax Department<sup>8</sup> in respect of Value Added Tax/ Sales Tax and Profession Tax were as shown in **Table 1.3** below:

**Table 1.3: Arrears in assessments**

| Head of revenue           | Opening balance | New cases due for assessment during 2017-18 | Total assessments due | Cases disposed of during 2017-18 | Balance at the end of the year as on 31 March 2018 | Percentage of disposal (col.5 to 4) |
|---------------------------|-----------------|---|-----------------------|----------------------------------|--|-------------------------------------|
| 1                         | 2               | 3   | 4                     | 5                                | 6  | 7                                   |
| Value Added Tax/Sales Tax | 2,39,812        | 2,49,753                                    | 4,89,565              | 1,20,611                         | 3,68,954   | 24.64                               |
| Profession Tax            | 48,341          | 15,887                                      | 64,228                | 5,551                            | 58,677   | 8.64                                |
| <b>Total</b>              | <b>2,88,153</b> | <b>2,65,640</b>                             | <b>5,53,793</b>       | <b>1,26,162</b>                  | <b>4,27,631</b>                                    | <b>22.78</b>                        |

(Sources: Information furnished by the Department)

It would be seen from the above table that disposal of the assessments during 2017-18 was 22.78 *per cent* as against disposal of 28.10 *per cent* of the total assessments in 2016-17<sup>9</sup>. The Department needs to make more efforts to dispose of the cases expeditiously.

### 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**:

<sup>7</sup> The information was furnished by State Tax and Commercial Tax Department, Stamps and Registration Department and Collector of Electricity Duty.

<sup>8</sup> Erstwhile known as Commercial Tax Department before implementation of GST w.e.f. 1 July 2017.

<sup>9</sup> Report No.3 of the year 2017, Government of Gujarat.

**Table 1.4: Evasion of tax**

(₹ in crore)

| Sl. no. | Head of revenue                                     | Cases pending as on 1 April 2017 | Cases detected during 2017-18 | 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 2018 |
|---------|---|----------------------------------|-------------------------------|-----------------|---|------------------|--|
|         |   |                                  |                               |                 | Number of cases   | Amount of demand |  |
| 1       | Value Added Tax/ Sales Tax                          | 374                              | 372                           | 746             | 401   | 634.00           | 345  |
| 2       | Taxes on Vehicles and Taxes on Goods and passengers | 60,597                           | 37,357                        | 97,954          | 43,758  | 119.34           | 54,196   |
| 3       | Stamp duty and Registration fees                    | 3,573                            | --                            | 3,573           | 1,448   | 37.73            | 2,125  |
|         | <b>Total</b>  | <b>64,544</b>                    | <b>37,729</b>                 | <b>1,02,273</b> | <b>45,607</b>   | <b>791.07</b>    | <b>56,666</b>  |

(Sources: Information furnished by the Departments)

Thus, 55.41 *per cent* of the total cases were still pending for finalisation in the Departments.

The other Departments like Revenue Department (in respect of Land Revenue), Industries and Mines Department, Energy and Petrochemicals Department etc. did not furnish the details regarding evasion of tax/ revenue despite being requested in April/ July 2018.

### 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 as reported by the 'Ports and Transport Department' and 'Industries and Mines' are given in **Table 1.5**:

**Table 1.5: Refund cases**

(₹ in crore)

| Sl. no. | Particulars                                     | Taxes on Vehicles and Taxes on Goods and Passengers |        | Mining Receipts |        |
|---------|---|---|--------|-----------------|--------|
|         |   | No. of cases  | Amount | No. of cases    | Amount |
| 1.      | Claims outstanding at the beginning of the year | 84  | 3.27   | 10              | 1.27   |
| 2.      | Claims received during the year                 | 392   | 2.33   | 24              | 1.19   |
| 3.      | Refunds made during the year                    | 383   | 5.11   | 18              | 0.89   |
| 4.      | Balance outstanding at the end of year          | 93  | 0.49   | 16              | 1.57   |

(Sources: Information furnished by the Departments)

As per the information obtained from Accountant General (A&E), Gujarat the Revenue Department (in respect of Land Revenue) had made refunds amounting to ₹ 5.59 crore, State Tax and Commercial Tax Department had made refunds of ₹ 4,825 crore, while Stamps and Registration Department had made refunds amounting to ₹ 19.55 crore. These Departments however, did not furnish the information regarding the number of refund cases received and finalised during 2017-18 despite being requested in April/ July 2018.

## 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 the 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 2017 disclosed that 3,399 paragraphs involving ₹ 1,096.57 crore relating to 952 IRs remained outstanding at the end of June 2018 as mentioned below along with the corresponding figures for the preceding two years in **Table 1.6**.

**Table 1.6: Outstanding IRs and paras**

| Particulars   | June 2016 | June 2017 | June 2018 |
|---|-----------|-----------|-----------|
| Number of Inspection Reports pending for settlement | 918       | 904       | 952       |
| Number of outstanding audit observations            | 3,545     | 3,412     | 3,399     |
| Amount of revenue involved (₹ in crore)             | 1,260.01  | 1,023.31  | 1,096.57  |



**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2018 and the amounts involved are mentioned in the **Table 1.6.1**.

**Table 1.6.1: Outstanding IRs and paras (Department wise)**

(₹ 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 | 351                       | 1,077                                    | 311.33               |
| 2.           | Revenue                   | Land revenue   | 103                       | 546                                      | 362.77               |
|              |                           | Stamp duty and registration fees                         | 272                       | 1,031                                    | 294.47               |
|              |                           | Valuation of Property                                    | 29                        | 84                                       | 9.28                 |
|              |                           | Expenditure  | 73                        | 194                                      | 17.28                |
| 3.           | Ports and Transport       | Taxes on Vehicles and Taxes on Goods and Passengers      | 63                        | 268                                      | 32.49                |
| 4.           | Energy and Petrochemicals | Electricity duty   | 9                         | 25                                       | 13.34                |
|              |                           | Oil and Natural Gas receipts (Director of Petroleum)     | 5                         | 20                                       | 36.76                |
| 5.           | Industries and Mines      | Mining Receipts  | 47                        | 154                                      | 18.85                |
| <b>Total</b> |                           |  | <b>952</b>                | <b>3,399</b>                             | <b>1,096.57</b>      |

During 2017-18, 156 IRs were issued, of these the first replies were not received even after a lapse of one month from the date of issue of IRs for 64 IRs pertaining to the State Tax and Commercial Tax Department (33), Revenue Department (23), Ports and Transport Department (4), Industries and Mines Department (3) and Energy and Petrochemicals Department (1). The pendency of the IRs indicated 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**

Chapter 14 of the Regulations on Audit and Accounts 2007 stipulates that Government may establish audit committees for the purpose of monitoring and ensuring compliance and settlement of pending audit observations. Each committee so established shall comprise a representative each from the administrative department, Audit and a nominee from the Finance Department besides the head of the department of the auditable entity. Accordingly, the Government has set up Audit Committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. Besides, Group Officer also discusses periodically the outstanding audit observations with Heads of Departments concerned. During 2017-18, eight meetings for disposal of outstanding audit observations were held in respect of State Tax and Commercial Tax Department, Ports and Transport Department and Revenue Department (in respect of Land Revenue) in which 456 paragraphs were settled.

Meetings for disposal of outstanding audit observations in respect of Revenue Department (in respect of Stamp Duty and Registration Fees), Industries and Mines Department and Energy and Petrochemicals Department were not held.

### 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 2017-18 as many as 3,050 cases (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**:

**Table 1.6.3: Non-production of records**

| Name of the Department                  | No. of cases selected for audit | No. of cases in which records produced for audit | Number of cases in which records not produced for audit |
|---|---------------------------------|--|---|
| State Tax and Commercial Tax Department | 20,618                          | 18,093   | 2,525   |
| Revenue Department                      | 31,508                          | 30,998   | 510   |
| Ports and Transport Department          | 24,395                          | 24,380   | 15  |
| <b>Total</b>                            | <b>76,521</b>                   | <b>73,471</b>                                    | <b>3,050</b>  |

The non-production of assessment files, returns, refunds, registers and other relevant records was 3.99 *per cent* of the total cases selected for audit scrutiny in respect of the above three Departments. Audit could not vouch the correctness of the levy and collection of taxes in these cases.

### 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 Additional Chief Secretaries (ACS)/ Principal Secretaries (PS) 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.

Twenty-seven draft paragraphs including one Performance Audit were sent to the Departments/ Government between April and September 2018. Of these, 24 draft paragraphs have been included in this Audit Report. Replies in respect of the 17 draft paragraphs have been received and included in the relevant paragraphs. Replies in respect of remaining draft paragraphs have not been received despite issuing reminders (September 2018).

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

The internal working system of the Public Accounts Committee (PAC), 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 PAC. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately.

Three hundred and thirteen paragraphs (including Performance Audit Reports) included in the Reports of the Comptroller and Auditor General of India on the Revenue Receipts/ Revenue Sector of the Government of Gujarat for the years ended 31 March 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 were placed before the State Legislature Assembly between March 2012 and March 2018. Action taken explanatory notes in respect of 70 paragraphs from five Departments (Finance Department, Revenue Department, Ports and Transport Department, Industries and Mines Department and Energy and Petrochemicals Department) had not been received from the Audit Report for the year ended 31 March 2010 onwards so far (January 2019).

### 1.7 Audit Planning and Results of Audit

The offices under various Departments are categorised into high, medium and low risk auditable entities 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.

Audit universe comprised of 611 auditable entities, keeping in view the availability of the staff, 122 entities were planned and audited during the year 2017-18. Besides, one Performance Audit of ‘Mechanism in the State for Collection of Arrears of Revenue’ was taken up for detailed scrutiny.

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

Test check of the records of units of State Tax and Commercial Tax Department, Revenue Department, Ports and Transport Department, Energy and Petrochemicals Department and Industries and Mines Department conducted during the year 2017-18 revealed under assessment/ short levy/ loss of revenue amounting to ₹ 569.52 crore in 897 cases.

During the course of the year, the concerned Departments accepted under assessment and other irregularities of ₹ 80.67 crore involved in 302 cases which were pointed out in audit during 2017-18 and earlier years. The Departments recovered ₹ 4.95 crore in 154 cases at the instance of audit.

## 1.8 Coverage of this Report

This report contains 22 paragraphs and one Performance Audit of “Mechanism in the State for Collection of Arrears of Revenue”, relating to Non/ short reduction/ reversal of ITC, short/ non-levy of VAT/ CST/ Entry Tax/ premium price/ conversion tax/ service charge/ stamp duty/ motor vehicles tax/ dead rent and other irregularities, system issues relating to collection of arrears of revenue/ transition from VAT to GST involving financial effect of ₹ 443.24 crore.

The concerned Departments/ State Government have accepted (January 2019) audit observations involving ₹ 177.10 crore and have recovered ₹ 8.60 crore. These include ₹ 4.95 crore recovered<sup>10</sup> through LARs. These are discussed in the succeeding Chapters II to VI.

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<sup>10</sup> The total recoveries up to January 2019 aggregated to ₹ 8.60 crore including ₹ 4.95 crore made through LARs mentioned in para 1.7.