

CHAPTER-IV

GENERAL

4.1 About this Report

Part-II of this Report contains two chapters i.e. Chapter-IV General and Chapter-V Compliance Audits of Revenue Sector. Chapter-IV presents an overview of revenue receipts of the Government of Chhattisgarh (GoCG) during the year 2021-22, analyses of trend of receipts over the five-year period of 2017-18 to 2021-22, and details of arrears of tax revenue pending collection as of 31 March 2022. Further, audit approach for examination of revenue receipts of the State is outlined, and the response of the State Government to audit findings is also discussed.

Chapter-V contains Compliance Audit of “Departments’ oversight on GST Payments and Return Filing”. Compliance Audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies with in all material respects with applicable laws, rules, regulations, established codes etc., and the general principles governing sound public financial management and the conduct of public officials.

The audit observations in Part-II are based on the results of a test check of the records made available to Audit by the concerned government departments. There may be similar irregularities, errors/omissions in other units of these departments but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected, and accounted for, as per the provisions of the related Acts and Rules.

4.2 Trend of revenue receipts

A summary of the revenue realised (tax and non-tax revenue, the State’s share of net proceeds of divisible Union taxes and duties assigned, Grants-in-aid received from the Government of India (GoI) during the last five years from 2017-18 to 2021-22 and the corresponding figures for the preceding three years) of Government of Chhattisgarh is given in **Table 4.1**.

Table 4.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Revenue raised by the State Government					
	Own Tax revenues	19,894.68	21,427.26	22,117.85	22,889.20	27,083.73
	Percentage of growth compared to previous year	5.01	7.70	3.22	3.49	18.33
	Non-tax revenue	6,340.42	7,703.02	7,933.77	7,136.95	13,851.21
	Percentage of growth compared to previous year	11.84	21.49	3.00	-10.04	94.08
	Total	26,235.10	29,130.28	30,051.62	30,026.15	40,934.93
2.	Receipt from Government of India					
	Share of net proceeds of divisible Union taxes and duties	20,754.81	23,458.69	20,205.84	20,337.54	28,570.79
	Grants-in-aid	12,657.17	12,505.96	13,611.24	12,812.49	10,146.30
	Total	33,411.98	35,964.65	33,817.08	33,150.03	38,717.09
3.	Total revenue receipts of the State Government (1 + 2)	59,647.08	65,094.93	63,868.70	63,176.18	79,652.03
4.	Percentage of 1 to 3	44	45	47	48	51

(Source: Finance Accounts of the Government of Chhattisgarh)

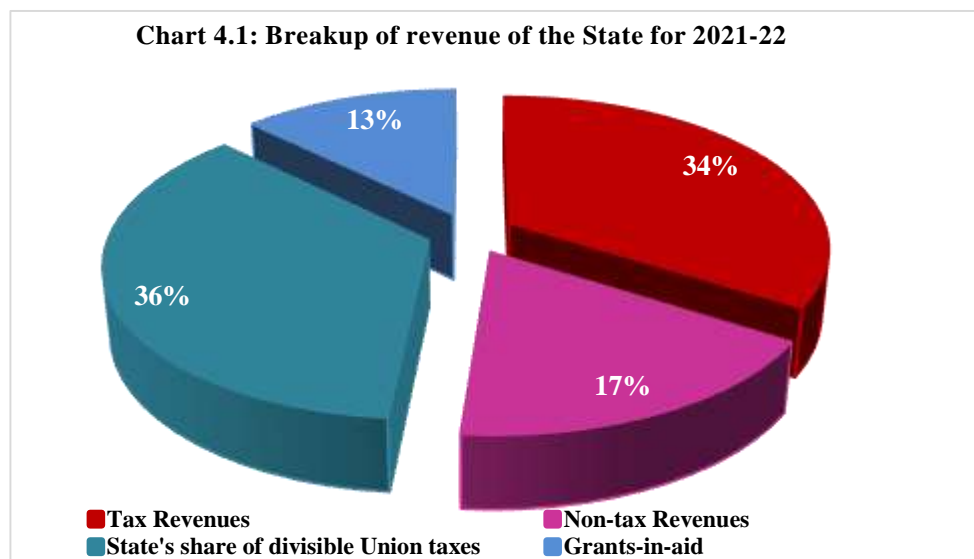
The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue excluding the State's share in Central taxes and Grants-in-aid, which are based on the recommendations of the Finance Commission.

It is evident from the above table that:

- The own tax revenue of the State showed increasing trend during 2017-22 and increased by 18.33 *per cent* during 2021-22 as compared to previous year.
- The non-tax revenue of the State had also increased during 2017-20 but there was a decrease of 10.04 *per cent* during 2020-21 as compared to previous year mainly due to decrease in receipts under non-ferrous mining and metallurgical industries, interest receipts, minor irrigation, public works, etc., However, during 2021-22, there was an increase of 94.08 *per cent* as compared to previous year mainly due to increase in selling price of iron ore and additional amount (150 *per cent*) of royalty payable on iron ore by NMDC as per Mines and Mineral Development & Regulation Act 2021.
- While 51 *per cent* of the revenue receipts during 2021-22 came from the State's own resources comprising tax and non-tax revenue, the share of net proceeds of divisible Union Taxes & Duties and Grants-in-Aid from Government of India together contributed 49 *per cent* of total revenue.

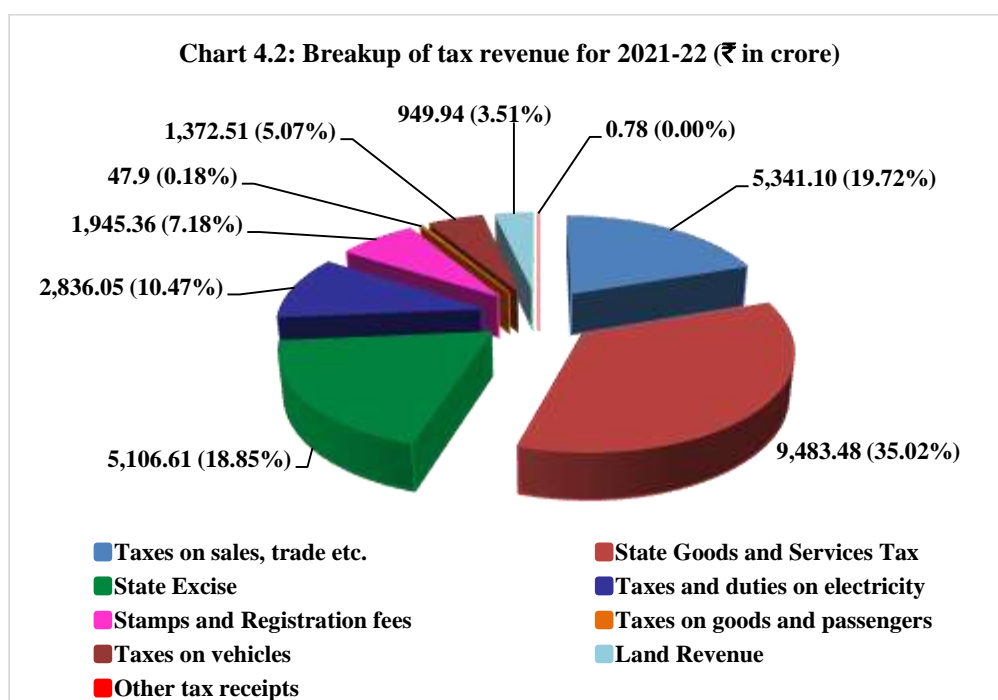
Pictorial representation of breakup of revenue receipts of the State for the year 2021-22 is given in **Chart 4.1**.

Chart 4.1: Breakup of revenue of the State for 2021-22



4.2.1 Own Tax Revenue

Pictorial representation of the breakup of tax revenues for the year 2021-22 is given in **Chart 4.2**:



Budget Estimates (BE) and actual receipts of own tax revenue during the period 2017-22 are given in **Table 4.2**:

Table 4.2: Details of own tax revenues

(₹ in crore)

Head of Revenue		2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of variation in 2021-22 over 2020-21 for Actual
Taxes on Sales, trade etc.	BE	13,444.70	3,718.42	3,788.30	4,144.86	4,356.89	(+)26.09
	Actual	6,449.60	4,087.72	3,931.37	4,236.04	5,341.10	
State Goods and Services Tax ¹	BE	3,212.82	5,006.65	8,201.70	10,700.92	9,337.61	(+)19.67
	Actual	4,386.56	8,203.41	7,894.82	7,925.01	9,483.48	
State Excise	BE	3,168.50	4,355.00	5,000.00	5,199.72	5500.00	(+)10.16
	Actual	4,054.01	4,489.03	4,952.36	4,635.80	5106.61	
Taxes and duties on electricity	BE	1,650.00	1,850.00	2,090.00	2,200.00	2,450.00	(+)21.13
	Actual	1,688.95	1,790.27	1,837.00	2,341.41	2836.05	
Stamps and Registration fees	BE	1,550.00	1,790.00	1,550.00	1,705.00	1650.00	(+)22.74
	Actual	1,197.47	1,108.46	1,634.63	1,584.94	1945.36	
Taxes on goods and passengers ²	BE	1,767.06	5.63	0.00	3.00	4.17	(-)40.00
	Actual	477.66	54.51	40.51	79.83	47.90	
Taxes on vehicles	BE	1,200.00	1,500.00	1,600.00	1,600.00	1,600.00	(+)19.55
	Actual	1,180.01	1,204.85	1,274.85	1,148.07	1372.51	
Land revenue	BE	600.00	660.00	700.00	600.00	850.00	(+)1.30
	Actual	446.41	487.57	551.50	937.71	949.94	
Other tax receipts ³	BE	40.38	0.00	0.00	1.5	1.34	(+) 100
	Actual	14.01	1.44	0.81	0.39	0.78	
Total	BE	26,633.46	18,885.70	22,930.00	26,155.00	25,750.01	(+) 18.33
	Actual	19,894.68	21,427.26	22,117.85	22,889.20	27,083.73	

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh).

Receipts under taxes on sales, trade etc., had not matched the expectations projected by the State Government in its budget during 2017-18, but exceeded budgetary estimates during 2018-19 to 2021-22. Receipts under State Goods and Services Tax (SGST) had not matched the expectations projected in its budgetary estimates during 2019-21 but exceeded budgetary estimates during 2017-19 and 2021-22 and constituted the single largest source of tax revenue

¹ Goods and Services Tax was implemented with effect from 1 July 2017. Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD), state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax have been subsumed in GST.

² Major portion (76.64 per cent) of Taxes on Goods and Passengers is from Entry Tax during the period 2021-22, which has since been abolished and subsumed in GST from 1 July 2017.

³ 'Others' include actual receipts during 2021-22 under the following Revenue Heads: Hotel receipts tax (₹ 33.96 lakh/BE- ₹ 119.20 lakh); other taxes on income and expenditure (₹ 43.70 lakh/ BE- ₹ 14.00 lakh); and other taxes and duties on commodities and services (₹ 0.32 lakh/ BE- ₹ 0.50lakh).

for the State during 2018-22. Taxes on goods and passengers exceeded budgetary estimates during 2018-22 while taxes on vehicles had not matched the expectations projected during 2017-22.

The concerned departments reported the following reasons for variation between the budget estimates and the actual revenue receipts during 2021-22 as the decline in receipts in some cases, over that of the previous year.

Taxes on sales, trade etc.: Due to increase in consumption of petroleum product the receipts from taxes on sales, trade etc. (increased by 26.09 *per cent*) during 2021-22 as compared to 2020-21.

State Goods and Services Tax: The receipts from SGST during 2021-22 increased by 19.67 *per cent* as compared to 2020-21 mainly due to increase in tax payers.

State Excise: The revenue from State Excise increased by 10.16 *per cent* mainly due to control on illegal liquor and efficient management of liquor shops by Chhattisgarh State Marketing Corporation Limited.

Taxes on duties on electricity: There was an increase of 21.13 *per cent* in tax revenue in 2021-22 as compared to previous year due to increase in revenue collection.

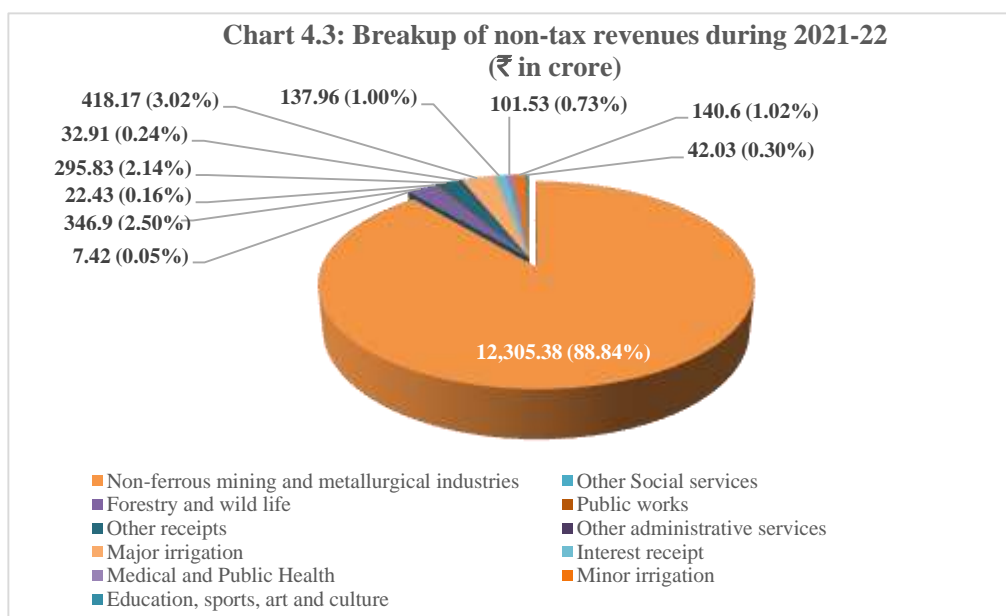
Taxes on vehicles: No reason was provided by the Department for increase in revenue of 19.55 *per cent* during 2021-22.

Taxes on goods and passengers: There was a decrease of 40 *per cent* in 2021-22. The reasons for decrease in revenue are due to integration of taxes on goods and passengers in GST.

Stamps and Registration fees: There was an increase of 22.74 *per cent* in tax revenue in 2021-22 due to increase in number of documents registered as compared to previous year 2020-21.

4.2.2 Non-tax Revenue

The break-up of non-tax revenue for the year 2021-22 is shown in **Chart 4.3:**



The details of the non-tax revenue raised during the period 2017-22 are indicated in **Table 4.3**:

Table 4.3: Details of non-tax revenues raised by the Government

(₹ in crore)

Head of Revenue		2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of deviation in 2021-22 over 2020-21
Non-ferrous mining and metallurgical industries	BE	5,600.00	6,000.00	6,500.00	6,670.00	6,600.00	(+)122.18
	Actual	4,911.44	6,110.24	6,195.73	5,538.49	12305.39	
Forestry and wild life	BE	600.00	600.00	600.00	700.00	700.00	(+)25.20
	Actual	291.17	236.73	249.37	277.08	346.90	
Interest receipt	BE	137.25	132.93	126.83	194.49	314.83	(+)53.68
	Actual	180.44	189.55	232.41	89.77	137.96	
Major irrigation	BE	703.68	738.89	791.67	749.94	688.08	(-)6.22
	Actual	461.23	521.81	437.04	445.91	418.17	
Minor irrigation	BE	288.34	302.76	324.39	330.42	317.26	(-)39.58
	Actual	121.73	164.06	287.54	232.72	140.60	
Medical and Public Health	BE	29.33	45.99	44.73	62.10	91.12	(+)6.04
	Actual	52.56	52.86	88.88	95.75	101.53	
Public works	BE	73.70	43.00	50.00	95.83	54.25	(-)30.41
	Actual	54.29	73.57	45.98	32.23	22.43	
Other administrative services	BE	65.43	42.82	28.41	47.34	44.12	(-)7.74
	Actual	39.81	42.10	35.75	35.67	32.91	
Other social services	BE	30.00	30.00	20.50	11.01	12.69	(-)53.68
	Actual	17.42	8.12	16.73	16.02	7.42	
Education, sports, art and culture	BE	6.97	28.03	21.20	16.09	22.78	(+)125.60
	Actual	17.15	14.04	14.83	18.63	42.03	
Other non-tax receipts	BE	169.50	205.58	317.27	337.38	404.82	(-) 16.59
	Actual	193.18	289.94	329.51	354.68	295.83 ⁴	
Total	BE	7,704.20	8,170.00	8,825.00	9,214.60	9,249.95	(+) 94.08
	Actual	6,340.42	7,703.02	7,933.77	7,136.95	13,851.17	

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

The concerned departments reported the following reasons for variation between the budget estimates and the actual revenue receipts during 2021-22 as well as the decline in receipts in some cases, over that of the previous year.

⁴ Other non-tax receipts include actual receipts during 2021-22 under the following heads: Dividends and profits (₹ 3.64 crore); Public service commission (₹ 9.71 crore); Police (₹ 29.19 crore); Jails (₹ 3.42 crore); Stationery and printing (₹ 2.17 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 33.38 crore); Miscellaneous general services (₹ 76.08 crore); Family welfare (₹ 0.00 crore); Water supply and sanitation (₹ 2.07 crore); Housing (₹ 4.99 crore); Urban development (₹ 8.75 crore); Information and publicity (₹ 0.07 crore); Labour and employment (₹ 27.71 crore); Social security and welfare (₹ 5.72 crore); Crop husbandry (₹ 23.12 crore); Animal husbandry (₹ 6.51 crore); Fisheries (₹ 5.91 crore); Food storage and warehousing (₹ 0.92 crore); Cooperation (₹ 1.80 crore); Other agricultural programmes (₹ 1.69 crore); Other rural development programmes (₹ 7.21 crore); Medium irrigation (₹ 5.30 crore); Village and small industries (₹ 3.24 crore); Industries (₹ 17.90 crore); Civil aviation (₹ 0.00 crore); Roads and bridges (₹ 0.94 crore) and Other general economic services (₹ 14.39 crore).

Non-ferrous mining and metallurgical industries: There was an increase by 122.18 *per cent* as compared to previous year mainly due to increase in selling price of iron ore and additional amount (150 *per cent*) of royalty payable on iron ore by NMDC as per Mines and Mineral Development & Regulation Act 2021.

Forestry and Wildlife: There was an increase in receipts by 25.20 *per cent* in 2021-22 over the previous year, mainly due to timely release of forest produce by conducting auctions of wood on pre-determined dates.

Minor irrigation: The receipts under this head decreased by 39.58 *per cent* in 2021-22. The reason for decrease in receipt was sought from the department (December 2022, August 2023 and February 2024). However, the reply is still awaited.

Major irrigation: The receipts under this head decreased by 6.22 *per cent* in 2021-22. The reason for decrease in receipt was sought from the department (December 2022, August 2023 and February 2024). However, the reply is still awaited (December 2024).

Public works: There was decrease of 30.41 *per cent* in 2021-22 in receipts under this head mainly due to less purchase of tender forms by the bidders and also less imposing of penalties from the defaulters.

Education, sports, art and culture: There was an increase in revenue by 125.60 *per cent* during 2021-22 from the previous year under this head. The reason for this was that scholarship under *Samagra Shiksha* could not be distributed and was instead deposited in the receipt head of the department.

Other non-tax receipts: There was decrease of non-tax receipts by 16.59 *per cent* in 2021-22 mainly due to decrease in revenue under Jail, contributions and recoveries towards pension and other retirement benefits, water supply and sanitation, urban development, social security and welfare, crop husbandry, animal husbandry, food storage and warehousing, cooperation, other agricultural programmes and other rural development programmes heads.

4.3 Authority for audit

The Comptroller and Auditor General of India (CAG) derives his authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers, and Conditions of Service) Act, 1971 (DPC Act). CAG audits receipts of the Government under Section 16 of the DPC Act.

4.4 Planning and Conduct of Audit

The process of planning, conduct of audit and preparation of Audit Reports has already been mentioned in chapter-1 of this report. After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Chhattisgarh under Article 151 of the Constitution of India for causing them to be laid on the Table of State Legislature.

During the year 2021-22, audit of 80 units out of total 472 auditable units under six departments viz. Mineral Resources, Forest, Commercial Tax, Energy, Transport and Land Revenue were planned and 59 units were audited.

4.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2022 in respect of six departments amounted to ₹ 8261.66 crore, of which, ₹ 3218.06 crore (38.95 per cent) was outstanding for more than five years as detailed in **Table 4.4**:

Table 4.4: Arrears of revenue outstanding as of 31 March 2022

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding	Amount outstanding for more than five years	Reply of Department with respect to status of outstanding cases
1.	Taxes and duties on electricity	4734.16	1289.67	Revenue Recovery Certificates (RRCs) issued in 15 cases; pending in court in seven cases, stay order by court in 32 cases and in 14 cases pending in 'Others'.
2.	Taxes on sales, trade etc.	3400.02	1846.20	RRCs issued to other States due to closure of their business by the firms, lack of movable and immovable property of businessmen and the amount to be written off is pending for recovery.
3.	Stamps and Registration fees	50.21	15.91	RRCs issued in 736 cases; pending in court in 91 cases; stay order by court in 9 cases and in four cases details of moveable/immovable properties of defaulters were not available.
4.	Forest	7.03	6.93	No specific reply has been provided by the department in the context of status of outstanding cases.
5.	Non-ferrous mining and metallurgical industries	0.79	0.79	The department stated (February 2023) that instructions have been issued to Mining officers to recover the arrears by special drive. Further, in review meeting the Secretary, Mineral Resources Department, Chhattisgarh Government has instructed to the districts to send proposal to write off the arrears, which are very old.
6.	Taxes on vehicles	12.99	3.27	Pending in court (₹ 0.84 crore). Demand Notices have been issued to the vehicle owners for recovery of outstanding taxes.
7.	State Excise	56.46	55.29	Revenue Recovery Certificates (RRCs) issued in 149 cases; pending in court in 23 cases, stay order by court in 23 cases and in 16 cases pending in 'Others' and in 38 cases details of moveable/immovable properties of defaulters were not available.
Total		8261.66	3218.06	

(Source: Information furnished by the departments concerned)

Information on Arrears of revenue outstanding as of 31st March 2022 was awaited from two Departments viz. Land Revenue and Water Resources Department.

4.6 Response of the Government/departments to Audit

4.6.1 Position of outstanding Inspection Reports

On completion of audit of government departments and offices, Audit issues Inspection Reports (IRs) to the concerned Heads of Offices with copies endorsed to their superior officers to enable monitoring and initiation of

corrective action. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Analysis of IRs issued up to 31 March 2022, revealed that 9,790 paragraphs relating to 2,225 IRs issued between 1994-95 and 2021-22 remained outstanding at the end of June 2023. Department-wise details of IRs and audit observations are mentioned in **Table 4.5**:

Table 4.5: Department-wise status of IRs

Sl. No.	Name of Department	Nature of receipts	Type of IRs	No. of outstanding IRs 2021-22	No. of outstanding audit observations 2021-22
1.	Stamp Duty & Registration	Stamp duties and Registration fee	Rev.	255	762
			Exp.	13	58
2.	Motor Vehicle and Transport	Taxes on vehicles	Rev.	198	1464
			Exp.	66	145
3.	Forest	Forestry and Wild life	Rev.	457	1385
			Exp.	531	2856
4.	Commercial Tax	Taxes on sales trade etc.	Rev.	551	3670
			Exp.	80	117
5.	Mineral Resources	Non-ferrous mining and metallurgical industries	Rev.	184	785
			Exp.	76	321
6.	State Excise	State Excise	Rev.	269	583
			Exp.	51	88
7.	Land Revenue	Land Revenue	Rev.	2	8
			Exp.	2	4
8.	Energy	Taxes and Duties on electricity	Rev.	21	91
			Exp.	8	20
9.	Other Tax Departments	Other receipts	Rev.	288	1042
			Exp.	1	10
Rev.				2225	9790
Exp.				828	3619
Total				3053	13409

Rev.- Revenue; Exp.-Expenditure

Out of 108 IRs issued during 2021-22, Audit did not receive even the first reply in respect of 96⁵ IRs (88.88 *per cent*) from the Heads of Offices.

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/services, fraud, corruption and loss to public exchequer.

Recommendation:

State Government should ensure prompt and appropriate response to audit observations, as well as take action against those failing to furnish replies to the IRs/paragraphs as per the prescribed time schedule.

⁵ Forest-68; Mineral Resources-11; Transport-6; Commercial Tax-4; Energy-3; Stamp & Registration-2 and Land Revenue-2