

## CHAPTER-I: GENERAL

### 1.1 Introduction

This Chapter presents an overview of the trend of revenue receipts of the Government of Uttar Pradesh (GoUP), follow up on Audit Reports, response of the Government/Departments towards Audit, etc.

### 1.2 Trend of receipts

**1.2.1** The tax and non-tax revenue raised by the GoUP, 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 (GoI) during the year 2020-21, 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	2016-17	2017-18	2018-19	2019-20	2020-21
1	<b>Revenues raised by the State Government</b>					
	• Tax Revenue	85,965.92	97,393.00	1,20,121.86	1,22,825.83	1,19,897.30
	Percentage of growth compared to previous year	5.99	13.29	23.34	2.25	(-) 2.38
	• Non-tax Revenue	28,944.07	19,794.86	30,100.71	81,705.08	11,846.15
	Percentage of growth compared to previous year	25.11	(-) 31.60	52.06	171.44	(-) 85.50
	<b>Total</b>	<b>1,14,909.99</b>	<b>1,17,187.86</b>	<b>1,50,222.57</b>	<b>2,04,530.91</b>	<b>1,31,743.45</b>
2	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	1,09,428.29	1,20,939.14	1,36,766.46	1,17,818.30	1,06,687.01 <sup>1</sup>
	• Grants-in-aid	32,536.87	40,648.45	42,988.48	44,043.97	57,745.87 <sup>2</sup>
	<b>Total</b>	<b>1,41,965.16</b>	<b>1,61,587.59</b>	<b>1,79,754.94</b>	<b>1,61,862.27</b>	<b>1,64,432.88</b>
3	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>2,56,875.15</b>	<b>2,78,775.45</b>	<b>3,29,977.51</b>	<b>3,66,393.18</b>	<b>2,96,176.33</b>
4	<b>Percentage of 1 to 3</b>	<b>45</b>	<b>42</b>	<b>46</b>	<b>56</b>	<b>44</b>

Source: Finance Accounts of the Government of Uttar Pradesh.

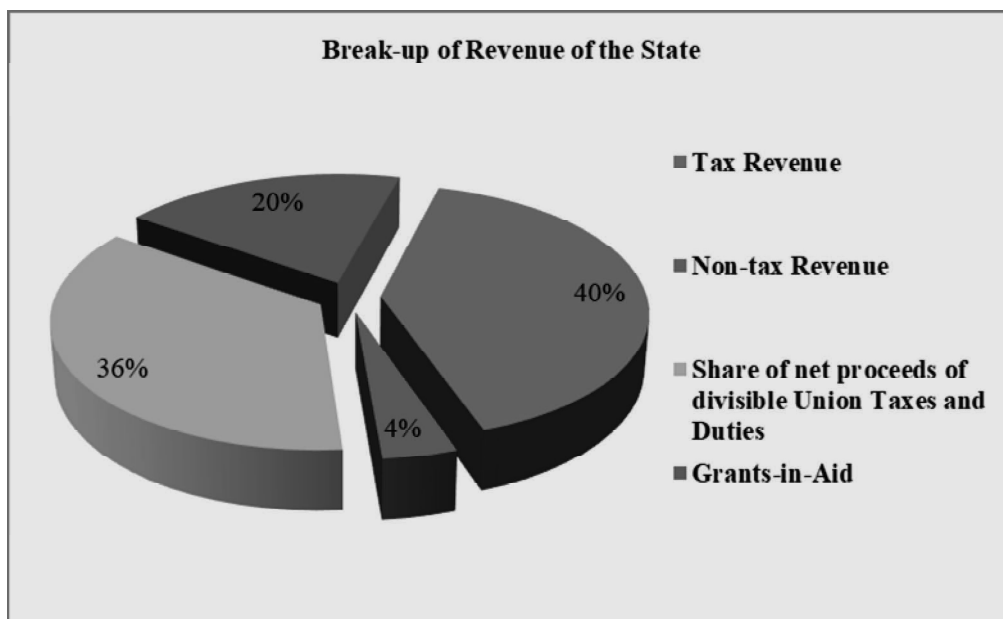
The above table indicates that the average annual growth rate in respect of tax revenue and non-tax revenue were 8.50 per cent and 26.30 per cent respectively during the period 2016-21. Revenue raised by the State Government decreased by 35.59 per cent during the year 2020-21 over the previous year. Covid-19 pandemic adversely affected revenue of the State Government during the year 2020-21.

<sup>1</sup> For details, please see Statement No. 14-Detailed accounts of revenue by the minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2020-21. Figures under the major heads 0005-Central Goods and Services Tax, 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0037-Customs, 0038-Union Excise Duties 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 and duties' in this statement.

<sup>2</sup> Includes compensation of ₹ 9,323.98 crore towards loss of revenue arising out of the implementation of the Goods and Services Tax.

The break-up of revenue receipts of the State for the year 2020-21 in terms of percentage is shown in **Chart-1.1**.

Chart-1.1



1.2.2 Details of tax revenue raised during the period 2016-17 to 2020-21 are given in **Table-1.2**.

Table-1.2  
Details of tax revenue

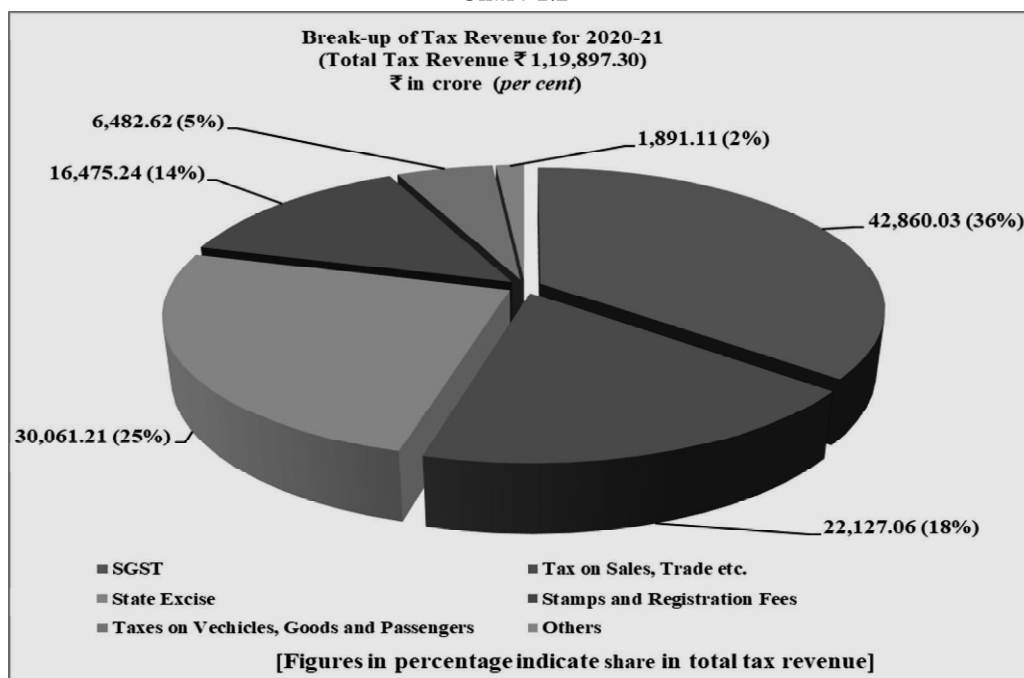
Sl. No.	Head of revenue	₹ in crore)						
		2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) in actuals of 2020-21 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2020-21	Actuals of 2019-20
1	Taxes on Sales, Trade, etc.	57,940.30 51,882.88	36,397.30 31,112.52	22,078.00 23,797.84	24,660.00 20,517.13	28,287.00 22,127.06	(-) 21.78	(+) 7.85
	State Goods and Services Tax (SGST)		28,602.70 25,373.96	49,422.00 46,108.03	52,980.10 47,232.41	63,281.00 42,860.03	(-) 32.27	(-) 9.26
2	State Excise	19,250.00 14,273.49	20,593.23 17,320.27	23,000.00 23,926.66	31,517.41 27,324.76	37,500.00 30,061.21	(-) 19.84	(+) 10.01
3	Stamps and Registration Fees	16,319.60 11,564.02	17,458.34 13,397.57	18,000.00 15,733.03	19,179.07 16,069.80	23,197.00 16,475.24	(-) 28.98	(+) 2.52
4	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	5,123.80 5,148.37	5,481.20 6,403.69	7,400.00 6,930.02	7,863.42 7,714.88	8,650.00 6,482.65	(-) 25.05	(-) 15.97
5	Others <sup>3</sup>	2,622.80 3,097.16	2,969.13 3,784.99	2,800.00 3,626.28	3,976.00 3,966.85	5,106.00 1,891.11	(-) 62.96	(-) 52.33
<b>Total</b>		<b>1,01,256.50</b> <b>85,965.92</b>	<b>1,11,501.90</b> <b>97,393.00</b>	<b>1,22,700.00</b> <b>1,20,121.86</b>	<b>1,40,176.00</b> <b>1,22,825.83</b>	<b>1,66,021.00</b> <b>1,19,897.30</b>	<b>(-) 27.78</b>	<b>(-) 2.38</b>

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

<sup>3</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 break-up of tax revenue for the year 2020-21 is shown in **Chart-1.2**

**Chart-1.2**



The reasons for wide variation in actual receipts during the year 2020-21 over the previous year are discussed below:

- The overall deficit of 2.38 *per cent* in own tax revenue during the year 2020-21 was mainly due to decrease in ‘State Goods and Services Tax (SGST)’ (by ₹ 4,372.38 crore), ‘Taxes on Vehicles, Goods and Passengers’ (by ₹ 1,232.23 crore) and other heads of taxes (by ₹ 2,075.74 crore).
- Taxes on Sales, Trade, etc., increased by ₹ 1,609.93 crore during the year 2020-21 was mainly due to increase in receipts under Central Sales Tax Act (by ₹ 42.71 crore) and Value Added Tax (by ₹ 1,303.56 crore) and less refund under State Sales Tax Act (by ₹ 264.78 crore).
- SGST collection decreased by ₹ 4,372.38 crore during the year 2020-21. The main reason for decrease in SGST collection was decrease in receipts from Input Tax Credit Utilisation of SGST and IGST (by ₹ 4,879.95 crore), receipts awaiting transfer to other minor heads (by ₹ 4,504.63 crore) and increase in receipts under the heads Tax (₹ 1,108.94 crore) advance apportionment from IGST (₹ 3,507.94 crore) and apportionment of IGST (₹ 382.56 crore).
- The growth in ‘State Excise’ was due to more receipts on account of sale of country spirits (₹ 2,226.14 crore), foreign liquors and spirits (₹ 978.64 crore) and other receipts under the head (₹ 188.50 crore) and less receipts from sale of malt liquor (₹ 656.48 crore).
- Receipts under ‘Stamps and Registration Fees’ increased mainly on account of more sale of non-judicial stamps (₹ 714.64 crore) and more receipts from court fees realized in judicial stamps (₹ 106.56 crore) and less sale of judicial stamps (₹ 472.22 crore).
- Receipts under ‘Taxes on Vehicles’ decreased mainly due to net effect of less receipts under State Motor Vehicle Taxation Act (₹ 1,169.87 crore),

Indian Motor Vehicles Act (₹ 312.47 crore) and more receipts under Other Receipts (₹ 250.09 crore).

- The decrease of receipts under 'Taxes and duties on Electricity' (from ₹ 3,452.50 crore in 2019-20 to ₹ 1,586.70 crore in 2020-21) was due to less receipts from taxes on consumption and sale of electricity (₹ 1,796.83 crore) and fees under the Indian Electricity Rule (₹ 82.85 crore).

1.2.3 Details of non-tax revenue raised during the period 2016-17 to 2020-21 are indicated in **Table-1.3**.

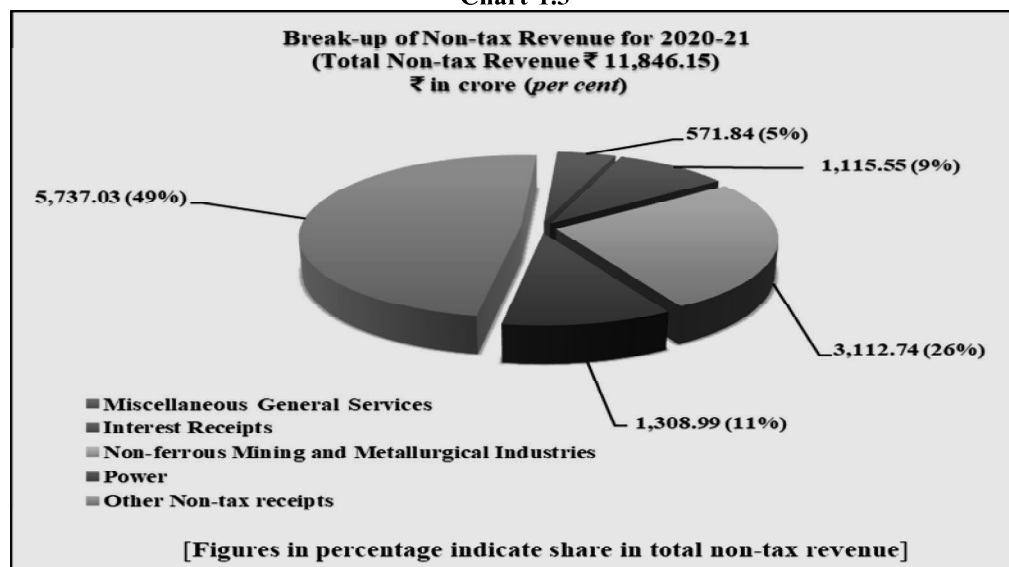
**Table-1.3**  
**Details of non-tax revenue**

(₹ in crore)								
Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) in actuals of 2020-21 in comparison to	
		<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	<u>BE Actual</u>	BE of 2020-21	Actuals of 2019-20
1	Miscellaneous General Services	4,220.61 4,460.40	4,502.00 4,841.11	12,758.33 13,677.57	14,051.00 72,043.54	12,585.00 571.84	(-) 95.46	(-) 99.21
2	Interest Receipts	750.00 1,164.94	800.00 1,093.38	843.60 1,712.44	1,200.00 1,469.44	2,100.00 1,115.55	(-) 46.88	(-) 24.08
3	Non-ferrous Mining and Metallurgical Industries	1,650.00 1,548.39	3,200.00 3,258.88	4,000.00 3,165.44	4,400.00 2,180.93	4,000.00 3,112.74	(-) 22.18	(+) 42.78
4	Power	2,700.00 2,938.85	4,448.34 4,695.85	5,700.00 5,735.40	4,175.00 1,044.14	3,537.00 1,308.99	(-) 62.99	(+) 25.37
5	Other Non-tax receipts <sup>4</sup>	10,959.24 18,831.49	5,486.37 5,905.64	5,519.73 5,809.86	6,806.96 4,967.03	8,956.93 5,737.03	(-) 35.95	(+) 15.50
<b>Total</b>		<b>24,240.85</b> <b>28,944.07</b>	<b>18,436.71</b> <b>19,794.86</b>	<b>28,821.66</b> <b>30,100.71</b>	<b>30,632.96</b> <b>81,705.08</b>	<b>31,178.93</b> <b>11,846.15</b>	<b>(-) 62.00</b>	<b>(-) 85.50</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.

The break-up of non-tax revenue for the year 2020-21 is shown in **Chart-1.3**

**Chart-1.3**



<sup>4</sup> Others includes receipts (less than five *per cent* of non-tax revenue) from the following: Housing, Public Works, Stationery and Printing, Social Security and Welfare, Roads & Bridges, Other Administrative Services, Medium Irrigation, Village and Small Industries, Forestry and Wild Life, Medical and Public Health, Urban Development, etc.

The reasons for wide variation in actual receipts during the year 2020-21 over the previous year are discussed below:

- There was an overall decrease of 85.50 *per cent* in non-tax receipts amounting to ₹ 69,858.93 crore during the year 2020-21 over 2019-20, mainly due to decrease under the head ‘Miscellaneous General Services’ (by ₹ 71,471.70 crore) as no transfer of balance from Sinking Fund was made during 2020-21 with respect to such transfer of ₹ 71,180.23 crore in 2019-20.
- Decrease in ‘Interest Receipts’ during the year 2020-21 as compared to 2019-20 was due to less receipts under Cash Balance Investment Account (by ₹ 346.48 crore<sup>5</sup>) and Interest from Public Sector and other undertakings (by ₹ 24.30 crore)<sup>6</sup>.
- The increase of receipts under ‘Non-ferrous Mining and Metallurgical Industries’ was due to increase in receipts from mineral concession fees, rents and royalties (₹ 900.28 crore).
- Increase under revenue head ‘Power’ by 25.37 *per cent* was due to more receipts (₹ 263.68 crore) for rural electrification.

Further, Audit noticed wide variations between the budget estimates approved by the Finance Department and actual revenues during the year 2020-21 under different heads of revenue (refer Table 1.2 and 1.3) which indicated that the budget estimates were not prepared on a realistic basis.

#### **Recommendation:**

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

### **1.3 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. Audit Reports for the year 31 March 2015 to 31 March 2020 have not been discussed by the PAC. Moreover, no explanatory notes were received (June 2022) for Audit Reports for the years 2015-16, 2016-17, 2017-18 and 2019-20 which were placed before the State Legislative Assembly between March 2016 and December 2021. Details of pending explanatory notes pertaining to the various Departments are given in **Table-1.4**.

<sup>5</sup> ₹ 596.15 crore (2019-20)- ₹ 249.67 crore (2020-21).

<sup>6</sup> ₹ 109.51 crore (2019-20)- ₹ 85.21 crore (2020-21).

**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 2015	06 March 2016	31	00	31
2	31 March 2016	18 May 2017	26	00	26
3	31 March 2017	19 July 2019	15	00	15
4	31 March 2018 (Stand Alone, State Excise)	19 July 2019	08	08	00
5	31 March 2018	24 February 2020	17	00	17
6	31 March 2019	18 August 2021	23	12	11
7	31 March 2020	17 December 2021	18	00	18
<b>Total</b>			<b>138</b>	<b>20</b>	<b>118<sup>7</sup></b>

In the year 2021-22, the PAC discussed 25 paragraphs<sup>8</sup>.

#### **1.4 Response of the Government/Departments towards Audit**

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

Review of IRs issued up to October 2021 revealed that 48,800 paragraphs relating to 13,190 IRs remained outstanding at the end of March 2022. Department-wise details relating to the revenue sector of the State Government are given in **Table-1.5**.

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

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations
1	Commercial Tax	Taxes on Sales, Trade, etc.	6,151	26,749
		Entertainment tax	206	490
2	State Excise	State Excise	1,200	2,140
3	Transport	Taxes on vehicles	1,387	7,525
4	Stamps and Registration	Stamps and registration fees	3,974	10,379
5	Geology and Mining	Non-ferrous mining and metallurgical industries	272	1,517
<b>Total</b>			<b>13190</b>	<b>48800</b>

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 115 IRs issued during 2021-22, Audit received first reply from the heads of offices in

<sup>7</sup> Commercial Tax (29 paragraphs), State Excise (16 paragraphs), Transport (29 paragraphs), Stamps and Registration (11 paragraphs), Geology and Mining (30 paragraphs) and Entertainment Tax (03 paragraph).

<sup>8</sup> Stamps and Registration (13 paragraphs), Commercial Tax (2 paragraphs), Transport (7 paragraphs) and Entertainment Tax (3 paragraphs).

case of four IRs within six months. The first replies had not been received in case of remaining 111 IRs issued during the year 2021-22. 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 this regard. 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 the effectiveness of Audit.

**Recommendation:**

**The State Government needs to introduce a mechanism to ensure that the Departmental officers respond to IRs promptly and take corrective action.**

## 1.5 Results of audit

### Position of local audit conducted during the year

Audit covered five Departments<sup>9</sup> of the State Government and test-checked the records of 115 out of 1,498 auditable units (7.68 per cent) relating to Goods and Services Tax, Stamps and Registration Fees, Mining receipts, State Excise, Taxes on Vehicles, Goods and Passengers during the year 2021-22. In these five Departments, revenue of ₹ 1,21,118.90 crore was collected during the year 2020-21, out of which the 115 audited units collected ₹ 24,563.75 crore. In the 115 audited units, records were test-checked on the basis of turnover/tax payments which revealed underassessment/short levy/loss of revenue aggregating to ₹ 1,683.30 crore in 18,351 cases (out of 22,497 test-checked cases) which were reported to the Departments through IRs.

The concerned Departments accepted (between April 2021 and June 2022) underassessment and other deficiencies of ₹ 61.43 lakh in 39 cases (including those pointed out in earlier years) and reported recovery of ₹ 43.43 lakh in 16 cases.

**Recommendation:**

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

## 1.6 Coverage of this Report

This Report contains Compliance Audits on ‘**Transitional Credits under Goods and Services Tax**’, ‘**Processing of refund claims under Goods and Services Tax**’, ‘**Levy and collection of stamp and additional stamp duty on mortgage deeds**’ and 11 paragraphs from local audits conducted during the year and those of earlier years which could not be included in the previous reports involving financial effect of ₹ 1,551.08 crore.

The Stamp and Registration Department accepted audit observations amounting to ₹ 40.34 crore and Commercial Tax Department accepted audit observation on Transitional Credits under GST amounting to ₹ 37.27 crore and on Processing of refund claims under GST amounting to ₹ 3.26 crore. Replies

<sup>9</sup> Commercial Tax, State Excise, Transport, Stamps & Registration and Geology & Mining.

of other Departments have not been received (June 2022). These are discussed in the succeeding Chapters II to V.

The errors/omissions pointed out are on the basis of a test audit. **The Government/Department may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and if so, to rectify them and put in place a system that would prevent such errors/omissions.**