

CHAPTER I GENERAL

1.1 Trend of revenue receipts

Tax and non tax revenue raised by Government of Andhra Pradesh during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding five years are given below:

(Rupees in crore)							
Sl. No.	Particulars	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
I	Revenue raised by the State Government						
	• Tax revenue	9,008.60	10,551.92	11,550.60	12,617.56	13,805.93	16,254.50 ^a
	• Non tax revenue	2,441.55	2,742.91	2,917.65	3,529.42	3,604.65	3,755.57
	Total	11,450.15	13,294.83	14,468.25	16,146.98	17,410.58	20,010.07
II	Receipts from the Government of India						
	• State's share of divisible Union taxes	3,343.30	3,979.31	4,061.50	4,315.81	5,068.53	6,058.51 ^a
	• Grants in aid	2,011.17	2,201.10	3,315.30	2,540.13	4,389.39	2,680.92
	Total	5,354.47	6,180.41	7,376.80	6,855.94	9,457.92	8,739.43
III	Total receipts of the State (I + II)	16,804.62	19,475.24	21,845.05	23,002.92	26,868.50	28,749.50
IV	Percentage of I to III	68	68	66	70	65	70

^a For details see Statement No. 11- Detailed Accounts of revenue by Minor Heads of the Finance Accounts of the Government of Andhra Pradesh for 2004-05. Figures under Major Heads '0020, 0021, 0028, 0032, 0037, 0038, 0044 & 0045-showing State's share of divisible Union taxes' booked in the Finance Accounts under A-Tax Revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union Taxes in this table

1.1.1 The details of tax revenue raised during the year 2004-05 along with figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of Increase (+)/ Decrease (-) in 2004-05 over 2003-04
1.	Sales Tax	6,321.57	7,094.82	7,741.45	8,395.70	9,988.64	(+) 18.97
	Central Sales Tax	981.63	646.07	580.75	791.23	1,051.96	(+) 32.95
2.	State Excise	1,242.96	1,651.90	1,856.46	1,914.98	2,092.67	(+) 9.28
3.	Stamp Duty and Registration Fee	670.93	804.89	999.65	1,111.75	1,387.91	(+) 24.84
4.	Taxes and Duties on Electricity	106.86	109.69	110.18	138.52	137.58	(-) 0.68
5.	Taxes on Vehicles	833.97	939.18	929.47	1,067.76	1,168.64	(+) 9.45
6.	Taxes on Goods and Passengers	0.41	5.29	20.88	44.55	65.59	(+) 47.23
7.	Other Taxes on Income and Expenditure - Tax on Professions, Trades, Callings and Employments	137.92	145.15	158.30	168.35	180.21	(+) 7.04
8.	Other Taxes and Duties on Commodities and Services	125.91	128.46	128.05	135.58	144.81	(+) 6.81
9.	Land Revenue	116.30	19.72	86.17	34.52	33.59	(-) 2.69
10.	Taxes on immovable property other than agricultural land (NALA)	13.46	5.43	6.20	2.99	2.90	(-) 3.01
	Total	10,551.92	11,550.60	12,617.56	13,805.93	16,254.50	(+) 17.74

Reasons for variations in receipts during the year 2004-05 compared to those of 2003-04 as intimated by the respective Departments are as under:

Stamp Duty and Registration Fee: The increase in revenue was stated to be due to increase in transactions.

Reasons for variation in respect of other heads, wherever found substantial, though called for, have not been received (October 2005).

1.1.2 The details of major non tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

(Rupees in crore)							
Sl. No.	Head of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of Increase (+)/ Decrease (-) in 2004-05 over 2003-04
1.	Interest Receipts	1,465.66	1,538.55	1,717.40	1,818.53	1,710.44	(-) 5.94
2.	Other Non Tax Receipts	388.46	439.42	685.25	545.24	496.65 ^φ	(-) 8.92
3.	Forestry and Wild Life	83.37	46.20	71.10	92.95	121.68	(+) 30.92
4.	Non ferrous Mining and Metallurgical Industries (Mines and Minerals)	583.34	599.12	779.66	771.57	873.53	(+) 13.21
5.	Miscellaneous General Services	57.55	92.06	80.92	153.63	243.34	(+) 58.40
6.	Power	40.82	47.33	35.51	44.90	25.15	(-) 43.99
7.	Major and Medium Irrigation	11.43	10.27	8.47	15.52	56.27	(+) 262.56
8.	Medical and Public Health	24.40	48.53	38.05	29.30	28.88	(-) 1.43
9.	Co-operation	16.40	18.05	28.36	23.07	21.16	(-) 8.28
10.	Public Works	9.13	4.80	6.50	7.11	6.14	(-) 13.64
11.	Police	27.89	45.84	51.48	59.05	50.15	(-) 15.07
12.	Other Administrative Services	34.46	27.48	26.72	43.78	122.18	(+) 179.08
	Total	2,742.91	2,917.65	3,529.42	3,604.65	3,755.57	(+) 4.19

Reasons for variations in receipts during the year 2004-05 compared to those of 2003-04 as intimated by the respective Departments are as under:

Mines and Minerals: The variation was stated to be due to revision of rates of royalty and seigniorage fee and increase in mineral production.

Forestry and Wild Life: The variation was stated to be due to harvesting of the matured teak and other plantations and bamboo during 2004-05.

Reasons for variations in respect of other heads, wherever found substantial, though called for have not been received (October 2005).

^φ Includes dividends and profits also

1.2 Variation between budget estimates and actuals

The variation between budget estimates and actuals of revenue receipts for the year 2004-05 in respect of principal heads of tax and non tax revenue are given below:

(Rupees in crore)					
Sl. No.	Head of Revenue	Revised budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation
1.	Sales Tax	11,242.44	11,040.60	(-) 201.84	(-) 1.80
2.	State Excise	2,477.11	2,092.67	(-) 384.44	(-) 15.52
3.	Stamp Duty and Registration Fee	1,312.01	1,387.91	(+) 75.90	(+) 5.79
4.	Taxes and Duties on Electricity	294.00	137.58	(-) 156.42	(-) 53.20
5.	Land Revenue	126.48	33.59	(-) 92.89	(-) 73.44
6.	Taxes on Vehicles	1,395.80	1,168.64	(-) 227.16	(-) 16.27
7.	Non Ferrous Mining and Metallurgical Industries (Mines and Minerals)	1,004.11	873.53	(-) 130.58	(-) 13.00
8.	Other taxes and duties on commodities and services	174.65	144.81	(-) 29.84	(-) 17.09
9.	Taxes on goods and passengers	50.00	65.59	(+) 15.59	(+) 31.18
10.	Taxes on immovable property other than agricultural land (NALA)	15.00	2.90	(-) 12.10	(-) 80.67
11.	Interest Receipts	1,793.45	1,710.44	(-) 83.01	(-) 4.63

Reasons for variations as reported by the respective Departments are as under:

- ◆ **Land Revenue:** The variation was stated to be due to severe drought in the State.
- ◆ **NALA:** The variation was due to exemption given by Government to industries and impact of SLP in Supreme Court by APSEB, APSRTC and Singareni Collieries Limited.
- ◆ **Mines and Minerals:** The variation was stated to be abnormal increase in budget estimates for 2004-05 by Government.
- ◆ **Taxes on Vehicles:** The variation was stated to be non receipt of taxes to an extent of Rs.220.17 crore from APSRTC.
- ◆ **Stamp Duty and Registration Fee:** Increase in revenue was stated to be due to increase in number of transactions and effective measures taken by Department in post facto inspections and supervision.

1.3 Analysis of collection

Break up of total collection at pre assessment stage and after regular assessment of sales tax, profession tax, entry tax and luxury tax for the year 2004-05 furnished by the Commercial Taxes and Mines and Geology Departments are as follows:

(Rupees in crore)

Head of Revenue	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax	9,666.79	217.95	5.65	11.07	9,879.32	98.0
Profession Tax	140.88	0.74	0	0	141.62	99.0
Entry Tax	45.37	0.01	0	0	45.38	100
Mines and Minerals	873.53	Figures awaited				

- Net collection of sales tax, profession tax and entry tax reported by the Commercial Taxes Department did not tally with the Finance Accounts figure.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05 along with the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2003-04
1.	Sales Tax	2002-03	8,322.20	110.28	1.33	1.15
		2003-04	9,186.93	124.13	1.35	
		2004-05	11,040.60	130.26	1.18	
2.	State Excise	2002-03	1,856.46	98.70	5.32	3.81
		2003-04	1,914.98	113.56	5.93	
		2004-05	2,092.67	106.75	5.10	
3.	Taxes on Vehicles	2002-03	929.47	37.06	3.99	2.57
		2003-04	1,067.76	46.53	4.36	
		2004-05	1,168.64	48.70	4.17	
4	Stamp Duty and Registration Fees	2002-03	999.65	42.85	4.29	3.66
		2003-04	1,111.75	43.30	3.89	
		2004-05	1,387.91	45.55	3.28	

It would be seen from the above that expenditure on collection in Sales Tax, State Excise and Taxes on Vehicles was higher as compared to the all India average.

Reasons for the same though called for have not been received (October 2005).

1.5 Collection of Sales Tax per assessee

(Rupees in lakh)

Year	No. of assesseees	Sales tax revenue	Revenue/assessee
2000-01	3,04,101	7,30,320	2.40
2001-02	3,27,563	7,74,089	2.36
2002-03	3,39,995	8,32,220	2.45
2003-04	3,50,267	9,18,693	2.62
2004-05	4,10,014	11,02,258	2.69

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.5,027.72 crore of which Rs.1,748.60 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)

S1. No	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
1.	Sales Tax	3,212.22	1,205.69	The Department has not furnished details for the pendency of these arrears.
2.	State Excise	61.54	59.03	Out of Rs.61.54 crore, an amount of Rs.7.57 crore was covered by recovery certificates, Rs.8.21 crore under stay by judicial authorities, Rs.10.20 crore likely to be written off, Rs.1.03 crore was proposed for write off, Rs.18.48 crore was under Revenue Recovery process and Rs.16.05 crore was pending recovery.
3.	Forestry and Wild Life	58.78	36.87	Out of Rs.58.78 crore, Rs.49.93 crore was stayed by Court and other judicial authorities, Rs.3.00 crore was under revenue recovery process and balance of Rs.5.74 crore pending due to other reasons.
4.	Land Revenue (Water tax)	269.60	14.63	The Department has not furnished details for the amount.

(Rupees in crore)				
Sl. No	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
5.	Taxes on immovable property other than agricultural land (NALA)	76.38	3.20	The Department has not furnished details for the amount.
6.	Taxes on Vehicles	1,088.02	283.67	Out of Rs.1088.02 crore, an amount of Rs.484.53 crore is due towards tax and an amount of Rs.598.83 is due towards penalty for belated payments from APSRTC Court, other judicial authorities and Government stayed Rs.1.63 crore. Rs.1.85 crore was covered by Revenue Recovery process and an amount of Rs.0.15 crore was under write off proposals and the balance of Rs.1.03 crore was pending due to other reasons.
7.	Stamp Duty and Registration Fee	113.91	29.59	Out of Rs.113.91 crore, Rs. 16.61 crore was covered by stay by Court, other judicial authorities and Government, Rs.7.44 crore covered by recovery certificates and balance of Rs.89.86 crore was pending recovery.
8.	Taxes and Duties on Electricity	10.06	1.90	Out of Rs.10.06 crore, an amount of Rs.5.34 crore was covered under stay by High Court; balance of Rs.4.72 crore was pending recovery.
9.	Receipts made by Sugarcane (Regulation, Supply and Purchase Tax) Act	137.07	113.96	Out of Rs.137.07 crore, Rs.6.58 crore was covered by stay in Courts, Rs.5.59 crore covered by stay by Government and Rs.79.39 crore likely to be written off.
10.	Civil Supplies	0.14	0.06	--
Total		5,027.72	1,748.60	

1.7 Arrears in assessment

The details of cases pending assessment at the beginning of the year 2004-05, cases which became due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2004-05 as furnished by the Commercial Taxes Department in respect of

sales tax, profession tax, entry tax, lease tax, luxury tax and tax on works contracts are as follows:

Name of tax	Opening balance	Cases due for assessment during 2004-05	Total assessments due	Cases disposed of during 2004-05	Balance at the end of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax	72,011	3,35,235	4,07,246	2,85,276	1,21,970	70.05
Profession Tax	4,606	14,892	19,498	15,083	4,415	77.36
Entry Tax	15	18	33	16	17	48.48
Lease Tax	0	0	0	0	0	-
Luxury Tax	64	112	176	96	80	54.55
Tax on Works Contracts	211	236	447	422	25	94.41
Total	76,907	3,50,493	4,27,400	3,00,893	1,26,507	70.40

1.8 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the Department is given below:

(Rupees in lakh)

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2004	Cases detected during 2004-2005	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2005
					No. of cases	Amount of demand	
1	Sales Tax	13,054	27,372	40,426	20,960	9,572.27	19,466

1.9 Write off and waiver of revenue

During the year 2004-05, demands for Rs.16.43 crore in 3,984 cases relating to Sales Tax and State Excise were written off by the Departments as irrecoverable. Reasons for the write off of these demands as reported by the Departments were as follows:

(Rupees in lakh)

Reasons	Sales Tax		State Excise	
	No. of cases	Amount	No. of cases	Amount
Whereabouts of defaulters not known	2,922	1,002.43	14	2.5
Defaulters no longer alive	37	30.43	61	20.90
Defaulters not having any property	20	2.83	351	190.57
Defaulters adjudged insolvent	28	92.71	70	19.46
Other reasons	228	91.54	81	181.57
Records not traceable	96	2.42	74	5.69
Remission or penalty	2	0.24	--	--
Total	3,333	1,222.60	651	420.69

1.10 Refund

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2004-05, as reported by the Departments are given below:

	Civil supplies		Sales Tax		Taxes on vehicles		Sugarcane		Forests		State Excise	
	No. of cases	Amt.	No. of cases	Amt.	No. of cases	Amt.	No. of cases	Amt.	No. of cases	Amt.	No. of cases	Amt.
Claims outstanding at the beginning of the year	0	0	11	9.3	92	9.2	0	0	3	1.1	0	0
Claims received during the year	13	8.2	390	1317.8	76	14.0	52	33.2	4	1.1	360	49.7
Refunds made during the year	13	8.2 ^{&}	393	1321.7	146	19.4	52	26.0	3	1.0	360	49.7
Balance outstanding at the end of the year	0	0	8	5.4	22	3.8	0	7.2	4	1.2	0	0

& In addition, the Department paid Rs. 4.94 lakh towards interest on refunds during 2004-05.

1.11 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamp Duty and Registration Fees, Electricity Duty, other tax receipts, Forest Receipts and other non tax receipts conducted during the year 2004-05 revealed under assessment/short levy/loss of revenue amounting to Rs.869.01 crore in 2,627 cases. During the course of the year, the Departments accepted under assessment of Rs.80.07 crore in 1,707 cases pointed out in 2004-05 and earlier years and recovered Rs.4.49 crore. Final replies have not been received in respect of the remaining cases.

This Report contains 43 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalties etc., involving Rs.265.68 crore. The Departments/Government accepted audit observations involving Rs.40.20 crore of which Rs.0.85 crore had been recovered upto September 2005. Final replies have not been received in other cases (September 2005).

1.12 Failure of senior officials to enforce accountability and protect interest of Government

Accountant General (Commercial and Receipt Audit)(AG), Andhra Pradesh, arranges to conduct periodical inspection of Government Departments concerned with tax revenue to test check transactions and verify maintenance of important records in accordance with prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When

important irregularities etc., detected during inspection are not settled on spot, these IRs are issued to heads of offices inspected, with a copy to next higher authorities. Handbook of instructions for speedy settlement of audit observations/IRs etc., issued by Finance and Planning Department provide for prompt response by the executive to the IRs issued by the AG to ensure remedial action in accordance with rules and procedures. The heads of offices and respective next higher authorities are required to ensure compliance with the observations contained in the IRs and rectify defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of heads of Departments by the office of the AG. An annual report of pending IRs is sent to secretary of the Department to facilitate monitoring of the audit observations therein.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2004 and pending settlement by the Departments as on 30 June 2005 along with corresponding figures for preceding two years is given below:

Particulars	As at the end of		
	June 2003	June 2004	June 2005
Number of IRs pending settlement	8,233	8,487	8,883
Number of outstanding audit observations	20,039	20,606	22,200
Amount of revenue involved (Rupees in crore)	5,245.52	6,838.76	7,072.68

Department wise break up of IRs and audit observations pending as on 30 June 2005 was as follows:

(Rupees in crore)						
Sl. No.	Department	Inspection Reports	Audit observation	Amount involved	Years to which observations relate	No. of IRs to which even first replies have not been received
1.	Commercial Taxes	2,596	8,122	2,942.96	1986-87 to 2004-05	25
2.	Land Revenue	2,818	6,927	442.04	1992-93 to 2004-05	118
3.	Stamp Duty and Registration Fee	968	2,406	174.73	1988-89 to 2004-05	45
4.	State Excise	460	925	80.21	1987-88 to 2004-05	7
5.	Entertainments Tax	624	819	14.33	1985-86 to 2003-04	1
6.	Taxes on Vehicles	254	859	684.93	1987-88 to 2004-05	2
7.	Forest Receipts	418	693	96.63	1989-90 to 2004-05	16
8.	Co-operation	143	312	76.74	1992-93 to 2004-05	7

(Rupees in crore)

Sl. No.	Department	Inspection Reports	Audit observations	Amount involved	Years to which observations relate	No. of IRs to which even first replies have not been received
9.	Mines & Minerals	172	413	1,330.06	1992-93 to 2004-05	0
10.	Civil Supplies	136	276	34.96	1992-93 to 2004-05	8
11.	Agriculture	187	257	0	1992-93 to 2004-05	7
12.	Purchase Tax on Sugarcane	79	135	183.98	1992-93 to 2003-04	0
13.	Electricity Duty	27	42	170.36	1995-96 to 2003-04	0
14.	Municipal Admin. & Urban Development	2	8	83.19	2002-03 and 2003-04	0
15.	Finance and Planning	3	3	427.83	1997-98, 2000-01 and 2001-02	0
16.	Irrigation & Command Area Development	2	2	329.20	1999-2000 and 2000-01	0
17.	Betting Tax	1	1	0.53	2001-02	0
Total		8,883	22,200	7,072.68		236

The above position indicates failure of departmental offices to initiate action in regard to defects, omissions and irregularities pointed out in the IRs of the AG. The Principal Secretaries/Secretaries of Departments who were informed of the position through half yearly reports, also failed to ensure that concerned offices took prompt and timely action.

1.13 Departmental audit committee meetings

During year 2004-05, one departmental audit committee meeting was held in respect of Transport Department. In this meeting, 57 paras involving Rs.0.19 crore were settled as a result of which nine LARs were closed.

1.14 Response of the departments to draft audit paragraphs

According to paragraphs 4.2 and 4.3 of the Hand Book of Instructions for the speedy settlement of draft paragraphs issued by Finance and Planning Department in September 1995, result of verification of facts contained in the draft paragraphs are required to be communicated to the AG within six weeks of the date of their receipt. In exceptional cases, where it is not possible to furnish final reply to the draft paragraph within the above time limit, an interim reply should be given to the A.G.

94 draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2005 (Revenue Receipts) were forwarded to the secretaries of the respective Departments between March 2005 and July 2005 through demi official letters. The administrative secretaries did not send replies to 66 draft paragraphs as indicated below.

Name of the Department	No. of draft paragraphs to which replies from Secretaries not received
Revenue	59
Transport, Roads and Buildings	5
Irrigation & Command Area Development	2
Total	66

1.15 Follow up on Audit Reports-summarised position

As per the instructions issued by Finance and Planning Department in November 1993, administrative Departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

It was, however, noticed that though the Audit Reports for the years, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03 and 2003-04 were presented to the State Legislature on 22 March 2000, 31 March 2001, 30 March 2002, 31 March 2003, 29 July 2004 and 7 October 2005 respectively, the Departments listed below had not submitted explanatory notes, as of September 2005.

Name of the Department	1998-99	1999-2000	2000-01	2001-02	2002-03	Total
Commercial Taxes	--	--	--	--	18	18
State Excise	--	--	--	3	3	6
Transport, Roads and Buildings	9	--	--	3	3	15
Stamp duty and Registration fee	--	--	--	4	6	10
Agriculture and Cooperation	--	-	2	--	--	2
Irrigation and Command Area Development	--	-	3	--	--	3
Food, Civil Supplies	--	--	1	1	--	2
Land Revenue	--	--	--	7	6	13
Industries & Commerce	--	--	--	--	2	2
Energy	--	--	--	1	--	1

Name of the Department	1998-99	1999-2000	2000-01	2001-02	2002-03	Total
Municipal Administration and Urban Development	--	--	--	--	1	1
Finance	--	--	--	1	--	1
Total	9	-	6	20	39	74