

CHAPTER – I : GENERAL

1.1 Trend of Revenue Receipts

The tax and non tax revenue raised by the Government of Assam 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 four years are given below:

(Rupees in crore)

		2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
I.	Revenue raised by the State Government					
(a)	Tax Revenue	1,409.69	1,556.95	1,934.51	2,070.32	2,713.32
(b)	Non tax Revenue	526.77	533.20	692.97	945.80	1,070.03
	Total	1,936.46	2,090.15	2,627.48	3,016.12	3,783.35
II.	Receipts from the Government of India					
(a)	State's share of divisible Union Taxes	1,682.93	1,705.91	1,814.36	2,162.07	2,584.33 ¹
(b)	Grants in aid	2,018.25	2,168.80	2,351.50	2,586.91	3,569.59
	Total	3,701.18	3,874.71	4,165.86	4,748.98	6,153.92
III.	Total receipts of the State	5,637.64	5,964.86	6,793.34	7,765.10	9,937.27
IV.	Percentage of I to III	34	35	39	39	38

¹ Note : For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2004-2005. Figures under the "share of net proceeds assigned to States" under the Major Heads – "0020-Corporation Tax", "0021-Taxes on Income and Expenditure", "0028-Other Taxes on Income and Expenditure", "0032-Taxes on Wealth", "0037-Customs", "0038-Union Excise Duties", "0044-Service Taxes" and "0045-Other Taxes and Duties on Commodities and Services" booked in the Finance Accounts under 'A-Tax Revenue' have been excluded from Revenue raised by the State Government and included in "States' share of divisible Union Taxes" in the above table.

1.1.1 The details of tax revenue raised during the year 2004-2005 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 (+) or decrease (-) in 2004-2005 over 2003-2004
1.	Sales Tax	917.90	1,072.76	1,440.90	1,551.06	2,098.58	(+) 35
2.	State Excise	137.56	150.91	121.67	129.29	144.06	(+) 11
3.	Stamps and Registration Fees	38.63	41.97	50.00	62.02	72.31	(+) 17
4.	Taxes and Duties on Electricity	13.22	2.89	12.82	2.73	61.84	(+) 2165
5.	Taxes on Vehicles	73.77	93.59	116.28	124.00	134.72	(+) 9
6.	Taxes on Goods and Passengers	10.23	9.71	13.30	16.99	15.88	(-) 7
7.	Other Taxes on Income and Expenditure – Tax on Professions, Trades, Callings and Employments	66.46	73.25	81.19	86.75	94.74	(+) 9
8.	Other Taxes and Duties on Commodities and Services	44.02	32.92	33.58	32.18	27.66	(-) 14
9.	Land Revenue	67.20	63.26	62.12	62.12	58.30	(-) 6
10.	Taxes on Agricultural Income	40.70	15.26	2.53	3.18	5.22	(+) 64
11.	Hotel Receipt Tax	Nil	0.02	Nil	Nil	Nil	Nil
12.	Taxes on Immovable Properties other than Agriculture Land	Nil	0.41	0.12	Nil	0.01	Nil
	Total:	1,409.69	1,556.95	1,934.51	2,070.32	2,713.32	(+) 31

Reasons for variation in receipts under the following heads of revenue during 2004-2005 compared to 2003-2004 as intimated by the departments are given below:

- (a) **Taxes and Duties on Electricity :** Increase (2165 *per cent*) was due to realisation of outstanding duties from the Assam State Electricity Board (ASEB).
- (b) **Other Taxes and Duties on Commodities and Services :** Decrease (18 *per cent*) was due to shortfall in collection of tax on account of reduction in number of cinema viewers in cinema halls.
- (c) **State Excise :** Increase (11 *per cent*) was due to strengthening of checking against illicit liquor, realisation of fines etc.
- (d) **Sales Tax :** Increase (35 *per cent*) was due to payment of a bigger amount of arrear dues and for taking additional measures.

- (e) **Land Revenue :** Decrease (7 per cent) was due to non payment of dues by some tea gardens for their financial hardship.

Reasons for variations relating to other heads of revenue though called for have not been received (December 2005).

1.1.2 The details of the non tax revenue raised during the year 2004-2005 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 (+) or decrease (-) in 2004-2005 over 2003-2004
1.	Petroleum	368.04	454.58	572.83	721.03	885.87	(+) 23
2.	Interest Receipts	4.27	3.09	3.07	5.89	10.06	(+) 71
3.	Dairy Development	0.06	0.06	0.22	0.11	0.11	Nil
4.	Forestry and Wild Life	14.77	15.25	23.44	36.76	25.68	(-) 30
5.	Non-ferrous Mining and Metallurgical Industries	0.60	0.44	0.98	0.28	0.76	(+) 171
6.	Major and Medium Irrigation Project	0.15	0.18	0.28	0.25	0.26	(+) 4
7.	Medical and Public Health	4.65	7.21	5.82	4.16	4.77	(+) 15
8.	Co-operation	0.14	0.19	0.24	0.29	0.25	(-) 14
9.	Public Works	3.50	1.57	3.15	5.86	4.62	(-) 21
10.	Police	10.12	7.30	9.32	11.95	11.65	(-) 3
11.	Other Administrative Services	20.54	6.88	9.41	9.90	45.05	(+) 355
12.	Coal and Lignite	30.63	9.54	8.36	47.65	12.79	(-) 73
13.	Roads and Bridges	27.72	3.29	17.63	28.53	20.10	(-) 30
14.	Others	34.24	23.69	38.09	73.12	48.06	(-) 34
	Total:	526.77	533.20	692.97	945.80	1,070.03	(+) 13

Reasons for variations under the following heads of revenue during 2004-2005 compared to 2003-2004 as intimated by the departments are given below:

Petroleum: Increase (23 per cent) was due to realisation of royalty at higher rates in respect of crude oil.

Non ferrous Mining and Metallurgical Industries: Increase (171 per cent) was due to more production and despatch of gas/limestone.

Coal and Lignite: Shortfall (73 per cent) was due to decrease in production and despatch of coal.

Land Revenue : Decrease (17 per cent) was due to failure of the tea gardens for payment of dues due to financial hardship.

Reasons for variations relating to other heads of revenue though called for, have not been received (December 2005).

1.2 Variations between budget estimate and actuals

The Budget estimates and actuals for 2004-2005 and variation thereagainst under various heads of revenue are detailed below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget Estimate	Actuals	Variations Increase(+) Decrease(-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
Tax Revenue					
1.	Sales Tax	2,077.91	2,098.58	(+) 20.67	(+) 1
2.	Land Revenue	70.19	58.30	(-) 11.89	(-) 17
3.	Taxes on Agriculture Income	7.00	5.22	(-) 1.78	(-) 25
4.	Taxes on Vehicles	140.11	134.72	(-) 5.39	(-) 4
5.	State Excise	150.07	144.06	(-) 6.01	(-) 4
6.	Other Taxes on Income & Expenditure	101.00	94.74	(-) 6.26	(-) 6
7.	Stamps & Registration Fees	70.08	72.31	(+) 2.23	(+) 3
8.	Taxes on Goods & Passengers	19.20	15.88	(-) 3.32	(-) 17
9.	Other Taxes and Duties on Commodities and Services	55.98	27.66	(-) 28.32	(-) 51
10.	Taxes and Duties on Electricity	62.08	61.84	(-) 0.24	(-) 0.4
Non Tax Revenue					
1.	Petroleum	980.00	885.87	(-) 94.13	(-) 10
2.	Forestry & Wildlife	38.97	25.68	(-) 13.29	(-) 34
3.	Police	12.67	11.65	(-) 1.02	(-) 8
4.	Other Administrative Service	40.40	45.05	(+) 4.65	(+) 12
5.	Coal and Lignite	27.20	12.79	(-) 14.41	(-) 53
6.	Village and Small Industries	1.08	1.22	(+) 0.14	(+) 13
7.	Roads & Bridges	30.24	20.10	(-) 10.14	(-) 34
8.	Interest Receipts	2,202.25	10.06	(-) 2192.19	(-) 100
9.	Dairy Development	0.11	0.11	Nil	Nil
10.	Non ferrous Mining & Metallurgical Industries	0.30	0.76	(+) 0.46	(+) 153
11.	Major and Medium Irrigation	0.28	0.26	(-) 0.02	(-) 7
12.	Medical & Public Health	4.41	4.77	(+) 0.36	(+) 8
13.	Co-operation	0.31	0.25	(-) 0.06	(-) 19
14.	Public Works	6.21	4.62	(-) 1.59	(-) 26
15.	Education	40.28	5.35	(-) 34.93	(-) 87

Reasons for variations between budget estimates and the actuals under the following heads of revenue as reported by the departments are given below:

(a) **Non ferrous Mining & Metallurgical Industries:** Increase (153 per cent) occurred due to increased production of gas/limestone and realisation of more fees/royalties.

(b) **Taxes and Duties on Commodities and Services:** Shortfall (51 per cent) was due to shortfall in collection of tax on account of reduction in number of cinema viewers in cinema halls.

(c) **Coal and Lignite:** Shortfall (53 per cent) was due to decrease in production and despatch of coal.

Reasons for substantial variation in respect of remaining heads of revenue have not been received (December 2005).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2002-2003, 2003-2004 and 2004-2005 along with the relevant all India average percentage of expenditure as available are given below:

(Rupees in crore)						
Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
1.	Sales Tax	2002-2003	1,440.90	13.22	0.92	
		2003-2004	1,551.06	16.14	1.04	1.15
		2004-2005	2,098.58	14.70	0.70	
2.	Taxes on Vehicles	2002-2003	116.28	5.21	4.48	
		2003-2004	124.00	5.89	4.75	2.57
		2004-2005	134.72	6.33	4.70	

It would be seen from the percentage of expenditure on collection to gross collection were higher than the all India average in respect of taxes on vehicles.

1.4 Collection of sales tax per assessee

The collection of sales tax per assessee during 2002-2003 and 2003-2004 increased by 50 per cent compared to collection per assessee during 2000-2001 to 2001-2002 as shown below:

(Rupees in crore)			
Year	No. of assessees	Sales tax revenue	Revenue/assessee
2000-2001	40,231	917.90	0.02
2001-2002	46,971	1,072.76	0.02
2002-2003	49,979	1,440.90	0.03
2003-2004	53,997	1,551.06	0.03
2004-2005	55,257	2,098.58	0.04

1.5 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.725.33 crore of which Rs.174.96 crore was outstanding for more than five years as detailed in the following table:

(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
1	Sales Tax, Cess on specified land, other taxes on Income & Expenditure, professions etc, taxes on Agricultural Income, Other Taxes and Duties on Commodities & services	670.85	165.39	Out of total arrears of Rs.670.85 crore Rs.609.22 crore relates to Sales Tax, Rs.23 crore relates to cess on Specified Land, Rs.1.96 crore relates to Income & Expenditure, Professions etc, Rs.33.27 crore relates to taxes on Agricultural Income and Rs.3.40 crore relates to other Taxes and Duties on Commodities and Services.
2	Forestry and Wildlife	4.22	2.46	The arrears of revenue relate to non-payment of kist money; and non payment of outstanding dues by the defaulters.
3	Royalty on Coal, Lignite and Limestone	3.11	0.53	The arrears relate to non payment of royalty on coal and limestone by the Assam Mineral Development Corporation Limited.
4	Interest Receipts	9.27	Nil	The arrears could not be paid due to negative revenue return of the ASSEB.
5	Land revenue	37.88	6.58	The arrears relates to non payment of revenue by the Tea garden landholders and others. Besides, flood, poor agricultural output etc are also the reason for arrears.
Total:		725.33	174.96	

1.6 Arrear in assessments

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2004-2005 are shown below:

Head of revenue	Opening balance	New cases for assessment	Total assessment due	Cases disposed of	Balance at the end of the year	Percentage of Col. 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax & other Taxes	45,730	47,733	93,463	56,061	37,402	60
Assam Professional & Employment Tax	48,368	31,929	80,297	38,677	41,620	48
Agricultural Income Tax	1,161	1,040	2,201	894	1,307	41
Total:	95,259	80,702	1,75,961	95,632	80,329	54

It would be seen from the above that the Department was able to complete only 54 per cent of the total cases (Agricultural Income Tax, Assam Professional etc. Tax, Sales Tax & other Taxes) due for collection. The delay in finalisation of assessments resulted in delay in realisation of revenue involved in these cases.

1.7 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, state excise, forest receipts, other tax and non tax receipts conducted during the year 2004-2005 revealed underassessment/short levy/short demand/loss of revenue amounting to Rs.119.89 crore in 938 cases. The concerned Departments accepted under assessment, short levy etc., of Rs.2.66 crore pointed out in 2004-2005 and earlier years and recovered Rs.0.17 crore.

This report contains 27 paragraphs including one review relating to non levy/short levy of taxes, duties, interest and penalty etc. involving Rs.71.89 crore. The Department accepted the audit observation involving Rs.4.93 crore. No reply has been received in the remaining cases (December 2005).

1.8 Outstanding audit inspection reports and audit observations

Principal Accountant General (Audit) arranges to conduct periodical inspection of the State Government departments to test check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up by Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, IRs are issued to the heads of offices inspected with a copy to the next higher authorities. The orders of the State Government (March 1986) provide for prompt corrective action. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Principal Accountant General (Audit). A half yearly report of pending inspection reports is sent to the Secretaries of the departments in respect of pending IRs to facilitate monitoring of the audit observations.

Inspection Reports issued upto December 2004 disclosed that 4,384 paragraphs relating to 1,412 IRs remained outstanding at the end of June 2005 as detailed in Appendix-I. The initial replies, which were required to be received from the head of offices within six weeks from the date of issue were not received for 702 IRs issued between April 1994 and June 2005. As a result, serious irregularities commented upon in 2,179 paragraphs involving Rs.334.04 crore had not been settled as of June 2005.

A review of the IRs which were pending due to non receipt of replies revealed that the heads of offices/departments failed to discharge due responsibility as they did not send any reply to a large number of IRs/Paragraphs, indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out. The Commissioners and Secretaries of the concerned departments, who were informed of the position through half yearly reports, also failed to ensure that concerned officers of the Department take prompt and timely action.

1.9 Departmental Audit Committee Meetings

As per instructions (May 1994) of the Finance Department, all the departments are required to constitute Audit objection Committee (AOC) for expeditious disposal of audit observations contained in the IRs. These Committees are chaired by designated officer of the concerned administrative department and attended among others by the concerned officers of the State Government and the office of the Principal Accountant General (Audit), Assam.

In order to expedite clearance of the outstanding audit observations, it is necessary that the Audit Committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2004-2005 two (Transport and Excise) out of the eight Government departments were instructed in July 2004 by the Finance Department to take immediate steps for holding AOC meeting. But the departments did not convene the meetings. This indicates that the departments did not make effective use of the machinery created for expeditious settlement of outstanding audit observations.

1.10 Response of the Departments to Draft Audit paragraphs

As per instruction issued (March 1986) by the Finance Department, all the departments are required to furnish replies to the audit objections within two months. The audit office forwards draft paragraphs prepared on the basis of audit objections to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings with the request to send their response within six weeks. The fact of non receipt of replies from the Government is indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2005 were forwarded to the Secretaries of the departments in February-May 2005 through demi official letters with the request to furnish their replies/comments within six weeks. Out of 37 draft paragraphs/reviews (clubbed into 27 paragraphs/reviews) incorporated in this Report, replies of the departmental officers in respect of 10 draft paragraphs had been received (December 2005). Replies from the Government had not been received in any of the cases (December 2005).

1.11 Follow up on Audit Reports – Summarised position

As per instruction issued (May 1994) by the Finance Department, all the departments are required to furnish explanatory notes indicating action taken or proposed to be taken and submit this Action Taken Note (ATN) to the Assembly Secretariat with a copy to the Accountant General (Audit), Assam, in respect of paragraphs and reviews included in the Audit Reports within 20 days from the date of receipt of the Audit Report.

The Audit Report (Revenue Receipts) for the year ended 2003 was laid on the table of legislature on 12 July 2004 and the time limit for furnishing the ATNs had lapsed. The Departments did not furnish ATNs within 20 days in respect of 33 paragraphs including one review included in the Audit Report.

The matter was brought to the notice of the Government in October 2004 with a reminder issued on December 2004, April 2005 and May 2005 but no ATNs have been received from any Department.

This indicated that there was laxity in ensuring accountability of the executive.