

## CHAPTER - I

### GENERAL

#### 1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Assam during the year 2002-03, 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)

		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003*
<b>I.</b>	<b>Revenue raised by the State Government</b>					
(a)	Tax Revenue	982.56	1,224.76	1,409.69	1,556.95	1,934.51
(b)	Non-tax Revenue	451.97	444.92	526.77	533.20	692.97
	<b>Total</b>	<b>1,434.53</b>	<b>1,669.68</b>	<b>1,936.46</b>	<b>2,090.15</b>	<b>2,627.48</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
(a)	State's share of divisible Union Taxes	1,349.33	1,448.78	1,682.93	1,705.91	1,814.36
(b)	Grants-in-aid	1,722.68	1,722.48	2,018.25	2,168.80	2,351.50
	<b>Total</b>	<b>3,072.01</b>	<b>3,171.26</b>	<b>3,701.18</b>	<b>3,874.71</b>	<b>4,165.86</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>4,506.54</b>	<b>4,840.94</b>	<b>5,637.64</b>	<b>5,964.86</b>	<b>6,793.34</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>39</b>

**1.1.1** The details of tax revenue raised during the year 2002-2003 along with the figures for the preceding four years are given below :

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\* Note : For details, please see statement No.10. Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2002-2003. 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.

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(Rupees in crore)

Sl. No.	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of Increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Sales Tax	550.40	742.32	917.90	1,072.76	1,440.90	(+) 40
2.	State Excise	100.46	117.74	137.56	150.91	121.67	(-) 19
3.	Stamps and Registration Fees	29.66	34.96	38.63	41.97	50.00	(+) 19
4.	Taxes and Duties on Electricity	1.69	11.80	13.22	2.89	12.82	(+) 344
5.	Taxes on Vehicles	40.83	68.69	73.77	93.59	116.28	(+) 24
6.	Taxes on Goods and Passengers	20.27	21.11	10.23	9.71	13.30	(+) 37
7.	Other Taxes on Income and Expenditure – Tax on Professions, Trades, Callings and Employments	46.74	58.62	66.46	73.25	81.19	(+) 11
8.	Other Taxes and Duties on Commodities and Services	23.30	25.62	44.02	32.92	33.58	(+) 2
9.	Land Revenue	65.95	69.08	67.20	63.26	62.12	(-) 2
10.	Taxes on Agricultural Income	103.26	74.82	40.70	15.26	2.53	(-) 83
11.	Hotel Receipt Tax	Nil	Nil	Nil	0.02	Nil	Nil
12.	Taxes on Immovable Properties other than Agriculture Land	Nil	Nil	Nil	0.41	0.12	(-) 71
	<b>Total:</b>	<b>982.56</b>	<b>1,224.76</b>	<b>1,409.69</b>	<b>1,556.95</b>	<b>1,934.51</b>	<b>(+) 24</b>

Reasons for shortfall in receipts under the following Heads of Revenue during 2002-2003 compared to 2001-2002 as intimated by the Departments are given below:

- (a) **State Excise** : Decrease was due to collection of sales tax portion separately by the Taxation Department.
- (b) **Taxes on Agricultural Income** : Decrease was mainly due to fall in tea price in the international market.
- (c) **Taxes on Immovable Properties other than Agricultural Land** : Decrease was due to non-payment of dues by the tea gardens.

Reasons for variations relating to other heads of revenue though called for have not been received (September 2003).

**1.1.2** The details of the non-tax revenue raised during the year 2002-03 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of Increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Petroleum	302.36	319.73	368.04	454.58	572.83	(+) 26
2.	Interest Receipts	2.18	2.47	4.27	3.09	3.07	(-) 0.65
3.	Dairy Development	0.04	0.03	0.06	0.06	0.22	(+) 267
4.	Forestry and Wild Life	9.59	14.73	14.77	15.25	23.44	(+) 54
5.	Non-ferrous Mining and Metallurgical Industries	0.43	0.55	0.60	0.44	0.98	(+) 123
6.	Miscellaneous General Services (including lottery receipts)	3.59	10.21	7.34	(-) 0.07*	0.13	(+) 86
7.	Major and Medium Irrigation Project	0.12	0.16	0.15	0.18	0.28	(+) 56
8.	Medical and Public Health	3.54	4.56	4.65	7.21	5.82	(-) 19
9.	Co-operation	0.11	0.14	0.14	0.19	0.24	(+) 26
10.	Public Works	5.08	5.76	3.50	1.57	3.15	(+) 101
11.	Police	4.60	7.06	10.12	7.30	9.32	(+) 28
12.	Other Administrative Services	44.13	28.06	20.54	6.88	9.41	(+) 37
13.	Coal and Lignite	4.36	27.11	30.63	9.54	8.36	(-) 12
14.	Roads and Bridges	16.80	7.85	27.72	3.29	17.63	(+) 636
15.	Others	55.04	16.50	34.24	23.69	38.09	(+) 60.78
	<b>Total:</b>	<b>451.97</b>	<b>444.92</b>	<b>526.77</b>	<b>533.20</b>	<b>692.97</b>	<b>(+) 30</b>

The reasons for variations, though called for, have not been received (September 2003).

\* Due to refund in excess of receipt during the year

## **1.2 Initiatives for Mobilisation of Additional Resources**

**1.2.1** With a view to strengthening the financial situation of the State, a Memorandum of Understanding was signed (13 January 2000) between Government of India and the State Government under which following fiscal reforms measures were to be adopted by the State Government :

- (a) Tax-Reforms for mobilising additional resources;
- (b) Rationalisation of user charges through reforms in non-tax revenue.

The State Government accordingly constituted Committee on Fiscal Reforms (COFR) in August 2001 to (i) study the fiscal scenario of the state and structural imbalances affecting the states' finances and (ii) recommend policy measures to increase revenue, control and restructuring of expenditure. The committee submitted a report in 7 December 2001 which was accepted in principle by the State Government.

As per recommendation of COFR, the following reform measures were to be adopted by the State Government :

- Widening of the tax base and the plugging of leakages;
- Introduction of new taxes;
- Review of the existing rate of taxation; and
- Review of user charges and non-tax revenues.

### **1.2.2 Reforms in Non-tax Revenue**

#### **Rationalisation of user charges.**

- (a) Irrigation Department enhanced the rate of user charges namely Irrigation Services Charges by 100 per cent in respect of various crops in April 2000. As per information furnished (September 2003), as against targeted collection of Rs.4.34 crore and Rs.2.80 crore for the years 2001-2002 and 2002-2003 respectively, the actual collection during the years were Rs.0.24 lakh and Rs.1.77 lakh respectively leading to shortfall in collection to the tune of Rs. 4.34 crore and Rs.2.78 crore i.e 99.94 and 99.37 per cent during 2001-2002 and 2002-2003 respectively. As stated by the Department, the reason for shortfalls was reluctance of the farmers to pay Irrigation Service Charges.

- (b) Industries and Commerce Department revised user charges in respect of rent of various industrial sheds with effect from 1 January 2000. As per information furnished (September 2003), the Department realised Rs.1.27 crore over the years as of September 2003. In the absence of yearwise details of targets and actuals, impact of enhancement of rates remained unassessed. Even the Department did not analyse the impact of revision of rates.

### 1.3 Variations between budget estimate and actuals

The Budget estimates and actual for 2002-2003 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
<b>Tax Revenue</b>					
1.	Sales Tax	1,224.30	1,440.90	(+) 216.60	(+) 18
2.	Land Revenue	82.80	62.12	(-) 20.68	(-) 25
3.	Taxes on Agriculture Income	46.00	2.53	(-) 43.47	(-) 95
4.	Taxes on Vehicles	95.30	116.28	(+) 20.98	(+) 22
5.	State Excise	163.83	121.67	(-) 42.16	(-) 26
6.	Other Taxes on Income & Expenditure	80.25	81.19	(+) 0.94	(+) 1
7.	Stamps & Registration Fees	48.59	50.00	(+) 1.41	(+) 3
8.	Taxes on Goods & Passengers	13.35	13.30	(-) 0.05	(-) 0.37
9.	Other Taxes and Duties on Commodities and Services	41.18	33.58	(-) 7.60	(-) 18
10.	Taxes and Duties on Electricity	15.74	12.82	(-) 2.92	(-) 19
<b>Non-Tax Revenue</b>					
1.	Petroleum	500.00	572.83	(+) 72.83	(+) 15
2.	Forestry & Wildlife	18.61	23.44	(+) 4.83	(+) 26
3.	Police	12.76	9.32	(-) 3.44	(-) 27
4.	Other Administrative Service	25.90	9.41	(-) 16.49	(-) 64
5.	Coal and Lignite	32.00	8.36	(-) 23.64	(-) 73
6.	Village and Small Industries	1.38	1.06	(-) 0.32	(-) 23
7.	Roads & Bridges	10.19	17.63	(+) 7.44	(+) 73
8.	Interest Receipts	5.38	3.07	(-) 2.31	(-) 43
9.	Dairy Development	0.07	0.22	(+) 0.15	(+) 214
10.	Non-ferrous Mining & Metallurgical Industries	0.76	0.98	(+) 0.22	(+) 29
11.	Misc. General Services	9.25	0.13	(-) 9.12	(-) 99
12.	Major and Minor Irrigation	0.19	0.28	(+) 0.09	(+) 47
13.	Medical & Public Health	5.87	5.82	(-) 0.05	(-) 1
14.	Co-operation	0.18	0.24	(+) 0.06	(+) 33
15.	Public Works	4.42	3.15	(-) 1.27	(-) 29

Reasons for variations between budget estimates and the actuals under the following Heads of Revenue as reported by the Departments are given below:

- (a) **Taxes on Agricultural Income** : Shortfall (95 per cent) was due to slump in price of Indian Tea in the International market.
- (b) **State Excise** : Shortfall (26 per cent) was mainly due to collection of sales tax portion separately by the Taxation Department.

Specific reasons for substantial variation in respect of remaining heads of revenue have not been received (August 2003).

#### **1.4 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 2000-2001, 2001-2002 and 2002-2003 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	2000-2001	917.90	13.02	1.42	
		2001-2002	1,072.76	13.61	1.27	1.26
		2002-2003	1,440.90	13.22	0.92	
2.	Taxes on Vehicles	2000-2001	73.77	5.20	7.05	
		2001-2002	93.59	4.91	5.25	2.99
		2002-2003	116.28	5.21	4.48	
3.	State Excise	2000-2001	137.56	6.49	4.72	
		2001-2002	150.91	7.32	4.85	3.21
		2002-2003	121.67	7.18	5.90	
4.	Stamps & Registration fees	2000-2001	38.33	6.82	17.65	
		2001-2002	41.97	5.83	13.89	3.51
		2002-2003	50.00	6.49	12.98	

It would be seen from the above table that the percentage of expenditure on collection to gross collection were higher than the All-India average in respect of Taxes on Vehicles, State Excise and Stamps & Registration fees.

### 1.5 Collection of sales tax per assessee

The collection of Sales tax per assessee during 2002-2003 increased by 50 per cent compared to collection per assessee during 1999-2000 to 2001-2002 as shown below:

**(Rupees in crore)**

Year	No. of assesses	Sales tax revenue	Revenue/assessee
1998-1999	36,853	550.40	0.01
1999-2000	39,300	742.32	0.02
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

### 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs.2,757.15 crore of which Rs.1,767.19 crore were outstanding for more than 5 years as detailed in the following table:

**(Rupees in crore)**

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
(1)	(2)	(3)	(4)	(5)
1	Sales Tax, cess on specified land, Coal and Tea, Taxes and Duties on Electricity, other taxes on Income and expenditure, Professions etc, Tax, other Taxes and Duties on Commodities and services – Entertainment Tax, Luxury Tax, Taxes on Agricultural Income.	614.67	160.28	The arrears of revenue relate to 36 units. Out of total arrears of Rs.614.67 crore, demand of Rs.70.52 crore was stayed by the Courts/Assam Board of Revenue, Rs.64.06 crore was with the Departmental Appellate Authority, Rs.18.04 crore with Revisional Authority, Rs.115.91 crore with the Assessing Authority and Rs.346.14 crore were covered by recovery certificates.
2	Forestry and Wildlife	3.41	2.39	The arrears relate to 12 units out of total 27 territorial divisions
3	Royalty on Coal, Lignite and Limestone	5.20	0.21	The arrears relate to Assam Mineral Development Corporation Limited and the Cement Corporation of India Limited on States' share (40 per cent) of royalty on coal and limestone. Out of the total arrears of Rs.5.20 crore, Rs.3.90 crore were covered by recovery certificates.

(1)	(2)	(3)	(4)	(5)
4	State Excise	0.05	0.05	The arrears relate to Assam Ayurvedic Products, a state government enterprise. As ordered by the Government, the amount was to be paid in instalment. But payment has not been made so far (November 2003)
5	Interest receipts - Assam State Electricity Board	2,133.24	1,604.20	Non payment of interest liability was attributed to paucity of funds.
6	Major Irrigation	0.23	0.06	The arrears relate to three divisions(Kaliabor and Integrated Kollong Division, Nagaon, Dibrugarh Division and Sibsagar Division) test checked. As against water rates of Rs.22.71 lakh realisable upto March 2001 for providing water to 12,406.36 hectares of land during 1994-95 to 2000-01, Rs.0.02 lakh was only realised leaving Rs.22.69 lakh yet to be realised (November 2003). Of this, Rs.6.28 lakh pertain to the period 1994-95 to 1997-98.
7	Land Revenue	0.35	NA	Test check of the records of the Deputy Commissioner , Dibrugarh revealed that 47 Tea Estates did not pay land revenue to the tune of Rs.35.11 lakh for the period April 1990 – June 2002 as of August 2003 despite demand notices issued between June 2001 and September 2002.
<b>Total:</b>		<b>2,757.15</b>	<b>1,767.19</b>	

### 1.7 Arrears in assessments

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2002-2003 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	39,443	44,064	83,507	40,100	43,407	48.00
Assam Professional & Employment Tax	41,743	36,093	77,836	30,088	47,748	38.65
Agricultural Income Tax	775	1,054	1,829	904	925	49.43
<b>Total</b>	<b>81,961</b>	<b>81,211</b>	<b>1,63,172</b>	<b>71,092</b>	<b>92,080</b>	



Out of total 92,080 cases under various heads of revenue pending for disposal as at the end of 31 March 2003, 8,048 cases were pending for the period prior to April 1999. Reasons for non-disposal of the cases even after lapse of four years was, however, not stated by the Department.

### 1.8 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax Department, cases finalised and the demands for additional tax raised as reported by the Department are given below :

Sl. No.	Heads of revenue	Cases pending as on 31 March 2002	Cases detected during 2002-03	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty, etc. raised.		No. of cases pending for finalisation as on 31 March 2003
					No. of cases	Amount of demand. (Rs. in crore)	
1	Sales Tax	24	1,116	1,140	1,078	306.63	62

### 1.9 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-2003 in respect of sales tax as reported by the Departments are given below:

(Rupees in lakh)

Sl. No.	Particulars	Sales tax	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	31	185.15
2	Claims received during the year	26	20.55
3	Refunds made during the year	30	27.27
4	Balance outstanding at the end of the year	27	178.43

### 1.10 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, land revenue, state excise, forest receipts, other tax and non-tax receipts conducted during the year 2002-2003 revealed underassessment/ short levy/short demand/loss of revenue amounting to Rs.162.03 crore in

606 cases. The concerned Departments accepted under assessment, short levy etc., of Rs.48.68 crore pointed out in 2002-2003 and earlier years and recovered Rs.0.41 crore.

This report contains 33 paragraphs including 1 review relating to non-levy/short levy of taxes, duties, interest and penalty etc. involving Rs.97.69 crore. The Department/Government had accepted the audit observation involving Rs.51.54 crore of which Rs.0.24 crore have been recovered at the instance of audit. Final replies have not been received in other cases (November 2003).

<b>1.11 Outstanding audit inspection reports and audit observations</b>
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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 with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these 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 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 2002 disclosed that 4,814 paragraphs relating to 1,441 IRs remained outstanding at the end of June 2003. Of these, 67 IRs containing 124 paragraphs had not been settled for more than 10 years as detailed in Appendix-I. Even 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 448 IRs issued between 1993-94 and 2002-2003. As a result, serious irregularities commented upon in 1,140 paragraphs involving Rs.66.75 crore had not been settled as of June 2003.

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.

### **1.12 Departmental Audit Committee Meetings**

As per instruction (May 1994) of the Finance Department, all the Departments are required to constitute Audit objection Committee for expeditious disposal of audit observations contained in the Inspection Reports. 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 Accountant General (Audit).

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 2002-2003, no audit committee meeting could be held despite repeated persuasion from the audit office. This indicates that Government Departments have not been taking initiative in using the machinery created for settling outstanding audit observations.

### **1.13 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. Draft paragraphs prepared on the basis of audit objections are always forwarded by the audit office 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 2003 were forwarded to the Secretaries of the Departments in April/May 2003 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 67 potential paras and sub-paras included in 33 Audit paragraphs including one review incorporated in this Report, replies of the departmental officers in respect of only 32 paragraphs including sub-paragraphs had been received (November 2003).

Replies from the Government had not been received in any of the cases (November 2003).

**1.14 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 to the Assam Legislative Assembly Secretariat with a copy to the Accountant General (Audit), Assam, Guwahati in respect of paragraphs and reviews included in the Audit Reports within 20 days from the presentation of the Report in the Legislature.

Review of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1988-1989 to 2001-2002 due for discussion during 2002-2003 disclosed that explanatory notes in respect of 41 paragraphs only discussed by the PAC between April 2002 and June 2003 were received from the concerned Departments. Explanatory notes in the case of the remaining 258 paragraphs had not been received (November 2003).