

CHAPTER – I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2006-07, 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 mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue	2,327.44	2,588.25	3,227.80	4,051.91	5,045.70
	• Non-tax revenue	956.56	1,124.41	1,243.93	1,229.53	1,451.34
	Total	3,284.00	3,712.66	4,471.73	5,281.44	6,497.04
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	1,349.90	1,569.70	1,876.29	2,507.82	3,198.80 ¹
	• Grants-in-aid	783.40	676.96	900.85	1,049.23	1,757.40
	Total	2,133.30	2,246.66	2,777.14	3,557.05	4,956.20
III	Total receipts of the State (I+II)	5,417.30	5,959.32	7,248.87	8,838.49	11,453.24
IV	Percentage of I to III	61	62	62	60	57

The above table indicates that during the year 2006-07, the revenue raised by the State Government was *57 per cent* of the total revenue receipts (Rs. 11,453.24 crore) against *60 per cent* in the preceding year. The balance *43 per cent* of the receipts were from the Government of India.

¹ For details please see "Tax revenue" of statement 11 detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2006-07. Figure under the minor heads '901 - Share of net proceeds assigned to the State' booked under the major heads 0020 - Corporation tax, 0021 - Income tax, 0028 - Other taxes on income & expenditure, 0032 - Taxes on wealth, 0037 - Custom, 0038 - Union excise duty, 0044 - Service tax, 0045 - Other taxes and duties on commodities & services under 'A - Tax revenue' have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	• Commercial tax	768.08	989.23	1,347.17	1,602.85	2,140.71	(+) 33.56
	• Central sales tax	334.35	309.39	326.69	486.35	702.33	(+) 44.41
2.	State excise	361.73	402.35	458.27	634.50	706.81	(+) 11.40
3.	Stamp duty and registration fee	148.10	170.87	247.77	312.80	389.51	(+) 24.52
4.	Taxes and duties on electricity	244.33	268.36	308.92	362.31	469.12	(+) 29.48
5.	Taxes on vehicles	157.81	167.07	191.79	205.97	253.05	(+) 22.86
6.	Taxes on goods and passengers	251.55	230.08	287.13	395.33	301.81	(-) 23.66
7.	Other taxes on income and expenditure, taxes on professions, trades, callings and employments including hotel receipts tax	42.41	42.96	27.13	20.65	16.23	(-) 21.40
8.	Other taxes and duties on commodities and services	6.52	4.13	4.25	4.26	5.27	(+) 23.71
9.	Land revenue	12.56	3.81	28.68	26.89	60.86	(+) 126.33
Total		2,327.44	2,588.25	3,227.80	4,051.91	5,045.70	(+) 24.53

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.1.3 The following table presents the details of major non-tax revenue raised by the State during the period from 2002-03 to 2006-07.

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease(-) in 2006-07 over 2005-06
1.	Non-ferrous mining and metallurgical industries	538.14	629.68	679.83	721.12	813.42	(+) 12.80
2.	Forestry and wild life	105.84	140.94	159.85	203.17	205.79	(+) 1.29

3.	Interest receipts	95.65	122.46	101.26	97.67	186.04	(+) 90.48
4.	Major and medium irrigation	53.73	44.85	67.26	38.98	104.96	(+) 169.27
5.	Other non-tax receipts	77.26	86.38	69.23	106.41	74.32	(-) 30.16
6.	Medical and public health	2.40	2.43	3.21	3.07	19.33	(+) 529.64
7.	Other administrative services	64.94	10.70	12.30	14.23	13.10	(-) 7.94
8.	Police	2.59	6.80	3.74	10.21	12.11	(+) 18.61
9.	Public works	10.03	8.56	5.63	13.94	9.31	(-) 33.21
10.	Miscellaneous general services (including lottery receipts)	1.99	67.47	37.45	14.91	8.62	(-) 42.19
11.	Co-operation	3.99	4.14	4.17	5.82	4.34	(-) 25.43
12.	Power	NA	NA	100.00	0.00	0.00	0.00
Total		956.56	1,124.41	1,243.93	1,229.53	1,451.34	(+) 18.04

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.2 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage variation
A. Tax revenue					
1.	Taxes on sales, trade etc.	2,903.00	2,843.04	(-) 59.96	(-) 2.07
2.	State excise	704.44	706.81	(+) 2.37	(+) 0.34
3.	Taxes and duties on electricity	500.95	469.12	(-) 31.83	(-) 6.35
4.	Stamp duty and registration fee	379.90	389.51	(+) 9.61	(+) 2.53
5.	Taxes on goods and passengers	495.00	301.81	(-) 193.19	(-) 39.03
6.	Taxes on vehicles	250.00	253.05	(+) 3.05	(+) 1.22
7.	Land revenue	73.86	60.86	(-) 13.00	(-) 17.60
8.	Other taxes on income and expenditure	18.02	15.60	(-) 2.42	(-) 13.43
9.	Other taxes and duties on commodities and services	5.42	5.27	(-) 0.15	(-) 2.77

10.	Hotel receipts tax	0.55	0.63	(+) 0.08	(-) 14.55
Total		5,331.14	5,045.70	(-) 285.44	(-) 5.35
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	824.62	813.42	(-) 11.20	(-) 1.36
2.	Forestry & wildlife	211.53	205.79	(-) 5.74	(-) 2.71
3.	Interest receipts	145.51	186.04	(+) 40.53	(+) 27.85
4.	Major and medium irrigation	80.88	104.96	(+) 24.08	(+) 29.77
5.	Medical and public health	25.82	19.33	(-) 6.49	(-) 25.14
6.	Other administrative services	13.13	13.10	(-) 0.03	(-) 0.23
7.	Police	5.93	12.11	(+) 6.18	(+) 104.22
8.	Public works department	20.38	9.31	(-) 11.07	(-) 54.32
9.	Water supply and sanitation	2.17	5.32	(+) 3.15	(+) 145.16
10.	Others (jail)	1.56	1.40	(-) 0.16	(-) 10.26
Total		1,331.53	1,370.78	(+) 39.25	(+) 2.95

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.3 Cost of collection

The gross collection of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 are mentioned below:

(Rupees in crore)						
Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Taxes on sales, trade etc.	2004-05	1,673.86	11.95	0.71	0.91
		2005-06	2,089.20	12.61	0.60	
		2006-07	2,843.04	12.46	0.44	
2.	Taxes on vehicles	2004-05	191.79	4.50	2.34	2.67
		2005-06	205.97	3.81	1.85	
		2006-07	253.05	4.09	1.62	
3.	State excise	2004-05	458.27	18.51	4.04	3.40
		2005-06	634.50	23.55	3.71	
		2006-07	706.81	17.94	2.54	
4.	Stamp duty & registration fee	2004-05	247.77	5.94	2.40	2.87
		2005-06	312.80	8.61	2.75	
		2006-07	389.51	10.86	2.79	

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue as reported by the department amounted to Rs. 299.35 crore of which Rs. 216.50 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	156.51	98.45	Process of auction of ceased/ confiscated property relating to Rs. 98.45 crore is in process. Specific action taken for the remaining arrears has not been intimated (November 2007) by the department despite being requested (October 2007).
2.	Taxes on vehicles	5.77	1.28	Out of Rs. 1.28 crore, Rs. 1.10 crore is pending due to the stay order of the court. Further, at the end of November 2007, Rs. 1.24 crore has been recovered out of Rs. 5.77 crore. Transport officials have been directed to expedite the balance recovery.
3.	State excise	19.93	10.22	Outstanding revenue is being recovered as arrears of land revenue.
4.	Stamp duty and registration fee	2.87	0.27	Necessary action for recovery of revenue is being taken.
5.	Taxes and duties on electricity	10.51	2.73	The department did not furnish any reply, (November 2007) despite being requested (October 2007).
6.	Geology & mining	1.84	1.63	Action to recover the outstanding dues would be taken up through a special drive.
7.	Irrigation	101.92	101.92	The department did not furnish any reply (November 2007) despite being requested (October 2007).
Total		299.35	216.50	

1.5 Arrears in assessments

The number of pending cases at the beginning of the year 2006-07, becoming due during the year, disposed during the year and pending at the end of the year 2006-07 as furnished by the departments are mentioned below:

Name of tax	Opening balance (2006-07) ²	Addition during the year	Total number of assessment cases due	Cases disposed during the year	Cases pending at the end of the year	Percentage of clearance (Column 5 to 4)
1	2	3	4	5	6	7
Commercial tax	46,841	84,923	1,31,764	90,240	41,524	68.49
Professional tax	13,362	28,198	41,560	31,472	10,088	75.73
Entry tax	23,174	46,947	70,121	21,469	48,652	30.62
Luxury tax	44	113	157	122	35	77.71
Tax on work contract	26	56	82	60	22	73.17
Total	83,447	1,60,237	2,43,684	1,43,363	1,00,321	58.83

Thus, 41.17 per cent of the assessment cases were pending at the end of the year which the Government needs to look into. The Government should initiate action for expeditious disposal of the pending assessment cases.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised during 2006-07 as reported by the departments are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2006 ³	Cases detected during 2006-07	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 2007
					No. of cases	Amount of demand (Rupees in crore)	
1.	Commercial tax	1	3	4	4	2.32	NIL
2.	State excise	15	NIL	15	NIL	NIL	15

Thus, the State Excise Department could not finalise any case during 2006-07 which were pending for settlement as on 31 March 2006.

1.7 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2006-07 as reported by the departments are mentioned below:

² The variations between closing balance for year 2005-06 and opening balance for the year 2006-07 is being reconciled with the department.

³ The variations between closing balance for the year 2005-06 and opening balance for the year 2006-07 is being reconciled with the department.

(Rupees in crore)

Name of the department	Opening balance		Claims received		Refunds allowed		Closing balance	
	Number of cases ⁴	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Commercial tax	230	2.46	4,366	33.17	4,324	33.36	272	1.93
State excise	13	4.39	10	0.18	13	0.29	10	4.28
Total	243	6.85	4,376	33.35	4,337	33.65	282	6.21

1.8 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fee and other non-tax receipts conducted during the year 2006-07 revealed underassessment, short levy and loss of revenue amounting to Rs. 112.70 crore in 417 cases. The concerned departments accepted underassessment and other deficiencies of Rs. 33.99 crore involved in 173 cases which had been pointed out in audit during the year 2006-07.

This report contains 17 paragraphs including one review, pointing out non/short levy of taxes, duties, interest and penalties etc., involving Rs. 15.99 crore. The Government/departments accepted audit observations involving Rs. 2.92 crore of which Rs. 17.11 lakh had been recovered upto June 2007. Audit observations with a total revenue effect of Rs. 3.94 crore have not been accepted by the departments, but their contention have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (November 2007).

1.9 Outstanding inspection reports and audit observations – lack of responsiveness and erosion of accountability

Audit observations on underassessments, short determination/realisation of taxes, duties, fees etc., and defects in the maintenance of initial records, which are not settled on the spot, are communicated to the heads of the departments through inspection reports (IRs). Important irregularities are also reported to the Government/departments through IRs by the office of the Accountant General to which replies are required to be furnished by them within one month.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2006 which were pending with the departments as on 30 June 2007, along with corresponding figures for the preceding two years, are mentioned below:

Sl. No.	Particulars	Position as on 30 June		
		2005	2006	2007
1.	Number of IRs pending settlement	1,462	1,526	1,587

⁴ As against the closing balance of 297 and 19 cases against commercial tax and state excise the department has reported figure of opening balance as 230 and 13 cases respectively. The difference is being reconciled by the department.

2.	Number of outstanding audit observations	5,624	5,819	6,113
3.	Amount of revenue involved (Rs. in crore)	1,406.87	1,555.31	1,693.28

The department wise details of the IRs and audit observations outstanding as on 30 June 2007 are mentioned below:

Sl. No.	Department	Number of outstanding		Amount (Rupees in crore)	Earliest year to which the IR relates
		IRs	Audit observations		
1.	Commercial tax	298	1,953	260.14	1992-93
2.	Stamp duty and registration	221	557	19.88	1990-91
3.	Land revenue	464	1,242	478.22	1994-95
4.	Transport	78	598	52.33	1994-95
5.	State excise	94	321	200.07	1994-95
6.	Geology and mining	96	339	433.99	1994-95
7.	Electricity duty	5	19	7.87	1997-98
8.	Entertainment tax	54	63	1.59	1994-95
9.	Other tax departments	277	1,021	239.19	1994-95
Total		1,587	6,113	1,693.28	

1.10 Response of the departments to draft audit paragraphs

The Finance Department issued directions to all the departments in August 1969 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the concerned department through demi-official letters drawing their attention to the audit findings and requesting them to send their response within three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2007 were forwarded to the Secretaries of the respective departments between June 2007 and December 2007. Out of 17 draft paragraphs including one review of 'Levy and collection of stamp duty and registration fee', the departments have accepted the audit observations in six paragraphs.

1.11 Recovery of revenue in accepted cases

During the years between 2002-03 and 2006-07, the departments/ Government accepted audit observations of the Audit Reports involving Rs. 20.24 crore of which only Rs. 3.26 crore had been recovered till March 2007 as mentioned below:

(Rupees in crore)

Sl. No.	Year of the Audit Report	Total money value	Amount accepted	Recovery made upto March 2007
1.	2002-03	11.04	1.65	0.03
2.	2003-04	46.72	12.40	1.26
3.	2004-05	60.98	1.05	1.33
4.	2005-06	253.10	2.22	0.47
5.	2006-07	15.99	2.92	0.17
Total		387.83	20.24	3.26