

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of National Capital Territory (NCT) of Delhi during the year 2006-07, 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.		2002-03	2003-04	2004-05	2005-06	2006-07
I	Revenue raised by the NCT Government					
	• Tax revenue	5,324.19	5,884.17	7,106.13	8,939.28	10,155.80
	• Non-tax revenue	829.56	950.34	921.39	1,398.96	1,463.58
	Total	6,153.75	6,834.51	8,027.52	10,338.24	11,619.38¹
II	Receipts from the Government of India					
	• Grants-in-aid*	512.19	514.02	535.11	505.29	574.23 ²
III	Total receipts of the State	6,665.94	7,348.53	8,562.63	10,843.53	12,193.61
IV	Percentage of I to III	92	93	94	95	95

* Includes grants under provision to Article-275(I) of the Constitution.

The above table indicates that during the year 2006-07, the revenue raised by the NCT Government was 95 per cent of the total revenue receipts (Rs. 12,193.61 crore) against 95 per cent in the preceding year. The balance five per cent of the receipts during 2006-07 was from the Government of India.

¹ For details, please see statement No. 9 "Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of NCT of Delhi for the year 2006-07.

² Figures under the heads 0021 – Taxes on income other than corporation tax, 0028 – other taxes on income and expenditure – Share of net proceeds assigned to the Government of NCT of Delhi booked in the Finance accounts under – A - Tax revenue have been excluded from the revenue raised by the Government of NCT of Delhi and included in grants-in-aid to the Government of NCT of Delhi in lieu of share in central taxes and duties.

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

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade, etc.	3,883.17	4,435.07	5,199.93	6,500.56	7,365.79	(+) 13.31
2.	State excise	725.68	710.12	843.68	1,024.80	1,133.19	(+) 10.58
3.	Stamp duty and registration fee	436.80	435.23	668.34	827.65	917.97	(+) 10.91
4.	Taxes on vehicles	160.40	175.24	195.98	298.74	362.84	(+) 21.46
5.	Other taxes	118.14	128.51	198.20	287.53	376.01	(+) 30.77
	Total	5,324.19	5,884.17	7,106.13	8,939.28	10,155.80	(+) 13.61

The following reasons for variation were reported by the concerned departments:

Taxes on sales, trade, etc.: The increase was attributed to introduction of Delhi value added tax with effect from 1 April 2005.

State excise: The increase was attributed to opening of new vends during the year.

Stamp duty and registration fee: The increase was attributed to increase in property transactions during the year.

Taxes on vehicles: The increase was attributed to implementation of ad valorem tax on private vehicles with effect from March 2005.

Other taxes: The increase was attributed to more receipts from entertainment and betting tax arising from opening of new multiplexes and better enforcement and increase in the receipts from luxury tax arising from opening of new hotels and shifting of tax collections from actual tariff to declared tariff basis.

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

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	741.42	868.83	821.96	1,254.17	1,284.98	(+) 2.46
2.	Dividend & profit	7.19	6.03	3.75	38.62	22.17	(-) 42.59
3.	General services	45.18	41.45	48.18	49.11	62.23	(+) 26.72
4.	Social services	22.63	22.30	27.73	31.60	31.91	(+) 0.98
5.	Economic services	13.14	11.73	19.77	25.46	62.29	(+) 144.66
Total		829.56	950.34	921.39	1,398.96	1,463.58	(+) 4.62

The departments did not inform the reasons for variation despite being requested (December 2007).

1.2 Variations between the budget estimates and actual receipts

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

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variation excess (+) / shortfall (-)	Percentage of variation
Tax revenue					
1.	Taxes on sales, trade, etc.	7,400.00	7,365.79	(-) 34.21	(-) 0.46
2.	State excise	975.00	1,133.18	(+) 158.18	(+) 16.22
3.	Stamp duty and registration fee	850.00	917.97	(+) 67.97	(+) 8.00
4.	Taxes on vehicles	350.00	362.84	(+) 12.84	(+) 3.67
5.	Other taxes	236.00	376.01	(+) 140.01	(+) 59.33
Non-tax revenue					
1.	Interest receipts	1,222.49	1,284.98	(+) 62.49	(+) 5.11
2.	Dividend and profit	4.00	22.17	(+) 18.17	(+) 454.25
3.	General services	48.76	62.23	(+) 13.47	(+) 27.63
4.	Social services	27.55	31.91	(+) 4.36	(+) 15.83
5.	Economic services	14.42	62.29	(+) 47.87	(+) 331.97

The following reasons for variations were reported by the concerned departments:

State excise: The increase was attributed to collection of “Fly Over Charges” as a component of excise revenue during the year 2006-07 which was earlier being collected by M/s. DTTDC³.

Stamp duty and registration fee: The increase was attributed to positive trend in the property transactions.

1.3 Cost of collection

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

(Rupees in crore)					
Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
Taxes on sales, trade etc.	2004-05	5,200.00	28.66	0.55	0.91
	2005-06	6,501.00	34.56	0.53	
	2006-07	7,365.79	19.54	0.27	
State excise	2004-05	844.00	5.57	0.66	3.40
	2005-06	1,025.00	4.99	0.49	
	2006-07	1,133.18	2.75	0.24	
Taxes on vehicles	2004-05	196.00	12.87	6.57	2.67
	2005-06	299.00	9.87	3.30	
	2006-07	362.84	11.38	3.14	
Stamp duty and registration fee	2004-05	668.00	4.55	0.68	2.87
	2005-06	828.00	16.44	1.99	
	2006-07	917.97	20.51	2.23	

Thus, the percentage of expenditure on collection under motor vehicle taxes was higher than the all India average percentage. The Transport Department stated (September 2006) that expenditure on collection of tax had come down to 3.14 *per cent* from the previous year’s level of 3.3 *per cent*.

The Divisional Commissioner informed (October 2007) that the increase in expenditure on collection of revenue under the stamp duty and registration fee was due to introduction of selling of judicial/non-judicial stamp papers of above Rs. 500 through 30 authorised branches of the State Bank of India and post offices in Delhi on commission basis.

³ Delhi Tourism and Transportation Development Corporation.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs. 9,253.49 crore, of which Rs. 9,253.44 crore related to sales tax/value added tax:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	9,253.44	No reason was furnished by the department despite various reminders (December 2007).
2.	Luxury tax	0.05	In the beginning of the year, arrear of Rs. 96 lakh were outstanding which decreased to Rs. 5 lakh at the end of the year.
Total		9,253.49	

1.5 Arrears in assessments

The details of pending assessments relating to luxury tax at the beginning of the year 2006-07, cases becoming due for assessment during the year, cases disposed during the year and number of cases pending at the end of each year during 2004-05 to 2006-07 as furnished by department are as mentioned below:

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed during the year	Cases pending at the end of the year
2004-05	951	668	1,619	1,007	612
2005-06	612	632	1,244	580	664
2006-07	664	710	1,374	507	867

The above table indicates that the arrears of assessments in respect of luxury tax had increased from 612 (2004-05) to 867 (2006-07). There are no arrears in assessment in respect of taxes on sales, trade etc.

1.6 Evasion of tax

The number of cases of evasion of tax detected by the Department of Trade and Taxes during the years 2004-05 to 2006-07 as reported were 2,708, 255 and 238 respectively.

1.7 Refunds

The number of refund cases allowed during the year 2006-07 as reported by the departments is as mentioned below:

(Rupees in crore)

Name of the department	No. of cases	Amount
Sales tax/Value added tax	20,803	233.65
Transport Department	32	0.02

1.8 Results of audit

Test check of the records of the departments of trade and taxes, transport, state excise, registration etc. conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue, etc. aggregating Rs. 270.99 crore in 219 cases. The departments concerned accepted underassessment, non-recovery and other deficiencies of Rs. 209.06 crore involved in 113 cases which had been pointed out in the audit in earlier years. Of these, the departments recovered Rs. 27 lakh in 12 cases and raised additional demands totalling Rs. 7.72 crore during the year 2006-07.

This report contains 16 paragraphs including one review relating to underassessment/short/non-levy of taxes, etc. involving Rs. 254.93 crore of which Rs. 209.06 crore have been accepted by the Government/departments. Rs. 27 lakh had been recovered at the instance of audit as of November 2007.

1.9 Outstanding inspection reports and audit observations

Accountant General (Audit) (AG) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. Important irregularities and defects in assessments, demand and collection of State receipts, noticed during these inspections but not settled on the spot, are communicated to the heads of the offices and to the next higher departmental authorities through the inspection reports (IRs).

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

Sl. No.	Particulars	2004-05	2005-06	2006-07
1.	Number of IRs pending	580	433	123
2.	Number of outstanding audit observations	4,354	3,745	1,582
3.	Amount of revenue involved (Rupees in crore)	930.98	927.71	530.98

The department wise break up of the IRs and audit observations outstanding as on 30 June 2007 is mentioned below:

Sl. No.	Department	Number of outstanding IRs	Number of outstanding audit observations	Amount (Rs. in crore)	Number of IRs where even first reply has not been received	Earliest year to which the reports relate
1.	Sales tax/ Value added tax	101	1,531	495.86	101	2005-06
2.	Transport department	22	51	35.12	22	2005-06
Total		123	1,582	530.98	123	

1.10 Departmental audit committee meetings

In order to expedite the settlement of outstanding audit observations contained in the IRs, an audit review committee (ARC) was constituted by the Department of Trade and Taxes in May 2005 at the instance of the Accountant General. Six meetings of the ARC were held during 2006-07 which resulted in settlement of 503 paragraphs.

1.11 Response of the department to draft audit paragraphs

Draft paragraphs proposed for inclusion in the Audit Report are forwarded by the AG (Audit) to the Government/concerned departments through demi-official letters. All the departments are required to furnish their remarks within six weeks of their receipt. 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.

Thirty three paragraphs clubbed into 16 paragraphs (including one review) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2007 were forwarded to the respective departments and the Government between May and June 2007. The replies from the department were received in respect of only 13 paragraphs and the review which have been reflected in the report.

1.12 Follow-up on Audit Reports

The position of outstanding action taken notes on paragraphs and reviews included in the Report of the Comptroller and Auditor General of India, Government of NCT of Delhi as of 31 December 2007 is mentioned below:

Sl. No.	Year of Report ending 31 March	Number of paragraphs and reviews printed in Report	Number of paragraphs for which ATN were awaited
1.	1995	13	10
2.	1996	07	Nil
3.	1997	09	Nil
4.	1998	10	07
5.	1999	16	Nil
6.	2000	11+1 (Review)	Nil
7.	2001	11+1 (Review)	Nil
8.	2002	11+1 (Review)	Nil
9.	2003	11+1 (Review)	Nil
10.	2004	20+3 (Review)	3+1 (Review)
11.	2005	26+1 (Review)	1
12.	2006	19+1 (Review)	8+1 (Review)

1.13 Compliance with the earlier Audit Reports

In the Audit Reports of 2004-05 to 2005-06, cases of underassessments, non/short levy of taxes, loss of revenue, failure to raise demands etc. were included involving Rs. 580.21 crore. Of these as of August 2007, the departments concerned have accepted observations involving Rs. 218.75 crore and recovered Rs. 16 lakh. Audit report wise details of amounts accepted and recovered are as mentioned below:

(Rupees in crore)

Year of the Audit Report	Money value of Audit Reports	Money value of accepted cases	Amount recovered
2004-05	402.36	200.31	0.10
2005-06	177.85	18.44	0.06
Total	580.21	218.75	0.16