

CHAPTER-I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Gujarat during the year 2003-04, 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)

		1999-00	2000-01	2001-02	2002-03	2003-04
I	Revenue raised by the State Government					
(a)	Tax Revenue	8,161.73	9,046.83	10,134.18	9,520.66	11,173.43
(b)	Non-tax revenue	2,990.37	3,349.14	3,760.94	3,995.58	3,271.96
	Total	11,152.10	12,395.97	13,895.12	13,516.24	14,445.39
II	Receipts from the Government of India					
(a)	State's share of divisible Union Taxes	1,665.04	1,573.75	600.68	1,363.22	1,965.48
(b)	Grants-in-aid	1,154.30	1,768.87	1,490.26	2,995.88	1,836.65
	Total	2,819.34	3,342.62	2,090.94	4,359.10	3,802.13
III	Total receipts of the State	13,971.44	15,738.59	15,986.06	17,875.34	18,247.52[#]
IV	Percentage of I to III	80	79	87	76	79

[#] For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Gujarat. Figures under the Heads "0020-Corporation tax, 0021-Taxes on Income Other than Corporation Tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax, 0045-Other Taxes and Duties on Commodities and Services", share of net proceeds assigned to States booked in the Finance Accounts under A-'Tax Revenue', have been excluded from revenue raised by the State and included in State's share of divisible union taxes in this statement.

1.1.2 The details of tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
1	(a) Sales Tax	4,177.66	4,891.08	4,841.69	5,095.00	5,772.58	(+) 13
	(b) Central Sales Tax	956.81	1,051.66	1,015.71	1,157.13	1,397.00	(+) 21
2	State Excise	32.02	40.37	47.31	47.11	46.25	(-) 02
3	Stamp Duty and Registration Fees	522.38	537.42	539.41	649.88	824.67	(+) 27
4	Taxes and Duties on Electricity	1,401.63	1,521.00	1,656.52	1,383.84	1,592.19	(+) 15
5	Taxes on Vehicles	601.71	627.28	676.63	808.11	936.39	(+) 16
6	Taxes on Goods and Passengers	88.87	26.03	99.11	11.09	171.79	(+) 1449
7	Other Taxes on Income and Expenditure-Tax on Professions, Trades, Calling and Employment	83.05	104.80	93.31	95.64	99.41	(+) 04
8	Other Taxes and Duties on Commodities and Services	180.96	165.66	1,077.54	177.67	206.36	(+) 16
9	Land Revenue	116.64	81.53	86.95	95.19	126.79	(+) 33
	Total	8,161.73	9,046.83	10,134.18	9,520.66	11,173.43	(+) 17

The reasons attributed by the Department for significant increase/decrease in receipts during 2003-04 over the receipts during 2002-03 are as under:

Sales Tax:- The increase was mainly due to more receipts under the Sales Tax Act.

Central Sales Tax:- The increase was mainly due to more receipts on inter-State sales.

Stamp duty and Registration Fees:- The increase was mainly due to more court fees realized in stamps and sale of non judicial stamps.

Taxes and Duties on Electricity:- The increase was mainly due to more receipt of taxes on consumption and sale of electricity.

Taxes on Vehicles:- The increase was mainly due to more receipts under the Motor Vehicle Tax Act.

Taxes on Goods and Passengers:- The increase was due to payment of Passenger Tax by the Gujarat State Road Transport Corporation which included previous year's dues.

Land Revenue:- The increase was mainly due to more receipts on account of survey and settlement operations and other receipts.

1.1.3 The details of the major non-tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
1	Interest Receipts	1,764.54	1,929.82	1,594.30	1,684.88	897.12	(-) 47
2	Dairy Development	0.51	0.47	0.35	0.20	0.34	(+) 70
3	Other Non-Tax Receipts	198.38	334.15	453.52	358.16	390.79	(+) 09
4	Forestry and Wild Life	22.07	18.48	28.34	32.49	49.85	(+) 53
5	Non-ferrous Mining and Metallurgical Industries	530.78	616.65	734.58	1,072.83	1,342.34	(+) 25
6	Miscellaneous General Services (including lottery receipts)	136.55	98.79	666.90	453.76	159.92	(-) 65
7	Power	68.03	64.46	0.01	5.10	77.08	(+) 1,411
8	Major and Medium Irrigation	110.68	136.58	132.09	267.23	202.78	(-) 24
9	Medical and Public Health	41.33	49.14	47.26	39.02	41.60	(+) 07
10	Co-operation	12.26	12.48	12.84	14.68	14.28	(-) 03
11	Public Works	25.98	27.21	13.49	11.72	18.53	(+) 58
12	Police	29.33	43.17	38.91	36.03	41.43	(+) 15
13	Other Administrative Services	49.93	17.74	38.35	19.48	35.90	(+) 84
	Total	2,990.37	3,349.14	3,760.94	3,995.58	3,271.96	(-) 18

The reasons attributed by the Department for significant increase/decrease in receipts during 2003-04 over the receipts during 2002-03 are as under:

Interest Receipts:- The decrease was mainly due to less interest realised from Departmental Commercial Undertakings.

Dairy Development:- The increase was mainly due to more receipts from Dairy Development Project.

Forestry & Wildlife:- The increase was mainly due to more receipts from sale of timber and other forest produce.

Non-ferrous Mining and Metallurgical Industries:- The increase was mainly due to more receipts on mineral concession fees, rents and royalties.

Miscellaneous General Services:- The decrease was mainly due to less receipts under other receipts.

Power:- The increase was mainly due to receipt of central assistance for outstanding dues of Gujarat Electricity Board.

Major and Medium Irrigation:- The decrease was mainly due to less receipts under Kakrapar Canal Project.

Public Works:- The increase was mainly due to more receipts under other receipts.

Other Administrative Services:- The increase was mainly due to more receipts from fines and forfeitures under Administration of Justice.

1.2 Variations between Budget Estimates and Actuals

The variations between the Budget Estimates and Actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	Budget Estimates	Actuals	Variations excess (+) or short fall(-)	Percentage of variation
Tax Revenue					
1	Sales Tax	6500.00	7169.58	(+) 669.58	(+) 10
2	Taxes and Duties on Electricity	1590.53	1592.19	(+) 1.66	-
3	Stamp Duty and Registration Fees	583.66	824.67	(+) 241.01	(+) 41
4	Taxes on Vehicles	830.00	936.39	(+) 106.39	(+) 13

5	Taxes on Goods and Passengers	150.00	171.79	(+) 21.79	(+) 15
6	Land Revenue	87.70	126.79	(+) 39.09	(+) 45
7	State Excise	56.45	46.25	(-) 10.20	(-) 18
8	Other Taxes on Income and Expenditure	100.00	99.41	(-) 0.59	(-) 01
Non tax Revenue					
9	Non-Ferrous Mining and Metallurgical Industries	1120.00	1342.34	(+) 222.34	(+) 20
10	Interest Receipts	1973.84	897.12	(-) 1076.72	(-) 55
11	Major & Medium Irrigation	285.60	202.78	(-) 82.82	(-) 29
12	Medical & Public Health	60.15	41.60	(-) 18.55	(-) 31
13	Forestry and Wild Life	27.76	49.85	(+) 22.09	(+) 80
14	Education, Sports, Arts & Culture	46.50	63.66	(+) 17.16	(+) 37
15	Police	65.00	41.43	(-) 23.57	(-) 36
16	Public Works	20.00	18.53	(-) 1.47	(-) 07
17	Miscellaneous General Services	434.00	159.92	(-) 274.08	(-) 63

The reasons attributed for the variation in receipts during 2003-04 against Budget Estimates are as under:

Stamp Duty and Registration Fees:- The increase was mainly due to more court fees realised in stamps and sale of non judicial stamps.

Land Revenue:- The increase was mainly due to more receipts on account of survey and settlement operations and other receipts.

Interest Receipts:- The decrease was mainly due to less interest realised from Departmental commercial undertakings.

Forestry and Wild Life:- The increase was mainly due to more receipts from sale of timber and forest produce.

Miscellaneous General Services:- The decrease was due to less receipts under other receipts.

1.3 Analysis of Collection

Break-up of total collection at pre-assessment stage and after regular assessment of Sales Tax, Motor Spirit Tax, Profession Tax, Entry Tax and Luxury Tax for the year 2003-04 and the corresponding figures for the preceding two years as furnished by the department is as follows:

(Rupees in crore)

Head of revenue	Year	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 3 to 7 (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales Tax	2001-02	3,886.01	852.18	-	47.00	4691.19	83
	2002-03	4,043.43	1,182.93	-	63.65	5162.71	78
	2003-04	5,707.84	235.98	-	69.89	5,873.93	97
Motor Spirit Tax	2001-02	1,102.49	-	-	-	1,102.49	100
	2002-03	1,087.35	-	-	-	1,087.35	100
	2003-04	1,295.65	-	-	-	1,295.65	100
Profession Tax	2001-02	89.48	-	-	-	89.48	100
	2002-03	93.55	-	-	-	93.55	100
	2003-04	99.41	-	-	-	99.41	100
Entry Tax	2001-02	63.72	-	-	-	63.72	100
	2002-03	2.07	-	-	-	2.07	100
	2003-04	2.74	-	-	-	2.74	100
Luxury Tax	2001-02	14.66	-	-	-	14.66	100
	2002-03	29.92	-	-	-	29.92	100
	2003-04	34.33	-	-	-	34.33	100

The table above shows that percentage of collection of revenue at pre-assessment stage ranged between 78 and 97 *per cent* under sales tax during the years 2001-02 to 2003-04.

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 2001-02, 2002-03 and 2003-04 along with the relevant all India average percentage of expenditure on collection to gross collection for 2002-03 was as follows:-

(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 2002-03
Sales Tax	2001-02	5,857.40	58.84	1.00	1.18
	2002-03	6,252.13	64.14	1.03	
	2003-04	7,169.58	65.89	0.92	
Taxes on Vehicles and Taxes on Goods and Passengers	2001-02	775.74	20.76	2.68	2.86
	2002-03	819.20	25.30	3.09	
	2003-04	1,108.18	25.70	2.32	
Stamp Duty and Registration Fees	2001-02	539.41	16.65	3.09	3.46
	2002-03	649.88	18.36	2.83	
	2003-04	824.67	31.51	3.82	
*State Excise	2001-02	47.31	18.34	38.77	2.92
	2002-03	47.11	21.40	45.42	
	2003-04	46.25	4.64	10.03	

1.5 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of Assesseees	Sales Tax Revenue	Revenue/Assessee
1999-00	4,01,624	5,134.47	0.0127
2000-01	3,88,362	5,942.74	0.0153
2001-02	3,77,977	5,857.40	0.0155
2002-03	2,99,881	6,252.12	0.0208
2003-04	3,19,774	7,169.58	0.0224

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs. 10,517.19 crore of which Rs. 664.07 crore was outstanding for more than 5 years as detailed in the following table:

* As confirmed by the Department due to oversight, in the previous years the cost of collection of State Excise included the expenditure incurred on staff who were deployed for the implementation of prohibition policy of the State instead of the expenditure incurred on the revenue collection. In the present year figure, the expenditure incurred on staff has been excluded from the cost of collection. That is why there is a drastic decrease in cost of collection in State Excise as compared to previous years.

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
1	Sales Tax	10,123.47	650.12	(i) Recovery stayed by Gujarat High Court, other judicial authorities and Government. (ii) Recovery has been held up due to dealers being insolvent.
2	Electricity Duty	384.15	13.92	(i) The arrears of Rs.13.92 crore to be recovered from Baroda Municipal Corporation have not been finalised. (ii) The increase in the amount outstanding as on 31 March 2004 was due to 'less release of subsidy' by Government of Gujarat to Gujarat Electricity Board, Ahmedabad Electricity Company and Surat Electricity Company.
3	Entertainment Tax	9.54	-	No specific reasons were given by the department.
4	State Excise	0.03	0.03	Pending in the High Court
	Total	10,517.19	664.07	

1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-04, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2003-04 as furnished by the Sales Tax Department in respect of Sales Tax, Profession Tax, Purchase Tax on sugarcane, Entry Tax, Lease Tax, Luxury Tax and Tax on Works Contracts are as follows:

(Rupees in crore)

Name of tax	Opening balance as on 1 April 2003	New cases due for assessment during 2003-04	Total assessments due during 2003-04	Cases disposed of during 2003-04	Balance at the end of the year 31 March 2004	Percentage of column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax	6,67,999	1,31,509	7,99,508	2,88,152	5,11,356	64
Motor Spirit Tax	2,417	1,166	3,583	545	3,038	85
Profession Tax	7,04,443	44,140	7,48,583	4,27,914	3,20,669	43
Purchase Tax on Sugarcane	46	28	74	31	43	58
Entry Tax	25	17	42	23	19	45
Lease Tax	4	24	28	9	19	68
Luxury Tax	40	33	73	10	63	86
Tax on works contracts	263	368	631	163	468	74
Total	13,75,237	1,77,285	15,52,522	7,16,847	8,35,675	54

It would be seen from the above that percentage of cases pending finalisation in Sales Tax Department under various heads ranged between 43 and 86 per cent of total cases as on 31 March 2004.

1.8 Evasion of tax

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

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2003	Cases detected during 2003-04	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 2004
					No. of cases	Amount of demand (Rupees in crore)	
1	Sales Tax	586	507	1093	378	446.87	715

1.9 Write-off and waiver of revenue

During the year 2003-04, no demands relating to Sales Tax and State Excise were written off by the Departments as irrecoverable.

1.10 Refunds

The number of refund cases pending at the beginning of the year 2003-04, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-04, as reported by the departments are given below:

(Rupees in crore)

Sl. No.	Category	Sales Tax		Taxes and Duties on Electricity		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	1990	22.84	12	13.81	1	0.09
2	Claims received during the year	6318	84.24	-	-	Nil	Nil
3	Refunds made during the year	5982	69.89	12	13.81	1	0.09
4	Balance outstanding at the end of the year	2326	37.19	-	-	Nil	Nil

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 2003-04 revealed under-assessment/short levy/loss of revenue amounting to Rs.1358.24 crore in 1,324 cases. During the course of the year, the Departments accepted under-assessment of Rs.1.81 crore in 457 cases and recovered Rs.2.06 crore in 478 cases pointed out in 2003-04 and earlier years. No replies have been received in respect of the remaining cases.

This report contains 40 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.1076.89 crore. The Departments/Government have accepted audit observations involving Rs.151.93 crore of which Rs.13.71 crore had been recovered upto August 2004. No reply has been received in other cases.

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

Principal Accountant General (Commercial and Receipt Audit), Gujarat, arranges to conduct periodical inspection of the Government Departments concerned with tax revenue of the State to test check the 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 inspection reports are issued to the heads of offices inspected with a copy to the next higher authority. The heads of offices and respective next higher authorities are required to ensure compliance with the observations contained in the inspection reports and rectify the defects and omissions promptly and report their compliance to the Principal Accountant General. Serious irregularities through draft paragraphs are also brought to the notice of the Heads of the Departments by the office of the Principal Accountant General (Commercial and Receipt Audit). A half yearly report of the pending inspection reports and audit observations is sent to the Secretary of the department to facilitate monitoring of the audit observations in the pending IRs.

The number of Inspection Reports and audit observations relating to revenue receipts issued upto 31 December 2003 and pending settlement by the Departments as on 30 June 2004 along with corresponding figures for the preceding two years is given below:

Particulars	As at the end of		
	June 2002	June 2003	June 2004
Number of outstanding Inspection Reports	3,934	3,624	3,908
Number of outstanding audit observations	9,849	9,307	9,988
Amount of revenue involved (Rupees in crore)	1,721.18	1,969.23	2,351.17

Inspection Reports issued upto December 2003 pertaining to the offices of Sales Tax, Profession Tax, Forest, Land Revenue, Motor Vehicles Tax, Stamp Duty and Registration Fees, Entertainment Tax and Luxury Tax disclosed that 9988 observations relating to 3908 Inspection Reports remained outstanding at the end of June 2004. Of these, 1255 Inspection Reports containing 3572 observations had not been settled for more than 7 years. Even the initial replies which were required to be received from the Heads of offices within one month from the date of issue were not received in respect of 198 IRs issued during the year 2003-04. As a result, serious irregularities commented upon in these Inspection Reports had not been settled as of June 2004.

Department-wise break up of Inspections Reports and audit observations pending as on 30 June 2004 is detailed in the Annexure-I.

1.13 Departmental Audit Committee Meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted in all the departments of Government. These committees are chaired by Secretaries of the concerned Administrative Departments and attended among others by the concerned officers of the State Government and officers of the Principal Accountant General (Commercial and Receipt Audit), Ahmedabad/ Accountant General (Civil Audit), Rajkot.

In order to expedite the 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. The information regarding number of audit committee meetings held, Inspection Reports and paras settled during the year 2003-04 is as follows:

(Rupees in lakh)

Sl. No.	Name of the Department	No. of Audit Committee meetings held	No. of IRs/Paras settled		Money Value of paras settled
			IRs	Paras	
1	Sales Tax	2	3	107	51.13
2	Entertainment Tax	1	9	18	12.52
3	Land Revenue	1	7	9	29.99
4	Stamp Duty and Registration Fees	1	-	-	-
5	M.V.T.	1	3	16	28.03

No meetings were convened by the Departments of Energy and Petro Chemicals, Information and Broadcasting, Forest and Environment, State Excise and Geology and Mining. This indicates that the above Departments have not taken initiative in using the machinery created for settling the outstanding audit observations.

1.14 Response of the Departments to Draft Audit Paragraphs

According to the Hand Book of Instructions for speedy settlement of Draft Paragraphs issued by the Finance Department on 12 March 1992, results of verification of facts contained in the draft paragraphs are required to be communicated to the Accountant General within six weeks from 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 Accountant General.

Sixty two draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Revenue Receipts) were forwarded to the Secretaries of the respective Departments between February and April 2004 through demi-official letters. The Secretaries of the respective Departments did not send replies to 60 draft paragraphs. These paragraphs have been included in this Report without incorporating the response of the Secretaries of the Departments.

1.15 Follow up on Audit Reports-summarised position

As per instructions issued by the Finance Department on 12 March 1992, 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 the Audit Reports for the years 2000-01 and 2001-02 were presented to the State Legislature on 3rd April 2002 and 28th March 2003 respectively. Audit Report for the year 2002-03 has however not been presented in the Legislature so far. Certain Departments as detailed below, had not submitted explanatory notes for the number of paragraphs shown as of August 2004.

Name of the department	2000-01	2001-02	2002-03	Total
Finance (Sales Tax)	16	16	17	49
Revenue				
Stamp Duty	08	07	07	22
Land Revenue	05	05	06	16
Home (Transport)	06	06	07	19
Information, Broadcasting and Tourism (Entertainments Tax & Luxury Tax)	04	06	09	19
Industries Mines & Energy and Petrochemicals (Electricity Duty & Mining Receipts)	07	02	01	10
Total	46	42	47	135

