

## CHAPTER 1 : GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Madhya Pradesh 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
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	6,164.55	6,788.86	7,772.97	9,114.70	10,473.13
	• Non-tax revenue	1,635.48	1,479.82	4,461.86	2,208.20	2,658.46
	<b>Total</b>	<b>7,800.03</b>	<b>8,268.68</b>	<b>12,234.83</b>	<b>11,322.90</b>	<b>13,131.59</b>
<b>II.</b>	<b>Receipt from the Government of India</b>					
	• State's share of divisible Union taxes	3,728.73	4,247.14	5,076.68	6,341.35	8,088.54 <sup>1</sup>
	• Grants-in-aid	1,861.64	1,773.14	2,431.74	2,932.54	4,474.15
	<b>Total</b>	<b>5,590.37</b>	<b>6,020.28</b>	<b>7,508.42</b>	<b>9,273.89</b>	<b>12,562.69</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>13,390.40</b>	<b>14,288.96</b>	<b>19,743.25</b>	<b>20,596.79</b>	<b>25,694.28</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>58</b>	<b>58</b>	<b>62</b>	<b>55</b>	<b>51</b>

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 51 *per cent* of the total revenue receipts (Rs. 25,694.28 crore) against 55 *per cent* in the preceding year. The balance 49 *per cent* of receipts during 2006-07 was from the Government of India.

<sup>1</sup> For details please see statement No. 11: "Detailed accounts of revenue by minor heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2006-07. Figures under the head "0021 Taxes on income other than corporation tax – Share of net proceeds assigned to States" booked in the Finance Accounts 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.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage increase (+)/ decrease (-) in 2006-07 over 2005-06
1.	<ul style="list-style-type: none"> <li>● Sales tax</li> <li>● Central Sales Tax</li> </ul>	2,906.20	3,293.26	3,912.01	4,508.42	5,261.41	(+) 16.70
2.	State excise	890.32	1,085.89	1,192.36	1370.38	1,546.68	(+) 12.86
3.	Stamp duty and registration fees	535.05	614.49	788.71	1,009.48	1,251.10	(+) 23.94
4.	Taxes and duties on electricity	801.26	697.06	707.18	842.27	714.55	(-) 15.16
5.	Taxes on vehicles	428.64	454.92	488.65	556.02	634.30	(+) 14.08
6.	Taxes on goods and passengers	351.20	390.99	468.07	578.58	744.60	(+) 28.69
7.	Other taxes on income and expenditure - tax on professions, trades, callings and employments	187.44	188.90	150.21	153.08	163.81	(+) 7.01
8.	Other taxes and duties on commodities and services	20.08	15.32	14.28	14.15	19.55	(+) 38.16
9.	Land revenue	40.44	43.63	46.80	77.16	132.21	(+) 71.35
10.	Hotel receipts	3.92	4.40	4.75	5.37	4.92	(-) 8.38
11.	Taxes on immovable property other than agricultural land	-	-	(-) .05	(-) 0.21	0.00	
<b>Total</b>		<b>6,164.55</b>	<b>6,788.86</b>	<b>7,772.97</b>	<b>9,114.70</b>	<b>10,473.13</b>	

The concerned departments did not inform (January 2008) the reasons for variations despite being requested (November 2007).

**1.1.3** The following table presents the details of major 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 increase (+) decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	32.05	19.22	25.90	527.20	132.73	(-) 74.82
2.	Other non-tax receipts	249.32	144.57	157.48	151.94	159.29	(+) 4.84
3.	Forestry and wildlife	497.30	496.75	559.11	490.40	536.50	(+) 9.40
4.	Non-ferrous mining and metallurgical industries	590.69	646.71	733.72	815.31	923.91	(+) 13.32
5.	Miscellaneous general services (including lottery receipts)	120.94	22.92	79.61	21.30	736.58	(+) 3,358.12
6.	Power	0.24	0.12	2,749.49	0.08	0.01	(-) 87.50
7.	Major and medium irrigation	24.64	37.80	37.92	29.57	29.82	(+) 0.85
8.	Medical and public health	20.36	10.98	16.76	11.73	20.88	(+) 78.01
9.	Co-operation	14.45	15.60	17.92	14.23	18.54	(+) 30.29
10.	Public works	8.57	9.09	9.94	53.08	16.39	(-) 69.12
11.	Police	39.23	24.99	23.23	26.16	24.26	(-) 7.26
12.	Other administrative services	37.69	51.07	50.78	67.20	59.55	(-) 11.38
<b>Total</b>		<b>1,635.48</b>	<b>1,479.82</b>	<b>4,461.86</b>	<b>2,208.20</b>	<b>2,658.46</b>	

The concerned departments did not inform (January 2008) the reasons for variations despite being requested (November 2007).

## 1.2 Variations between the 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.	Head of revenue	Budget estimates	Actuals	Variation excess (+) or shortfall (-)	Percentage increase (+)/ decrease (-) over budget estimates
<b>A. Tax revenue</b>					
1.	Sales tax	5,357.00	5,261.41	(-) 95.59	(-) 1.78
2.	State excise	1,430.00	1,546.68	(+) 116.68	(+) 8.16
3.	Stamp duty and registration fees	1,000.00	1,251.10	(+) 251.10	(+) 25.11
4.	Taxes and duties on electricity	763.36	714.55	(-) 48.81	(-) 6.39
5.	Land revenue	84.21	132.21	(+) 48.00	(+) 57.00
<b>B. Non-tax revenue</b>					
1.	Forestry and wildlife	450.00	536.50	(+) 86.50	(+) 19.22
2.	Non-ferrous mining and metallurgical industries	1,100.00	923.91	(-) 176.09	(-) 16.01
3.	Co-operation	16.43	18.54	(+) 2.11	(+) 12.84

The reasons for variations of actuals over budget estimates during 2006-07 as intimated by the respective departments are given below:

Stamp duty and registration fee

The increase of 25.11 per cent was due to registration of more documents and increase in market value of immovable properties during the year 2006-07.

Land revenue

The increase of 57 per cent of actual over budget estimate was due to extensive efforts for recovery by organising camps in villages regularly.

The reasons for variation in respect of other departments though called for (November 2007) have not been received (January 2008).

**1.3 Cost of collection**

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

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Sales tax	2004-05	3,912.01	45.06	1.15	0.91
		2005-06	4,508.42	50.41	1.12	
		2006-07	5,261.41	48.20	0.92	
2.	Taxes on vehicles and taxes on goods and passengers	2004-05	956.72	11.87	1.24	2.67
		2005-06	1,134.60	19.35	3.47	
		2006-07	1,378.90	26.29	1.91	
3.	State excise	2004-05	1,192.36	230.92	19.37	3.40
		2005-06	1,370.38	289.53	21.13	
		2006-07	1,546.68	303.79	19.64	
4.	Stamp duty and registration fee	2004-05	788.71	75.28	9.54	2.87
		2005-06	1,009.48	94.79 <sup>2</sup>	9.39	
		2006-07	1,251.10	119.01	9.51	

Thus, the percentage of expenditure on the collection of state excise and stamp duty and registration fee was considerably higher than the all India average and needs to be looked into by the Government.

**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. 903.45 crore of which Rs. 191.22 crore (excluding Transport Department and Commercial Tax Department) was outstanding for more than five years as mentioned below :

<sup>2</sup> Figures revised by the department.

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007
1.	Taxes on vehicles	34.95	Not furnished
2.	State excise	58.28	51.25
3.	Taxes & duties on electricity	26.67	11.07
4.	Sales tax	584.25	Not furnished
5.	Non-ferrous mining and metallurgical industries	113.25	113.25
6.	Co-operation	8.87	5.31
7.	Stamp duty and registration fee	77.18	10.34
<b>Total</b>		<b>903.45</b>	<b>191.22</b>

The position of arrears of revenue at the end of 2006-07 in respect of other departments, was not furnished (January 2008) by the Government despite being requested (November 2007). Also, the stages at which arrears were pending for collection were also not furnished by the departments (January 2008).

### 1.5 Arrears in assessment

The details of assessments relating to sales tax, profession tax, entry tax, luxury tax, tax on works contracts pending at the beginning of the year, additional cases becoming due for the assessment during the year, cases disposed during the year and pending cases at the end of each year during 2005-06 and 2006-07 as furnished by the Commercial Tax Department are mentioned below:

Name of tax		Opening balance	New cases due for assessment during the year	Total assessment due	Cases disposed during the year	Balance at the end of the year	Percentage of column 5 to 4
1.		2.	3.	4.	5.	6.	7.
<b>Commercial Tax Department</b>							
Sales tax	2005-06	2,80,710	3,56,948	6,37,658	3,76,866	2,60,792	59.10
	2006-07	2,60,792	4,02,291	6,63,083	2,99,596	3,63,487	45.18
Profession tax	2005-06	1,16,477	75,403	1,91,880	79,956	1,11,924	41.67
	2006-07	1,11,924	1,10,091	2,22,015	1,06,502	1,15,513	47.97
Entry tax	2005-06	1,59,557	1,87,572	3,47,129	2,05,971	1,41,158	59.34
	2006-07	1,41,158	2,40,983	3,82,141	1,97,047	1,85,094	51.56
Luxury tax	2005-06	469	931	1,400	810	590	57.86
	2006-07	590	819	1,409	711	698	50.46
Tax on works contracts	2005-06	3,207	1,726	4,933	3,212	1,721	65.11
	2006-07	1,721	5,487	7,208	3,707	3,501	51.43
<b>Total</b>	<b>2005-06<sup>3</sup></b>	<b>5,60,420</b>	<b>6,22,580</b>	<b>11,83,000</b>	<b>6,66,815</b>	<b>5,16,185</b>	<b>56.37</b>
	<b>2006-07</b>	<b>5,16,185</b>	<b>7,59,671</b>	<b>12,75,856</b>	<b>6,07,563</b>	<b>6,68,293</b>	<b>47.62</b>

<sup>3</sup> The reason for change in figures of 2005-06 is due to finalisation of provisional figures furnished earlier by the Commercial Tax Department.

Thus, except for profession tax, there was a fall in the percentage of cases assessed in 2006-07 under all other categories with reference to the corresponding figures for the preceding year.

### 1.6 Evasion of tax

The details of evasion as reported by the Sales Tax, State Excise and Stamp Duty and Registration Fee departments, are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of pending cases as on 31 March 2007
					No. of cases	Amount of demand (Rs. in crore)	
1.	Sales tax	278	139	417	134	15.31	283
2.	State excise	330	46	376	372	0.09	4
3.	Stamp duty and registration fee	6,246	9,929	16,175	8,990	14.27	7,185

Thus, there was increase in the number of pending cases under sales tax and stamp duty and registration fee. The increase was particularly sharp in the case of the latter.

### 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 end of the year 2006-07 as reported by the departments are mentioned below :

(Rupees in crore)

Sl. No.	Category	State excise		Sales tax		Stamp duty & registration fee	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	336	3.46	1,486 <sup>4</sup>	158.27	290	0.25
2.	Claims received during the year	22	0.27	8,112	757.98	368	0.56
3.	Refunds made during the year	337	2.43	7,995	676.80	319	0.47
4.	Balance outstanding at the end of the year	21	1.30	1,603	239.45	339	0.34

Information on refund cases relating to works contract was not furnished despite request.

<sup>4</sup> The reason for change in figure of opening balance is due to finalisation of provisional figures of 2005-06 furnished earlier by the Commercial Tax Department.

## **1.8 Results of audit**

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fee, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs. 958.30 crore in 1,28,644 cases. During the year, the departments accepted underassessment and other losses of Rs. 772.28 crore in 1,31,768 cases pointed out in 2006-07 and earlier years.

This Report contains 41 paragraphs including three reviews involving Rs.318.57crore. The departments/Government accepted audit observations involving Rs. 288.61 crore out of which Rs. 1.93 crore had been recovered. In respect of observations not accepted by the department, the reasons for non-acceptance have been included in the related paragraph. Replies from the Government have not, however, been received.

## **1.9 Failure to enforce accountability and protect interest of the Government**

Accountant General (Works & Receipt Audit) Madhya Pradesh conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during inspection and not settled on the spot. These are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within six weeks from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the department and Government.

IRs issued upto December 2006, pertaining to various offices of commercial tax, land revenue, registration and other departments disclosed that 19,401 paragraphs relating to 6,257 IRs have remained outstanding since 1980-81 to the end of December 2006.

The position was brought to the notice of the Principal Secretaries/Secretaries to the Government in October 2007. However, no reply has been received.

The huge pendency of IRs due to non-receipt of replies indicates that the heads of the offices/departments failed to initiate action to rectify the defects, omission and irregularities pointed out in the IRs. To ensure that action to recover the revenue due does not become time barred, it is recommended that the Government should take suitable steps to ensure that prompt and appropriate responses are given to the audit observations, action is initiated against officials/officers failing to send replies to IRs/paragraphs as per the prescribed time schedule and take action to recover loss/outstanding demands in a time bound manner.



### 1.10 Response of the departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the audit office to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in this Report were sent to the Principal Secretaries/Secretaries of the concerned departments. Of these, the Land Revenue and Forest departments did not send any reply. The paragraphs pertaining to these departments have been included in this Report without the response of the departments. Audit Review Committee meetings were organised on 13 and 14 August 2007 to discuss the audit findings included in the reviews. Principal Secretary Transport Department and Secretary Finance attended the meeting held on 13 August 2007 and Principal Secretary, Commercial Tax attended the meeting held on 14 August 2007.

### 1.11 Follow-up on Audit Reports

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2006 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 29 March 2007. Reports upto the year 2004-05 have been discussed by the Public Accounts Committee (PAC) and Report for year 2005-06 has also been partly discussed. The recommendations of the PAC have been received for Audit Reports pertaining to different years.

Action taken reports (ATN) on the PAC recommendations upto 1992-93 have been received. In respect of Audit Report for 1993-94 and thereafter, ATNs have not been received from the concerned departments although instruction dated November 1994 issued by the State Legislature Affairs Department stipulates that these should be issued within six months from the date of receipt of recommendation by PAC.

### 1.12 Compliance with the earlier Audit Reports

During the years between 2001-02 and 2005-06 the department/Government accepted audit observations involving Rs. 369.25 crore of which only Rs. 3.80 crore has been recovered till 31 March 2007 as mentioned below:

(Rupees in crore)

Year of the Audit Report	Total money value of the Report	Accepted money value	Amount recovered
2001-02	221.22	56.21	0.65
2002-03	295.70	240.98	0.16
2003-04	125.53	26.26	0.29
2004-05	41.96	13.24	0.28
2005-06	85.85	32.56	2.42
<b>Total</b>	<b>770.26</b>	<b>369.25</b>	<b>3.80</b>

