

CHAPTER I: 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 2007-08, 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	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	• Tax revenue	6,788.86	7,772.97	9,114.70	10,473.13	12,017.64
	• Non-tax revenue	1,479.82	4,461.86	2,208.20	2,658.46	2,738.18
	Total	8,268.68	12,234.83	11,322.90	13,131.59	14,755.82
II.	Receipt from the Government of India					
	• State's share of divisible Union taxes	4,247.14	5,076.68	6,341.35	8,088.54	10,203.50 ¹
	• Grants-in-aid	1,773.14	2,431.74	2,932.54	4,474.15	5,729.41
	Total	6,020.28	7,508.42	9,273.89	12,562.69	15,932.91
III.	Total receipts of the State	14,288.96	19,743.25	20,596.79	25,694.28	30,688.73
IV.	Percentage of I to III	58	62	55	51	48

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 48 per cent of the total revenue receipts (Rs. 30,688.73 crore) against 51 per cent in the preceding year. The balance 52 per cent of receipts during 2007-08 was from the Government of India.

¹ 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 2007-08. 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 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	• Sales tax • Central Sales Tax	3,293.26	3,912.01	4,508.42	5,261.41	6,045.07	(+) 14.89
2.	State excise	1,085.89	1,192.36	1,370.38	1,546.68	1,853.83	(+) 19.86
3.	Stamp duty and registration fee	614.49	788.71	1,009.48	1,251.10	1,531.54	(+) 22.42
4.	Taxes on goods and passengers	390.99	468.07	578.58	744.60	916.44	(+) 23.08
5.	Taxes on vehicles	454.92	488.65	556.02	634.30	702.62	(+) 10.77
6.	Taxes and duties on electricity	697.06	707.18	842.27	714.55	626.08	(-) 12.38
7.	Other taxes on income and expenditure - tax on professions, trades, callings and employments	188.90	150.21	153.08	163.81	185.02	(+) 12.95
8.	Land revenue	43.63	46.80	77.16	132.21	129.15	(-) 2.31
9.	Other taxes and duties on commodities and services	15.32	14.28	14.15	19.55	20.10	(+) 2.81
10.	Hotel receipts	4.40	4.75	5.37	4.92	7.79	(+)58.33
Total		6,788.86	7,772.92	9,114.39	10,473.13	12,017.64	

The following reasons for variation were reported by the departments:

Sales tax- The increase of 14.89 *per cent* was stated to be due to increase in prices and special recovery campaign.

State excise- The increase of 19.86 *per cent* was stated to be due to increase in auction value.

Stamp duty and registration fee- The increase of 22.42 *per cent* was stated to be due to increase in the number of registered documents.

Taxes on vehicles- The increase of 10.77 *per cent* was stated to be due to computerisation.

Hotel receipts- The increase of 58.33 *per cent* was stated to be due to expiry of exemption period of new hotels.

1.1.3 The following table presents the details of major non-tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Non-ferrous mining and metallurgical industries	646.71	733.72	815.31	923.91	1,125.39	(+) 21.81
2.	Forestry and wildlife	496.75	559.11	490.40	536.50	608.89	(+) 13.49
3.	Miscellaneous general services	22.92	79.61	21.30	736.58	374.60	(-) 49.14
4.	Interest receipts	19.22	25.90	527.20	132.73	206.98	(+) 55.94
5.	Other non-tax receipts	135.61	2,893.52	139.82	148.24	206.42	(+) 39.25
6.	Other administrative services	51.07	50.78	67.20	59.55	68.15	(+) 14.44
7.	Major and medium irrigation	37.80	37.92	29.57	29.82	37.42	(+) 25.49
8.	Co-operation	15.60	17.92	14.23	18.54	29.29	(+) 57.98
9.	Police	24.99	23.23	26.16	24.26	25.03	(+) 3.17
10.	Medical and public health	10.98	16.76	11.73	20.88	21.93	(+) 5.03
11.	Public works	9.09	9.94	53.08	16.39	20.33	(+) 24.04
12.	Education, sports, Art and culture	9.08	13.45	12.20	11.06	13.75	(+) 24.32
Total		1,479.82	4,461.86	2,208.20	2,658.46	2,738.18	

The following reasons for variation were reported by the departments.

Non-ferrous mining and metallurgical industries- The increase of 21.81 *per cent* was stated to be due to revision of royalty on coal and constant vigil by the department.

Forestry and wildlife- The increase of 13.49 *per cent* was stated to be due to increase in sale of forest produce.

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 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
A. Tax revenue					
1.	Sales tax	5,700.00	6,045.07	(+) 345.07	(+) 6.05
2.	State excise	1,750.00	1,853.83	(+) 103.83	(+) 5.93
3.	Stamp duty and registration fee	1,400.00	1,531.54	(+) 131.54	(+) 9.40
4.	Taxes and duties on electricity	832.00	626.08	(-) 205.92	(-) 24.75
5.	Land revenue	130.00	129.15	(-) 0.85	(-) 0.65
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	1,080.00	1,125.39	(+) 45.39	(+) 4.20
2.	Forestry and wildlife	543.00	608.89	(+) 65.89	(+) 12.13

The reasons for variations of actuals over budget estimates during 2007-08 as intimated by the respective departments are given below:

Taxes and duties on electricity- The decrease of 24.75 *per cent* was stated to be due to non-adjustment of Rs. 495 crore of MPSEB for the year 2007-08.

Forestry and wildlife- The increase of 12.13 *per cent* was stated to be due to sale of more/excess forest produce than the target.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection as furnished by the concerned departments and the percentage of expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 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 2006-07
1.	Sales tax	2005-06	4,508.42	50.41	1.12	0.82
		2006-07	5,261.41	48.20	0.92	
		2007-08	6,045.07	60.36	1.0	
2.	Taxes on vehicles and taxes on goods and passengers	2005-06	1,134.60	7.54	0.66	2.47
		2006-07	1,378.90	6.41	0.46	
		2007-08	702.62	7.60	1.08	

3.	State excise	2005-06	1,370.38	289.53	21.13	3.30
		2006-07	1,546.68	303.79	19.64	
		2007-08	1,853.83	396.04	21.36	
4.	Stamp duty and registration fee	2005-06	1,009.48	28.63	2.83	2.33
		2006-07	1,251.10	36.48	2.91	
		2007-08	1,531.54	44.54	2.90	

Thus, the percentage of expenditure on the collection of sales tax, 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. In case of State excise where figures are abnormally higher than the all India average percentage, it was stated by the department that the increased expenditure on collection was due to the fact that the cost of liquor is paid to the manufacturers from the budget provisions for expenditure which was Rs. 320.20 crore during 2007-08.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 786.54 crore of which Rs. 239.62 crore (excluding Transport Department) was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008
1.	Taxes on vehicles	39.54	Information not furnished
2.	State excise	58.63	48.41
3.	Taxes & duties on electricity	22.81	5.90
4.	Sales tax	571.53	154.52
5.	Non-ferrous mining and metallurgical industries	12.23	12.23
6.	Co-operation	10.29	5.34
7.	Stamp duty and registration fee	71.51	13.22
Total		786.54	239.62

The position of arrears of revenue at the end of 2007-08 in respect of other departments was not furnished (December 2008) by the Government despite being requested (September 2008). Also, the stages at which arrears were pending for collection were not furnished by the departments (December 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 assessment during the year, cases disposed during the year and pending cases at the end of each year during 2006-07 and 2007-08 as furnished by the Commercial Tax Department are mentioned below:

Name of tax		Opening balance	New cases due for assessment during the year	Total assessments 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)
Commercial Tax Department							
Sales tax	2006-07	2,60,792	4,02,291	6,63,083	2,99,596	3,63,487	45.18
	2007-08	3,63,487	2,81,575	6,45,062	3,41,769	3,03,293	52.98
Profession tax	2006-07	1,11,924	1,10,091	2,22,015	1,06,502	1,15,513	47.97
	2007-08	1,15,513	1,45,481	2,60,994	1,33,479	1,27,515	51.14
Entry tax	2006-07	1,41,158	2,40,983	3,82,141	1,97,047	1,85,094	51.56
	2007-08	1,85,094	2,23,297	4,08,391	2,19,980	1,88,411	53.87
Luxury tax	2006-07	590	819	1,409	711	698	50.46
	2007-08	698	1,007	1,705	1,007	698	59.06
Tax on works contracts	2006-07	1,721	5,487	7,208	3,707	3,501	51.43
	2007-08	3,501	3,211	6,712	2,965	3,747	44.17
Total	2006-07	5,16,185	7,59,671	12,75,856	6,07,563	6,68,293	
	2007-08	6,68,293	6,54,571	13,22,864	6,99,200	6,23,664	

Thus, there has been an increase in disposal of assessment cases as compared to the previous year except in assessments relating to taxes on works contract.

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 the tax/duty	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of pending cases as on 31 March 2008
					No. of cases	Amount of demand (Rs. in crore)	
1.	Sales tax	283	347	630	277	55.92	353
2.	State excise	4	39	43	36	0.02	7
3.	Stamp duty and registration fee	7,185	4,015	11,200	4,035	20.03	7,165

Thus, there was increase in the number of pending cases under sales tax and state excise as compared to the previous year.

1.7 Refunds

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and cases pending at the end of the year 2007-08 as reported by the departments are mentioned below :

(Rupees in crore)

Sl. No.	Category	State excise		Sales tax		Stamp duty and registration fee	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	21	1.30	1,603	10.17	787	1.37 ²
2.	Claims received during the year	32	0.40	10,401	114.27	912	3.01
3.	Refunds made during the year	32	0.43	10,484	108.40	787	1.95
4.	Balance outstanding at the end of the year	21	1.27	1,520	16.04	912	2.43

Thus, there was an increase in the number and amount of refund cases at the end of the year in the Stamp Duty and Registration Fee Department.

1.8 Results of audit

Test check of the records of sales tax, land revenue, state excise, tax on vehicles, stamp duty and registration fee, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2007-08 revealed underassessment/short levy/loss of revenue amounting to Rs. 1,069.85 crore in 4,48,574 cases. During the year, the departments accepted underassessment and other losses of Rs. 327.83 crore in 3,16,179 cases out of which Rs. 317.30 crore in 3,14,562 cases were pointed out in 2007-08 and rest in earlier years. An amount of Rs. 135.61 crore had been recovered in 456 cases relating to different years.

This report contains 53 paragraphs and two reviews involving Rs. 623.43 crore. The departments/Government accepted audit observations involving Rs. 421.89 crore out of which Rs. 4.86 crore had been recovered. In respect of observations not accepted by the department, the reasons for non-acceptance have been included in the related paragraphs.

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

² Change in figures from last year closing balance is due to furnishing of final figures by the department

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 separately.

IRs issued upto December 2007 pertaining to various offices of commercial tax, land revenue, registration and other departments disclosed that 17,654 paragraphs relating to 5,938 IRs have remained outstanding since 1997-98 to the end of December 2007.

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, omissions 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 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 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 24 October and 06 November 2008 to discuss the audit findings included in the two reviews. Principal Secretary, Commercial Tax Department and IGR (Inspector General of Registration and Superintendent of stamps, Madhya Pradesh) attended the meeting held on 24 October 2008 and Principal Secretary, Mining along with Principal Secretary, Finance attended the meeting held on 06 November 2008.

1.11 Follow-up on Audit Reports

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2007 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 19 March 2008. Reports upto the year 2005-06 have been discussed by the Public Accounts Committee (PAC) and Report for year 2006-07 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 instructions of November 1994 issued by the State Legislature Affairs Department stipulate that these should be issued within six months from the date of receipt of recommendation by the PAC.

1.12 Compliance with the earlier Audit Reports

During the years between 2002-03 and 2006-07 the department/Government accepted audit observations involving Rs. 601.65 crore of which only Rs. 5.08 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
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
2006-07	318.57	288.61	1.93
Total	867.61	601.65	5.08

1.13 Departmental audit committee meetings

During the year 2007-08, three departmental audit committee meetings were held in which 64 IRs and 341 paragraphs involving money value of Rs. 29.85 crore were settled.