

CHAPTER 1 : General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Maharashtra during the year 2001-2002, 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 two years are given below:

(Rupees in crore)			
	1999-2000	2000-2001	2001-2002
I. Revenue raised by the State Government			
(a) Tax revenue	17264.95	19726.94	21287.64
(b) Non-tax revenue ¹	3914.78	5579.94	4538.66
	(3936.87)	(5596.26)	(4655.08)
Total	21179.73	25306.88	21171.22
	(21201.82)	(25323.20)	(25942.72)
II. Receipts from the Government of India			
(a) State's share of divisible Union taxes	2608.67	2781.01	2468.76
(b) Grants-in-aid	1458.98	1462.71	1681.47
Total	4067.65	4243.72	4150.23
III. Total receipts of the State	25247.38	29550.60	29976.53
	(25269.47)	(29566.92)	(30092.95)
IV. Percentage of I to III	84	86	86

¹ Lottery receipts included in non-tax revenue are net of expenditure on prize winning tickets.

Figures in brackets indicate gross receipts.

Note : For details, please see Statement No. 11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Maharashtra for the year 2001-2002. Figures under the head "0020-Corporation Tax, 0021 - Taxes on Income other than Corporation Tax, 0028- Other taxes on Income and Expenditure, 0032 - Wealth Tax, 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 tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

- (a) The details of tax revenue raised during the year 2001-2002 along with the figures for the preceding two years are given below:

(Rupees in crore)

Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
1. Sales Tax				
(a) State Sales Tax <i>etc.</i>	8853.84	10331.08	10071.89	(-) 3
(b) Central Sales Tax	1655.18	1865.31	2059.50	(+) 10
2. State Excise	1875.68	1779.51	1787.26	Negligible
3. Stamps and Registration Fees	1939.83	2200.92	2442.68	(+) 11
4. Taxes and Duties on Electricity	377.71	933.59	1034.26	(+) 11
5. Taxes on vehicles	708.30	785.84	947.79	(+) 21
6. Taxes on Goods and Passengers	331.94	100.23	1027.39	(+) 925
7. Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	807.96	946.78	981.98	(+) 4
8. Other Taxes and Duties on Commodities and Services	536.52	568.96	674.27	(+) 19
9. Land Revenue	177.87	214.72	260.46	(+) 21
10. Taxes on Agricultural Income	0.12	Negligible	0.16	--
Total	17264.95	19726.94	21287.64	

While there was an increase of 14 *per cent* in the tax revenue during the year 2000-2001 over 1999-2000, the tax revenue in the year 2001-2002 showed an increase of only 8 *per cent* over the year 2000-2001. Sales tax receipts of Rs 12131 crore amounted to 57 *per cent* of the tax revenue collected during the year 2001-2002.

Increase of taxes on goods and passengers was due to book adjustment of passengers tax due from M.S.R.T.C. against dues payable by Government to them. Increase of taxes on vehicles was due to recovery of arrears besides normal growth. Increase in land revenue was due to more recoveries during the year.

(b) The details of the major non-tax revenue raised during the year 2001-2002 alongwith the figures for the preceding two years are given below:

		(Rupees in crore)			
Head of Revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001	
1. Interest Receipts	1724.16	3161.63	1845.60	(-) 42	
2. Dairy Development	795.53	794.21	885.83	(+) 12	
3. Other Non-Tax Receipts	370.98	393.66	616.08	(+) 57	
4. Forestry and Wild Life	134.74	135.16	134.14	Negligible	
5. Non-ferrous Mining and Metallurgical Industries	266.09	350.47	347.17	Negligible	
6. Miscellaneous General ² Services (including lottery receipts)	149.12	197.00	125.55	(-) 36	
7. Power	75.42	86.45	85.70	Negligible	
8. Major and Medium Irrigation	61.63	62.49	86.03	(+) 38	
9. Medical and Public Health	84.91	77.53	109.78	(+) 42	
10. Co-operation	49.61	58.93	71.26	(+) 21	
11. Public Works	74.99	69.33	62.71	(-) 10	
12. Police	83.55	91.38	110.78	(+) 21	
13. Other Administrative Services	44.05	101.70	58.03	(-) 43	
Total	3914.78	5579.94	4537.66		

As against an increase of 43 *per cent* in the non-tax revenue in the year 2000-2001 over 1999-2000, the non-tax revenue in the year 2001-2002 showed a decrease of 19 *per cent*. The decrease was due to lower collections under interest receipts (42 *per cent*) and other administrative services (43 *per cent*).

² Figure is net of expenditure on prize winning lottery tickets.

1.2 Variations between Budget estimates and actuals

The variations between the Budget estimates and actuals of revenue receipts for the year 2001-2002 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Sales Tax	14822.00	12131.39	(-) 2690.61	(-) 18
2.	State Excise	1875.00	1787.26	(-) 87.74	(-) 5
3.	Stamps and Registration Fees	2400.00	2442.68	(+) 42.68	(+) 2
4.	Taxes and Duties on Electricity	1086.00	1034.26	(-) 51.74	(-) 5
5.	Taxes on vehicles	920.00	947.79	(+) 27.79	(+) 3
6.	Taxes on Goods and Passengers	1198.01	1027.39	(-) 170.62	(-) 14
7.	Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	1000.00	981.98	(-) 18.02	(-) 2
8.	Other Taxes and Duties on Commodities and Services	624.60	674.27	(+) 49.67	(+) 8
9.	Land Revenue	92.00	260.46	(+) 168.46	(+) 183
10.	Taxes on Agricultural Income	--	0.16	(+) 0.16	--
11.	Interest Receipts	982.42	1845.60	(+) 863.18	(+) 88
12.	Dairy Development	698.00	885.83	(+) 187.83	(+) 27
13.	Other Non-tax Receipts	428.20	616.08	(+) 187.88	(+) 44
14.	Forestry and Wild Life	200.00	134.14	(-) 65.86	(-) 33
15.	Non-Ferrous Mining and metallurgical Industries	363.73	347.17	(-) 16.56	(-) 5

(Rupees in crore)

Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
16. Miscellaneous General services				
(i) Lottery receipts ³	67.33	14.33	(-) 53	(-) 79
(ii) Other receipts	132.55	111.22	(-) 21.33	(-) 16
17. Power	421.61	85.70	(-) 335.91	(-) 80
18. Major and Medium Irrigation	64.00	86.03	(+) 22.03	(+) 34
19. Medical and Public Health	114.14	109.78	(-) 4.36	(-) 4
20. Co-operation	50.84	71.26	(+) 20.42	(+) 40
21. Public Works	71.98	62.71	(-) 9.27	(-) 13
22. Police	89.40	110.78	(+) 21.38	(+) 24
23. Other Administrative Services	49.95	58.03	(+) 8.08	(+) 16
Total	27751.76	25826.30	(-) 1925.47	

The reasons for variations between Budget estimates and actuals in respect of some of the receipts were as under:

Land Revenue: Increase was due to more recoveries during the year.

Dairy Development: Increase was due to normal growth.

Major and Medium Irrigation: Increase was due to more receipts under medium irrigation (commercial).

Co-operation: Increase was due to normal growth.

Police: Increase was due to receipts on account of police supplied to other Governments.

There are very large variations between budget estimates and actuals, varying between a short fall of 80 *per cent* (Power) and excess of 182 *per cent* (Land Revenue). This is indicative of poor budgeting and poor fiscal marksmanship. The State Government must look into this issue.

³ Net of expenditure on prize winning tickets

1.3 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessments of Sales Tax, Motor Spirit Tax, Profession Tax, Entry Tax and Luxury Tax for the year 2001-2002 and the corresponding figures for the preceding two years as furnished by the department was 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)
Finance Department							
Sales Tax	1999-2000	7861.96	532.26	55.92	230.09	8220.05	96
	2000-2001	9425.45	459.62	52.03	308.68	9628.42	98
	*2001-2002	9001.34	494.29	72.79	330.83	9237.59	97
Motor Spirit Tax	1999-2000	2292.20	Nil	Nil	Nil	2292.20	100
	2000-2001	2960.71	Nil	Nil	Nil	2960.71	100
	*2001-2002	3282.18	Nil	Nil	Nil	3282.18	100
Profession Tax	1999-2000	785.99	3.68	1.20	0.29	790.58	99
	2000-2001	935.92	2.52	1.88	0.28	940.04	99
	*2001-2002	962.14	4.72	--	0.03	966.83	100
Entry Tax	1999-2000	17.02	5.36	0.06	0.05	22.39	76
	2000-2001	3.58	3.42	0.18	Nil	7.18	50
	*2001-2002	3.69	1.12	0.04	--	4.85	76
Luxury Tax	1999-2000	130.72	2.49	0.69	0.01	133.89	98
	2000-2001	176.32	3.30	0.18	0.13	179.67	98
	*2001-2002	168.42	1.76	0.11	--	170.29	99

The table above shows that collection of revenue at pre-assessment stage ranged between 76 and 100 per cent during 1999-2000 and 2001-2002 and 50 and 100 per cent during 2000-2001. The collection of entry tax at pre-assessment stage was higher at 76 per cent in 2001-2002 as against 50 per cent in 2000-2001.

1.4 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross

* Figures are unreconciled

collections during the years 1999-2000, 2000-2001 and 2001-2002 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2000-2001 were as follows:

(Rupees in crore)

Head of Revenue	Year	Collection ⁴	Expenditure on collection of revenue ⁵	Percentage of expenditure on collection	All India average percentage for the year 2000-2001
1. Sales Tax	1999-2000	10509.02	136.08	1.29	1.31
	2000-2001	12196.39	107.94	0.89	
	2001-2002	12131.39	100.26	0.83	
2. State Excise	1999-2000	1875.68	29.48	1.58	3.10
	2000-2001	1779.51	25.87	1.45	
	2001-2002	1787.26	Awaited	Awaited	

1.5 Arrears of revenue

The arrears of revenue as on 31 March 2002 in respect of some principal heads of revenue amounted to Rs 5140.68 crore of which Rs 1919.24 crore were outstanding for more than 5 years as detailed in the following table:

(Rupees in crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2002	Amount outstanding for more than 5 years as on 31 March 2002	Remarks
1.	Sales Tax etc.	5115.59	1908.10	(i) Stay granted by appellate authorities for Rs 3330.05 crore. (ii) Under other action Rs 1785.54.
2.	State Excise	7.18	4.62	
3.	Electricity Duty	17.91	6.52	(i) Concerned District Collectors have been directed to recover the duty amount as arrears of land revenue. Further co-operative department was also instructed to deduct the amount while giving loan to concerned factories.
Total		5140.68	1919.24	

The Home (Transport wing), Revenue and Forests, Irrigation and Public Works Departments which are responsible for collection of some of the major receipts had not furnished details of arrears of revenue (December 2002).

⁴ Figures as per Finance Accounts

⁵ Figures as furnished by the department

1.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2001-2002, 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 2001-2002 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 were as follows:

Name of tax	Opening balance	New cases due for assessment during 2001-2002	Total assessments due	Cases disposed of during 2001-2002	Balance at the end of the year	Percentage of Column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Finance Department</i>						
Sales Tax	1707203	863320	2570523	741379	1829144	71
Motor Spirit Tax	6767	1118	7885	494	7391	94
Profession Tax	621898	224021	845919	183968	661951	78
Purchase tax on sugarcane	3067	--	3067	469	2598	85
Entry tax	3945	--	3945	--	3945	100
Lease Tax	4879	1201	6080	706	5374	88
Luxury Tax	4778	1527	6305	911	5394	86
Tax on works contracts	60698	27934	88632	7770	80862	91
Total	2413235	1119121	3532356	935697	2596659	

The department stated that since the entry tax was recovered in full before granting registration certificate under the Motor Vehicles Act, no formal assessment proceedings were undertaken. However, the assessments were continued to be shown outstanding by the department.

It would be seen from the above that cases pending as on 31 March 2002 ranged from 71 to 100 *per cent* of the total cases due for assessments.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the departments were as follows:

Sr. No	Name of tax/duty	Cases pending as on 31 March 2001	Cases detected during 2001-2002	Total	No. of cases in which assessments/investigations completed and additional demand including penalty <i>etc.</i> , raised		No. of cases pending finalisation as on 31 March 2002
					No. of cases	Amount of demand (Rupees in lakh)	
1.	Sales Tax	4222	3551	7773	3020	4868.59	4753
2.	State Excise	9	8	17	9	1.24	8

1.8 Write-off and waiver of revenue

During the year 2001-2002, demands for Rs 104.61 lakh (in 1183 cases) and Rs 1.62 lakh (in 24 cases) relating to Sales Tax and State Excise respectively were written off by the departments as irrecoverable. Reasons for the write-off of these demands as reported by the departments were as follows:

Reasons	(Rupees in lakh)			
	Sales Tax		State Excise	
	No. of cases	Amount	No. of cases	Amount
1. Whereabouts of defaulters not known	818	43.01	2	0.08
2. Defaulters no longer alive	140	3.27	9	0.71
3. Defaulters not having any property	204	42.71	4	0.08
4. Defaulters adjudged insolvent	--	--	3	0.17
5. Other reasons	19	0.33	5	0.53
6. Remission of penalty	2	15.29	1	0.05
	1183	104.61	24	1.62

1.9 Refunds

The number of refund cases pending at the beginning of the year 2001-2002, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2001-2002, as reported by the departments are as follows:

(Rupees in lakh)

	<u>Sales Tax</u>		<u>Taxes and Duties on Electricity</u>		<u>State Excise</u>		<u>Works Contracts</u>	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1. Claims outstanding at the beginning of the year	4276	5795.00	105	252.51	62	33.39	59	58.00
2. Claims received during the year	28572	31327.00	80	290.95	23	12.06	335	773.00
3. Refunds made during the year	28804	33083.00	71	164.31	27	17.52	334	776.00
4. Balance outstanding at the end of the year	4044	4039.00	114	379.15	58	27.93	60	55.00

1.10 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 2001-2002 revealed under-assessment/short levy/loss of revenue amounting to Rs 780.51 crore in 32174 cases. During the course of the year the departments accepted under-assessment of Rs 54.41 crore in 8701 cases pointed out in 2001-2002 and earlier years and recovered Rs 49.83 crore. No replies have been received in respect of the remaining cases.

This Report contains 36 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalties *etc.*, involving Rs 493.85 crore. The Department/Government have accepted audit observations involving Rs 206.13 crore of which Rs 24.57 crore had been recovered upto December 2002. No replies have been received in the other cases.

1.11 Response of Government to audit objections

Principal Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur arrange to conduct periodical inspection of the various offices of the Government departments to test check the transactions of tax and non-tax receipts and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of the offices with a

copy to the next higher authorities. Government of Maharashtra Finance Department circular dated 10 July 1967 provides for response within one month by the executive to the IRs issued by the Accountants General after ensuring action in compliance of the prescribed Acts, rules and procedures and fixing accountability for the deficiencies, lapses, *etc.*, noticed during audit inspection. Serious irregularities are also brought to the notice of the head of the Department by the office of the Principal Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur. A half yearly report is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of the audit observations by the Government.

Inspection Reports issued upto 31 December 2001 pertaining to offices under the Finance, Home, Revenue and Forests, Industries, Energy and Labour, Housing and Special Assistance, Urban Development, Public Works, Co-operation and Textiles, Irrigation, Agriculture, Animal Husbandry, Dairy Development and Fisheries, Public Health, Education and Employment, Law and Judiciary Departments disclosed that 15399 objections relating to 6040 IRs involving Rs 796.61 crore remained outstanding at the end of June 2002. Of these, 2606 IRs containing 5678 objections involving Rs 145.28 crore had not been settled for more than 4 years. The yearwise position of the outstanding IRs and Paragraphs is detailed in the Appendix-I.

In respect of 1525 paragraphs relating to 397 IRs involving Rs 49.37 crore issued upto December 2001, even the first replies, which were required to be received from the Heads of offices within one month, had not been received.

A review of the IRs which were pending due to non-receipt of replies, in respect of the various departments, revealed that the Heads of the offices and the Heads of the Departments (Secretaries) failed to send any reply to a large number of IRs/paragraphs indicating that no action was taken to rectify the defects, omissions and irregularities pointed out in the IRs issued by the AGs. The Secretaries of the Departments, who were informed of the position through half yearly reports, also did not ensure prompt and timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to the Government despite these having been pointed out in Audit.

It is recommended that Government should look into this matter again and ensure that procedure exists for (a) action against the officials who failed to send replies to IRs/paras as per the prescribed time schedule, (b) action to recover loss/under-assessments in a time bound manner and (c) revamping the system of proper response to audit observations in the department.

The details of outstanding inspection reports were reported to Government in August 2002; their reply had not been received (December 2002).

1.12 Departmental Audit Committee Meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted by the Government. These Committees are chaired by Joint Secretary/Deputy Secretary of the concerned Administrative Department and attended among others by the concerned officers of the State Government and the Offices of the Principal Accountant General (Audit)-I, Mumbai/ Accountant General (Audit)-II, Nagpur.

In order to expedite the clearance of the outstanding audit observations, it is necessary that the Audit Committees meet regularly and ensures that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2001-2002 only the Home Department out of the concerned eight Government departments convened a meeting of the Audit Committee. This indicates that the Government departments have not been taking initiative in using the machinery created for settling the outstanding audit observations.

1.13 Response of the departments to Draft Audit Paragraphs

The Finance Department issued directions to all departments in July 1967 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft paragraphs are always forwarded by the respective Audit offices to the Secretaries of the concerned departments through demi official letters 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 Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2002 were forwarded to the Secretaries of the respective departments between March 2002 and July 2002 through demi official letters. Replies to most of the paragraphs have not been received, 66 such paragraphs have been included in this Report.

1.14 Follow up on Audit Reports-summarised position

According to instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda duly vetted by audit to the Maharashtra Legislative Secretariat in respect of paragraphs included in the Audit Reports within one month of their being laid on the table of the House.

Review of outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) as on 31 August 2002 disclosed that the departments had not submitted remedial explanatory memoranda on 31 paragraphs for the years from 1996-97 to 1999-2000 (Appendix II).

With a view to ensuring accountability of the executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee lays down in each case the period within which action taken notes (ATN) on its recommendations should be sent.

The Public Accounts Committee had discussed 116 selected paragraphs pertaining to Audit Reports for the years from 1986-87 to 1995-96 and given their recommendations on 72 paragraphs which have been incorporated in their 27th Report (1994-95), 9th Report (1995-96), 12th, 13th, 14th and 18th Report (1996-97), 21st Report (1997-98) and 5th Report (2000-2001). However, action taken notes have not been received in respect of 38 recommendations of the Public Accounts Committee from the concerned departments as detailed in Appendix III.