

CHAPTER I: General

1.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Maharashtra during the year 2002-2003, 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:

(In crore of rupees)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
I. Revenue raised by the State Government					
(a) Tax revenue	14,202.36	17,264.95	19,726.94	21,287.64	22,799.45
(b) Non-tax revenue ¹	3,552.71	3,914.78	5,579.94	4,538.66	4,249.48
	(3,572.70)	(3,936.87)	(5,596.26)	(4,655.08)	(4,517.47)
Total	17,755.07	21,179.73	25,306.88	25,826.30	27,048.93
	(17,775.06)	(21,201.82)	(25,323.20)	(25,942.72)	(27,316.92)
II. Receipts from the Government of India					
(a) State's share of divisible Union taxes	2,921.90	2,608.67	2,781.01	2,468.76	2,279.97
(b) Grants-in-aid	1,040.13	1,458.98	1,462.71	1,681.47	1,506.15
Total	3,962.03	4,067.65	4,243.72	4,150.23	3,786.12
III. Total receipts of the State	21,717.10	25,247.38	29,550.60	29,976.53	30,835.05
	(21,737.09)	(25,269.47)	(29,566.92)	(30,092.95)	(31,103.04)
IV. Percentage of I to III	82	84	86	86	88

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 2002-2003. 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 State's 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.

1.1.1 The details of tax revenue raised during the year 2002-2003 alongwith the figures for the preceding four years are given below:

(In crore of rupees)						
Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1. Sales Tax						
(a) State Sales Tax etc.	6,731.73	8,853.84	10,331.08	10,071.89	11,746.21	(+) 17
(b) Central Sales Tax	1,334.88	1,655.18	1,865.31	2,059.50	1,742.14	(-) 15
2. State Excise	1,748.74	1,875.68	1,779.51	1,787.26	1,938.68	(+) 8
3. Stamps and Registration Fees	1,607.87	1,939.83	2,200.92	2,442.68	2,823.11	(+) 16
4. Taxes and Duties on Electricity	711.23	377.71	933.59	1,034.26	1,149.18	(+) 11
5. Taxes on vehicles	636.95	708.30	785.84	947.79	941.23	(-) 1
6. Taxes on Goods and Passengers	281.02	331.94	100.23	1,027.39	245.03	(-) 76
7. Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	546.27	807.96	946.78	981.98	1,028.56	(+) 5
8. Other Taxes and Duties on Commodities and Services	491.21	536.52	568.96	674.27	798.90	(+) 18
9. Land Revenue	112.46	177.87	214.72	260.46	386.41	(+) 48
10. Taxes on Agricultural Income	Negligible	0.12	Negligible	0.16	NIL	--
Total	14,202.36	17,264.95	19,726.94	21,287.64	22,799.45	

The reasons for variation, though called for were not furnished (September 2003).

1.1.2 The details of the major non-tax revenue raised during the year 2002-2003 alongwith the figures for the preceding four years are given below:

(In crore of rupees)

Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1. Interest Receipts	1,653.89	1,724.16	3,161.63	1,845.60	1,777.27	(-) 4
2. Dairy Development	735.90	795.53	794.21	885.83	800.51	(-) 10
3. Other Non-Tax Receipts	328.77	370.98	393.66	616.08	245.07	(-) 60
4. Forestry and Wild Life	130.31	134.74	135.16	134.14	104.58	(-) 22
5. Non-ferrous Mining and Metallurgical Industries	256.65	266.09	350.47	347.17	400.61	(+) 15
6. Miscellaneous General ² Services (including lottery receipts)	70.86	149.12	197.00	125.55	290.14	(+) 131
7. Power	75.51	75.42	86.45	85.70	85.79	Negligible
8. Major and Medium Irrigation	33.65	61.63	62.49	86.03	113.05	(+) 31
9. Medical and Public Health	81.46	84.91	77.53	109.78	95.89	(-) 13
10. Co-operation	43.49	49.61	58.93	71.26	63.01	(-) 12
11. Public Works	55.36	74.99	69.33	62.71	54.31	(-) 13
12. Police	42.71	83.55	91.38	110.78	152.77	(+) 38
13. Other Administrative Services	44.15	44.05	101.70	58.03	66.48	(+) 15
Total	3,552.71	3,914.78	5,579.94	4,538.66	4,249.48	

The increase of 131 *per cent* in the receipts under the head Miscellaneous General Services was owing to increased collection of guarantee fees and other receipts. The reasons for variation in respect of the other non-tax receipts though called for were not furnished (September 2003).

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 2002-2003 in respect of the principal heads of tax and non-tax revenue are given below:

(In crore of rupees)

	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Sales Tax etc.	14,680.00	13,488.35	(-) 1,191.65	(-) 8
2.	State Excise	2,150.00	1,938.68	(-) 211.32	(-) 10
3.	Stamps and Registration Fees	2,675.00	2,823.11	(+) 148.11	(+) 6
4.	Taxes and Duties on Electricity	1,117.37	1,149.18	(+) 31.81	(+) 3
5.	Taxes on vehicles	1,025.00	941.23	(-) 83.77	(-) 8
6.	Taxes on Goods and Passengers	578.80	245.03	(-) 333.77	(-) 58
7.	Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments	1,400.00	1,028.56	(-) 371.44	(-) 27
8.	Other Taxes and Duties on Commodities and Services	665.89	798.90	(+) 133.01	(+) 20
9.	Land Revenue	313.02	386.41	(+) 73.39	(+) 23
10.	Interest Receipts	1,136.58	1,777.27	(+) 640.69	(+) 56
11.	Dairy Development	550.00	800.51	(+) 250.51	(+) 46
12.	Other Non-tax Receipts	460.80	245.07	(-) 215.73	(-) 47
13.	Forestry and Wild Life	136.50	104.58	(-) 31.92	(-) 23
14.	Non-Ferrous Mining and Metallurgical Industries	382.22	400.61	(+) 18.39	(+) 5

(In crore of rupees)

Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
15. Miscellaneous General services				
(i) Lottery receipts ³	164.52	15.28	(-) 149.24	(-) 91
(ii) Other receipts	199.44	274.86	(+) 75.42	(+) 38
16. Power	97.61	85.79	(-) 11.82	(-) 12
17. Major and Medium Irrigation	127.31	113.05	(-) 14.26	(-) 11
18. Medical and Public Health	122.04	95.89	(-) 26.15	(-) 21
19. Co-operation	53.68	63.01	(+) 9.33	(+) 17
20. Public Works	75.98	54.31	(-) 21.67	(-) 29
21. Police	95.79	152.77	(+) 56.98	(+) 59
22. Other Administrative Services	55.11	66.48	(+) 11.37	(+) 21
Total	28,262.66	27,048.93		

The reasons for variations between Budget estimates and actuals have not been received (September 2003)

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 2002-2003 and the corresponding figures for the preceding two years as furnished by the department was as follows:

³ Net of expenditure on prize winning tickets

(In crore of rupees)

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	2000-2001	9,425.45	459.62	52.03	308.68	9,628.42	98
	2001-2002	9,001.34	494.29	72.79	330.83	9,237.59	97
	*2002-2003	9,610.38	473.29	50.64	286.70	9,847.61	98
Motor Spirit Tax	2000-2001	2,960.71	Nil	Nil	Nil	2,960.71	100
	2001-2002	3,282.18	Nil	Nil	Nil	3,282.18	100
	*2002-2003	3,895.62	1.00	Nil	Nil	3,896.62	100
Profession Tax	2000-2001	935.92	2.52	1.88	0.28	940.04	99
	2001-2002	962.14	4.72	--	0.03	966.83	100
	*2002-2003	1,000.17	7.15	--	0.32	1,007.00	99
Entry Tax	2000-2001	3.58	3.42	0.18	Nil	7.18	50
	2001-2002	3.69	1.12	0.04	--	4.85	76
	*2002-2003	7.40	1.45	0.03	--	8.88	83
Luxury Tax	2000-2001	176.32	3.30	0.18	0.13	179.67	98
	2001-2002	168.42	1.76	0.11	--	170.29	99
	*2002-2003	145.74	5.40	0.14	0.27	151.01	97

The table above shows that collection of revenue at pre-assessment stage ranged between 83 and 100 *per cent* during 2002-2003.

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 collections during the years 2000-2001, 2001-2002 and 2002-2003 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows:

* Figures as furnished by the Department are at variance with the Finance Accounts.

(In crore of rupees)

Head of Revenue	Year	Collection ⁴	Expenditure on collection of revenue ⁵	Percentage of expenditure on collection	All India average percentage for the year 2001-2002
1. Sales Tax	2000-2001	12,196.39	107.94	0.89	1.26
	2001-2002	12,131.39	100.26	0.83	
	2002-2003	13,779.70	104.91	0.76	
2. State Excise	2000-2001	1,779.51	27.61	1.55	3.21
	2001-2002	1,787.26	26.80	1.49	
	2002-2003	1,938.68	28.44	1.43	
3. Motor Vehicles Taxes	2000-2001	785.84	44.21	5.62	2.99
	2001-2002	947.78	29.74	3.13	
	2002-2003	942.80	30.09	3.19	

The table above shows that the percentage expenditure on collection under motor vehicles taxes was higher than the All India average percentage.

1.5 Collection of sales tax per assessee

According to information furnished by the department, the sales tax collection per assessee during the years from 1998-99 to 2002-03 was as under :

(Amount in crore of rupees)

Year	No. of assessees	Sales tax revenue	Revenue/ assessee
1998-1999	3,82,665	8,953.45	0.02
1999-2000	3,76,523	11,724.70	0.03
2000-2001	4,05,979	12,196.39	0.03
2001-2002	4,37,889	12,131.39	0.03
2002-2003	6,04,275	13,779.70	0.02

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs 5,879.01 crore of which Rs 2,609.28 crore were outstanding for more than 5 years as detailed in the following table:

⁴ Figures as per Finance Accounts

⁵ Figures as furnished by the department are at variance with the Finance Accounts.

(In crore of rupees)				
Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
1.	Sales Tax etc.	5,673.59	2,513.70	Stay orders were granted by Appellate Authorities for Rs 3,575.06 crore, while balance of Rs 2,098.53 crore under different stages of recovery.
2.	State Excise	10.96	6.51	i) Recovery of Rs 9.06 crore was pending in appeals with various appellate authorities. (ii) Recovery in respect of the balance of Rs 1.90 crore was under various stages of action.
3.	Electricity Duty	23.85	5.94	(i) District Collectors were directed to recover the amount as arrears of land revenue. (ii) Co-operation Department had been instructed to deduct the electricity dues from loans payable to concerned factories. (iii) Concerned electrical inspectors had issued notices to the consumers against whom dues were outstanding.
4.	Motor Vehicles Taxes	170.61	83.13	Special drive was being undertaken by the Department and actions specified under Land Revenue code was being taken.
Total		5,879.01	2,609.28	

The Revenue and Forests and Irrigation and Public Works Departments, responsible for collection of some of the major receipts, had not furnished details of arrears of revenue (September 2003).

1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2002-2003, 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 2002-2003 as furnished by the Sales Tax Department in respect of sales tax, motor spirit 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 2002-2003	Total assessments due	Cases disposed of during 2002-2003	Balance at the end of the year	Percentage of Column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Finance Department						
Sales Tax	18,29,144	8,62,569	26,91,713	10,32,940	16,58,773	62
Motor Spirit Tax	7,391	1,767	9,158	650	8,508	93
Profession Tax	6,61,951	2,54,429	9,16,380	1,92,834	7,23,546	79
Purchase tax on sugarcane	2,598	530	3,128	240	2,888	92
Entry tax	3,945	--	3,945	3,936	9	0.2
Lease Tax	5,374	1,336	6,710	1,027	5,683	85
Luxury Tax	5,394	1,814	7,208	1,381	5,827	81
Tax on works contracts	80,862	28,498	1,09,360	8,325	1,01,035	92
Total	25,96,659	11,50,943	37,47,602	12,41,333	25,06,269	

The department stated that since entry tax is recovered in full before granting registration certificate under the Motor Vehicles Tax Act, no formal assessment proceedings were undertaken. Hence, no new cases were shown as due for assessment during 2002-2003.

It would be seen from the table that cases pending as on 31 March 2003 ranged from 0.2 to 93 *per cent* of the total cases due for assessments under various heads.

1.8 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 2002	Cases detected during 2002-2003	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 2003
					No. of cases	Amount of demand (In lakh of rupees)	
1.	Sales Tax	4,753	2,604	7,357	2,569	9,257.70	4,788
2.	State Excise	8	--	8	1	1.94	7

1.9 Write-off and waiver of revenue

During the year 2002-2003, demands for Rs 29.42 lakh (in 1,158 cases) Rs 3.44 lakh (in 43 cases), and Rs 1.79 lakh (in 24 cases) relating to sales tax, motor vehicles taxes 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	Sales Tax		Motor Vehicles Taxes		State Excise	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1. Whereabouts of defaulters not known	981	11.95	43	3.44	2	0.08
2. Defaulters no longer alive	--	--	--	--	9	0.72
3. Defaulters not having any property	144	0.06	--	--	4	0.11
4. Defaulters adjudged insolvent	--	--	--	--	5	0.47
5. Other reasons	32	0.08	--	--	1	0.08
6. Remission of penalty	1	17.33	--	--	3	0.33
Total	1,158	29.42	43	3.44	24	1.79

1.10 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-2003, as reported by the Departments were as follows:

(Amount in lakh of rupees)

		<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	4,054	4,063.00	114	379.15	58	27.93	55	55.00
2.	Claims received during the year	32,601	29,554.00	97	313.44	16	7.54	382	860.00
3.	Refunds made during the year	24,251	27,963.00	87	220.86	15	6.90	376	766.00
4.	Balance outstanding at the end of the year	12,404	5,654.00	124	471.73	59	28.57	61	149.00

1.11 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 2002-2003 revealed under-assessment/short levy/loss of revenue amounting to Rs 2,222.97 crore in 9,029 cases. During the course of the year the Departments accepted under-assessment of Rs 642.44 crore in 5,614 cases pointed out in 2002-2003 and earlier years and recovered Rs 78.20 crore. No replies have been received in respect of the remaining cases.

This Report contains 37 paragraphs including 4 reviews relating to non-levy/short levy of taxes, duties, interest and penalties *etc.*, involving Rs 1,999.22 crore. The Departments/Government have accepted audit observations involving Rs 553.98 crore of which Rs 2.34 crore had been recovered upto December 2003. No replies have been received in the other cases.

1.12 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 offices with a copy to the next higher authority. Government of Maharashtra Finance Department's 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 to the objections made 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.

Inspection Reports issued upto 31 December 2002 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 13,968 objections relating to 5,529 IRs involving Rs 791.88 crore remained outstanding at the end of June 2003. Of these, 2,216 IRs containing 4,511 objections involving Rs 179.15 crore had not been settled for more than 4 years. The yearwise position of the outstanding IRs and paragraphs is detailed in Annexure.

In respect of 529 paragraphs relating to 197 IRs involving Rs 118.96 crore issued upto December 2002, 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, 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.

The details of outstanding inspection reports were reported to Government in August 2003; their reply had not been received (September 2003).

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 by the Government. These Committees are chaired by Joint Secretary/Deputy

Secretary of the concerned Administrative Department and attended among others by the officers concerned 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 ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2002-2003 only the Home, Revenue & Forests and Finance Departments out of the eight Government Departments concerned convened a meeting of the Audit Committee. This indicates that the Government Departments did not make effective use of the machinery created for settling outstanding audit observations.

1.14 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 the time prescribed. 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 2003 were forwarded to the Secretaries of the respective Departments between March 2003 and August 2003 through demi official letters. Replies to most of the paragraphs have not been received; 59 such paragraphs have been included in this Report.

1.15 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) disclosed that as on 31 August 2003 the Departments had not submitted remedial explanatory memoranda on 38 paragraphs for the years from 1996-97 to 2000-2001 as detailed below.

Sr. No.	Name of the department	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	Total
1.	Revenue and Forests	4	6	9	4	8	31
2.	Irrigation	1	--	--	--	--	1
3.	Home	--	1	2	--	--	3
4.	Public Works	--	--	1	--	1	2
5.	Finance	--	--	1	--	--	1
Total		5	7	13	4	9	38

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 recommendations of the Public Accounts Committee from the concerned Departments as detailed below.

Year	Home	Name of the Department		Total
		Revenue and Forests	Industries, Energy and Labour	
1986-87	--	1	--	1
1987-88	--	--	--	--
1988-89	--	--	--	--
1989-90	1	4	--	5
1990-91	8	2	--	10
1991-92	--	1	2	3
1992-93	--	8	1	9
1993-94	1	3	1	5
1994-95	--	2	--	2
1995-96	--	3	--	3
Total	10	24	4	38