

CHAPTER VI
REVENUE RECEIPTS

REVENUE RECEIPTS

6.1 General

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Union Territory of Puducherry during the year 2005-06 and the grants-in-aid received from Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)

Serial number		2001-02	2002-03	2003-04	2004-05	2005-06
I	Revenue raised by the Government					
	(a) Tax revenue	268.59	276.38	352.76	404.58	479.40
	(b) Non-tax revenue	302.31	411.90	454.34	500.72	510.99
	Total (I)	570.90	688.28	807.10	905.30	990.39
II	Receipts from the Government of India-Grants-in-aid	501.69	497.21	495.42	725.70	811.49
III	Total receipts of Government (I + II)	1,072.59	1,185.49	1,302.52	1,631.00	1,801.88
IV	Percentage of I to III	53	58	62	56	55

6.1.2 Tax receipts

The details of tax revenue raised during the year 2005-06 along with the figures for the preceding four years are given below:

(Rupees in crore)

Serial number	Heads-Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+)/ decrease (-) in 2005-06 over 2004-05
1	Taxes on Sales, Trades, etc.	160.42	150.09	203.19	246.48	304.22	(+ 23)
2	State Excise	76.13	87.70	105.66	110.29	125.17	(+ 13)
3	Stamp Duty and Registration Fees	12.83	16.20	20.27	23.52	23.97	(+ 2)
4	Taxes on Vehicles	18.54	21.95	23.19	23.87	25.56	(+ 7)
5	Land Revenue	0.49	0.24	0.29	0.29	0.31	(+ 7)
6	Others	0.18	0.20	0.16	0.13	0.17	(+ 31)
	Total	268.59	276.38	352.76	404.58	479.40	

Reasons for significant variation as stated by the departments concerned are given below:

Taxes on Sales, Trades, etc: The increase (23 *per cent*) was due to opening of new petrol pumps and general buoyancy.

State Excise: The increase (13 *per cent*) was due to increase in the realisation of kist amount of arrack and toddy shops and in the collection of excise duty on Indian Made Foreign Liquor (IMFL).

6.1.3 Non-tax receipts

The details of major non-tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Serial number	Heads-Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) / decrease (-) in 2005-06 over 2004-05
1	Power	281.24	387.93	430.30	464.48	486.88	(+) 5
2	Interest Receipts, Dividends and Profits	4.18	5.12	4.50	5.25	4.13	(-) 21
3	Medical and Public Health	3.35	3.58	5.45	4.11	3.57	(-) 13
4	Education, Sports, Art and Culture	0.33	1.28	1.04	0.51	0.46	(-) 10
5	Crop Husbandry	0.38	0.29	0.34	0.28	0.53	(+) 89
6	Other Receipts	12.83	13.70	12.71	26.09	15.42	(-) 41
	Total	302.31	411.90	454.34	500.72	510.99	

The reasons attributed by the departments for significant increase/decrease in receipts during 2005-06 over the receipts during 2004-05 are as under:

Interest Receipts, Dividends and Profits : The decrease (21 *per cent*) was due to adjustment of lumpsum amount paid by beneficiaries in 2004-05 for the year 2005-06.

Medical and Public Health : The decrease (13 *per cent*) was due to lower rate of hospital stoppages, decrease in licence fees collected by Food and Drugs Administration and less receipt of share from the Employees' State Insurance Corporation.

Reasons for variations, though called for from other departments, have not been received (November 2006).

6.1.4 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Serial number	Heads-Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1	Taxes on Sales, Trades, etc.	245.00	304.22	(+) 59.22	24.17
2	State Excise	98.00	125.17	(+) 27.17	27.72
3	Stamp Duty and Registration Fees	22.50	23.97	(+) 1.47	6.53
4	Taxes on Vehicles	25.00	25.56	(+) 0.56	2.24
5	Land Revenue	0.30	0.31	(+) 0.01	3.33
6	Power	441.00	486.88	(+) 45.88	10.40
7	Interest Receipts, Dividends and Profits	4.27	4.13	(-) 0.14	(-) 3.28
8	Medical and Public Health	4.37	3.57	(-) 0.80	(-) 18.31
9	Education, Sports, Art and Culture	1.05	0.46	(-) 0.59	(-) 56.19
10	Crop Husbandry	0.34	0.53	(+) 0.19	55.88

State Excise: The increase (27.72 per cent) was due to production of more Indian made foreign liquor and enhanced kist on arrack and toddy shops.

Sales Tax: The increase (24.17 per cent) was due to general buoyancy and opening of new petrol pumps.

Reasons for variations, though called for, from other departments, have not been received (November 2006).

6.1.5 Analysis of collection

Break up of total collection at pre-assessment stage and after regular assessment of sales tax under Pondicherry General Sales Tax Act for the year 2005-06 and the corresponding figures for the preceding two years as furnished by the department are as follows:

(Rupees in crore)

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 (2) to (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2003-04	201.03	2.09	0.17	0.10	203.19	98.94
2004-05	244.09	2.23	0.22	0.06	246.48	99.03
2005-06	303.48	0.48	0.32	0.06	304.22	99.76

6.1.6 Collection of sales tax per assessee

Year	Number of assessees	Sales Tax Revenue (Rupees in crore)	Revenue/assessee (Rupees in lakh)
2001-02	9,343	160.42	1.71
2002-03	7,690	150.09	1.95
2003-04	10,025	203.19	2.00
2004-05	11,035	246.48	2.23
2005-06	11,844	304.22	2.57

6.1.7 Arrears of revenue

The arrears of revenue pending collection as on 31 March 2006 under the principal heads of revenue, as reported by various departments, amounted to Rs 109.39 crore as indicated below:

(Rupees in crore)

Serial number	Departments	Total arrears	Arrears outstanding for more than 5 years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Electricity	76.77	18.17	The arrears comprise of Rs 27.07 crore from High Tension (HT) consumers and Rs 49.70 crore from Low Tension (LT) consumers. Of the HT arrears, an amount of Rs 6.98 crore is due from Government owned companies, Rs 0.84 crore is pending with Claim Commission, New Delhi, Rs 13.77 crore is covered under litigation and Rs 3.78 crore is proposed to be recovered through Revenue Recovery (RR) Act. Rupees 1.70 crore is due from other consumers/industries. Under LT category, Rs 10.89 crore is due from Local Bodies and Rs 3.66 crore from Government departments. Rupees 35.15 crore is due from other consumers/industries.

(1)	(2)	(3)	(4)	(5)
2	State Excise	14.76	13.51	Arrears were due to non-payment of <i>kist</i> by lessee of arrack and toddy shops. Action has been initiated to recover these arrears under RR act.
3	Commercial Taxes	9.99	0.74	Demands amounting to Rs 6.50 crore are covered by appeals in Court.
4	Transport	1.18	0.14	The demand notices have been sent. Action is being taken to collect the arrears through enforcement.
5	Public Works	4.36	0.57	Arrears relates mainly to non-realisation of water charges. Action is proposed for recovery through RR Act.
6	Revenue and Disaster Management	0.92	0.07	Arrears are due to non-finalisation of licence fee in respect of Government lands leased to Pondicherry Industrial Promotion Development and Investment Corporation Limited and non collection of tax in respect of lands submerged in Godavari river. Action is being taken to refix the licence fee and exempt land tax for the lands submerged.
7	Stationery and Printing	0.16	0.02	Arrears are from Government departments. Action is being taken to recover the arrears.
8	Town and Country Planning	0.15	0.15	Arrears are due to non payment of enhanced plot costs by the allottees. Suits are being filed in the Court against defaulters.
9	Hindu Religious Institutions	0.28	0.08	Arrears are due to non-remittance of share by the temple authorities. Action is being taken to recover the arrears.
10	Agriculture	0.11	0.06	Arrears relate mainly to Pondicherry Agro Service and Industries Corporation Limited and reminders are issued regularly.
11	Port	0.43	*	Arrears relates mainly to lease rent from M/s.Concur (A Government undertaking) for promotion of EXIM trade. M/s.Concur has approached Government for waiving the land rent.
12	Other Departments**	0.28	0.20	Arrears relate to Assembly Secretariat, Industries and Commerce, Judicial, Co-operation, Information and Publicity and Fisheries. Action is being taken to recover the arrears.
	Total	109.39	33.71	

* Rs 27,496 was pending for more than 5 years.

** Details from Health and Family Welfare and Tourism departments and Government Automobile Workshop of Transport Department were not received (October 2006).

6.1.8 Frauds and evasions

Details of cases of fraud and evasion of sales tax at the end of 31 March 2006 as reported by the department are as under:

Details		Number of cases
A	(i) Cases pending as on 1 April 2005	35
	(ii) Cases detected during the year	8
B	Cases in which investigations/ assessments were completed during the year	
	(i) Out of cases in A(i) above	2
	(ii) Out of cases in A(ii) above	8
C	Cases which were pending as on 31 March 2006	
	(i) Out of cases in A(i) above	33
	(ii) Out of cases in A(ii) above	----

Moreover, in respect of cases where investigations/assessments had been completed, the amounts of additional demand raised and penalty levied worked out to Rs 1.90 lakh and Rs 0.26 lakh respectively.

6.1.9 Outstanding inspection reports and audit observations

Audit observations on incorrect assessments, under assessments, non-levy/short levy of taxes, duties, fees and other revenue receipts, defects in initial accounts, etc., noticed during local audit but not settled on the spot are communicated to the heads of offices and to the higher authorities through local audit reports. Important irregularities are also reported to the heads of departments and Government.

At the end of June 2006, 173 inspection reports relating to various departments issued upto 31 December 2005 containing 532 audit observations and involving receipts amounting to Rs 104.92 crore were pending settlement as detailed below:

Serial number	Revenue Heads	Outstanding		Amount
		Inspection reports	Audit observations	
1	Sales Tax	43	162	92.45
2	Land Revenue	24	52	1.69
3	Stamp Duty and Registration Fees	55	155	1.16
4	Taxes on Vehicles	26	111	3.53
5	State Excise	25	52	6.09
	Total	173	532	104.92

(Rupees in crore)

6.1.10 Results of audit

Test check of records of the departmental offices conducted by audit during the period from April 2005 to March 2006 revealed under assessments/non levy of tax, etc., amounting to Rs 42.28 crore in 82 cases as detailed below:

(Rupees in crore)

Serial number	Subject	Number of cases	Amount
1	Sales Tax	57	40.03
2	State Excise	2	0.40
3	Stamp Duty and Registration Fees	10	0.09
4	Taxes on Vehicles	10	0.95
5	Land Revenue	3	0.81
	Total	82	42.28

This chapter contains two paragraphs involving turnover escaping assessment, incorrect allocation of transfer duty surcharge involving Rs 22.13 crore as shown under:

COMMERCIAL TAXES DEPARTMENT**SALES TAX****6.2 Turnover escaping assessment****Suppression of purchases/sales turnover resulted in non realisation of tax and penalty involving Rs 22.08 crore.**

Under the Pondicherry General Sales Tax Act, 1967 (PGST Act), where whole or any part of the turnover of business of a dealer escapes assessment to tax, the assessing authority, is empowered, at any time within a period of five years from the expiry of the year to which the tax relates, to determine to the best of its judgment the turnover which had escaped assessment and assess the tax payable on such turnover. Further, the assessing authority may, if it is satisfied that the escapement from assessment is due to wilful non disclosure of assessable turnover by the dealer, direct the dealer to pay by way of penalty a sum not exceeding one and a half times the tax assessed. Petroleum products are taxable at the rate of 12 *per cent* at the point of first sale.

In Puducherry I & II assessment circles, the assessments of six dealers in petroleum products for the years 2000-01 to 2002-03 were finalised between July 2001 and December 2004 accepting the accounts and returns filed by them. A cross verification of sales with M/s. Indian Oil Corporation and M/s. Hindustan Petroleum Corporation Limited, Chennai with the accounts of the six dealers revealed that as against the turnover of Rs 154.80 crore, the accounts of the dealers disclosed a purchase turnover of Rs 82.50 crore only, thereby indicating suppression of purchases of Rs 72.30 crore. The corresponding suppression of sales turnover amounts to Rs 73.60 crore, involving tax of Rs 8.83 crore. Besides penalty of Rs 13.25 crore is also leviable.

After this was pointed out to the Department in October 2005 and Government in April 2006, the Department/Government stated in August/September 2006 that revision of assessment has been made in three cases levying tax of Rs 3.87 crore. Besides, penalty of Rs 4.85 crore was levied.

Report on recovery and reply in respect of the other three cases are awaited (November 2006).

REGISTRATION DEPARTMENT

STAMP DUTY AND REGISTRATION FEES

6.3 Incorrect allocation of Transfer Duty Surcharge

Incorrect allocation of Transfer Duty Surcharge amounted to Rs 4.88 lakh.

According to the provisions of Pondicherry Municipalities Act, 1973 and Pondicherry Village and Commune Panchayats Act read with G.O issued by local administration of Puducherry, Transfer Duty Surcharge (TDS) shall be levied at the rate of five *per cent* alongwith stamp duty imposed under the Indian Stamp Act, 1899 on instruments of sale, exchange, gift etc., of immovable property. However, for instruments of settlement, TDS is not leviable. The surcharge, so collected, is to be allocated to the local bodies.

In Sub Registry, Yanam it was noticed in July 2005 that in the case of two documents of settlement (2002/2004), TDS was erroneously allocated, though it was not collected and in two documents of sale (2002/2003), it was allocated in excess. This resulted in incorrect allocation of Rs 4.88 lakh.

After this was pointed out, the Department stated in July 2005 that action would be taken to adjust incorrect allocation of TDS.

The matter was reported to Government (March 2006); their reply is awaited (November 2006).