

CHAPTER VI
REVENUE RECEIPTS

REVENUE RECEIPTS

6.1 Trend of revenue

The tax and non-tax revenue raised by the Government of Union Territory of Puducherry during the year 2006-07 and the 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)

Serial number		2002-03	2003-04	2004-05	2005-06	2006-07
I	Revenue raised by the Government • Tax revenue • Non-tax revenue	276.38 411.90	352.76 454.34	404.58 500.72	479.40 510.99	569.55 549.92
	Total (I)	688.28	807.10	905.30	990.39	1,119.47
II	Receipts from the Government of India-Grants-in-aid	497.21	495.42	725.70	811.49	764.09
III	Total receipts of the Government (I + II)	1,185.49	1,302.52	1,631.00	1,801.88	1,883.56
IV	Percentage of I to III	58	62	56	55	59

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 59 *per cent* of the total revenue receipts of Rs 1,883.56 crore against 55 *per cent* in the preceding year. The balance 41 *per cent* receipt during 2006-07 was from the Government of India.

6.1.1 Tax revenue

The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Serial number	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
1	Taxes on sales, trade, etc.	150.09	203.19	246.48	304.22	364.89	19.94
2	State excise	87.70	105.66	110.29	125.17	143.49	14.64
3	Stamp duty and registration fees	16.20	20.27	23.52	23.97	31.01	29.37
4	Taxes on vehicles	21.95	23.19	23.87	25.56	29.01	13.50
5	Land revenue	0.24	0.29	0.29	0.31	0.91	193.55
6	Others	0.20	0.16	0.13	0.17	0.24	41.18
	Total	276.38	352.76	404.58	479.40	569.55	18.80

The following reasons for variations were reported by the concerned departments:

Taxes on sales, trade, etc: The increase (19.94 *per cent*) was due to boom in business and strict collection measures.

State excise: The increase (14.64 *per cent*) was due to increased realisation of *kist* amount and more collection of excise duty.

Stamp duty and registration fees: The increase (29.37 *per cent*) was due to the sale of more non-judicial stamps.

Taxes on vehicles: The increase (13.50 *per cent*) was due to the increase in registration of new vehicles.

Land revenue: The increase (193.55 *per cent*) was due to the remittance of unutilised housing subsidy and other compensation of Tsunami victims released during 2004-05.

6.1.2 The following table presents the details of major non-tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Serial number	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) / decrease (-) in 2006-07 over 2005-06
1	Power	387.93	430.30	464.48	486.88	508.95	4.53
2	Interest receipts, dividends and profits	5.12	4.50	5.25	4.13	7.23	75.06
3	Medical and public health	3.58	5.45	4.11	3.57	7.52	110.64
4	Education, sports, art and culture	1.28	1.04	0.51	0.46	0.47	2.17
5	Crop husbandry	0.29	0.34	0.28	0.53	0.43	(-) 18.87
6	Other receipts	13.70	12.71	26.09	15.42	25.32	64.20
Total		411.90	454.34	500.72	510.99	549.92	7.62

The following reasons for variations were reported by the concerned departments:

Power: The increase (4.53 *per cent*) was due to sale of more power to the existing and new consumers.

Interest receipts, dividends and profits: The increase (75.06 *per cent*) was mainly on account of Rs 3.24 crore shown as receipts towards interest

and penal interest under the scheme ‘Village Housing Projects’ by debiting the head ‘2216-03-792-Irrecoverable Loans-write off’.

Medical and public health: The increase (110.64 *per cent*) was due to increase in hospital stoppages, increase in licence fees collected by the Food and Drugs Administration and increase in the number of companies under ESI Act and more receipt of share from the ESI Corporation.

Crop husbandry: The decrease (18.87 *per cent*) was due to less sale of seeds, agricultural implements, farm products, inputs and decrease in hire charges of tractors.

The departments did not inform the reasons for variation (November 2007) despite being requested (October 2007).

6.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual 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)

Serial number	Heads of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1	Taxes on sales, trade, etc.	324.00	364.89	40.89	12.62
2	State excise	115.00	143.49	28.49	24.77
3	Stamp duty and registration fees	17.09	31.01	13.92	81.45
4	Taxes on vehicles	25.50	29.01	3.51	13.76
5	Land revenue	0.26	0.91	0.65	250.00
Non-tax revenue					
6	Power	521.00	508.95	(-) 12.05	(-) 2.31
7	Interest receipts, dividends and profits	4.79	7.23	2.44	50.94
8	Medical and public health	4.35	7.52	3.17	72.87
9	Education, sports, art and culture	0.70	0.47	(-) 0.23	(-) 32.86
10	Crop husbandry	0.28	0.43	0.15	53.57

The following reasons for variations were reported by the concerned departments:

Taxes on sales, trade, etc.: The increase (12.62 per cent) was due to boom in business and strict collection measures.

State excise: The increase (24.77 per cent) was due to more production of IMFL and increase in collection of *kist* from arrack shops.

Taxes on vehicles: The increase (13.76 per cent) was due to increase in registration of new vehicles.

Land revenue: The increase (250 per cent) was due to renewal of licence fee.

The other departments did not inform (November 2007) the reason for variation despite being requested.

6.3 Analysis of collection

The break-up of total collection at pre-assessment stage and after regular assessment of sales tax under the Pondicherry General Sales Tax Act for the year 2006-07 and the corresponding figures for the preceding two years as furnished by the department are mentioned below:

(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
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
2006-07	364.31	1.07	0.35	0.84	364.89	99.84

Thus, the voluntary compliance with the provision of Acts and Rules remained unchanged during 2004-05 to 2006-07.

6.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 under the principal heads of revenue as reported by the departments amounts to Rs 142.41 crore, of which Rs 35.19 crore has been outstanding for more than five years as mentioned below:

(Rupees in crore)

Serial number	Departments	Total arrears	Arrears outstanding for more than 5 years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Electricity	91.80	18.52	The arrears comprise Rs 35.62 crore from the high tension (HT) consumers and Rs 56.18 crore from low tension (LT) consumers. Of the HT arrears, Rs 8.46 crore is due from a Government owned company; Rs 84 lakh is pending with the Claim Commissioner, New Delhi; Rs 13.77 crore is covered under litigation and Rs 3.78 crore is proposed to be recovered through the Revenue Recovery Act. Rs 8.77 crore is due from other consumers/industries. Under LT category, Rs 14.80 crore is due from the local bodies and Rs 4.29 crore from the Government departments. Rs 37.09 crore is due from other consumers/ industries.
2	State excise	13.97	12.49	Arrears were due to non-payment of <i>kist</i> by the lessees of arrack and toddy shops. .
3	Commercial taxes	28.72	2.46	Demands amounting to Rs 5.76 crore are covered by appeals in Court. Rs 33 lakh is covered by Revenue Recovery Act and Rs 22.63 crore is under official liquidator and pending miscellaneous action, etc.
4	Public works	5.24	1.03	Arrears relate mainly to non-realisation of water charges.
5	Revenue and disaster management	1.08	0.24	Arrears are due to non-finalisation of licence fee in respect of Government lands leased to the Pondicherry Industrial Promotion Development and Investment Corporation Limited.
6	Stationery and printing	0.21	0.04	Arrears are from the Government departments.
7	Town and country planning	0.14	0.14	Arrears are due to non-payment of enhanced plot costs by the allottees.
8	Hindu religious institutions	0.29	0.07	Arrears are due to non-remittance of share by the temple authorities.
9	Agriculture	0.15	0.06	Arrears relate to rent mainly due from the Pondicherry Agro Service and Industries Corporation Limited.
10	Port	0.57	*	Arrears relates mainly to lease rent from M/s. Concor (a Government of India undertaking).
11	Judicial	0.07	0.06	In some cases, accused are undergoing imprisonment and in some cases, appeals are pending before the High Court, Chennai.

(1)	(2)	(3)	(4)	(5)
12	Co-operation	0.06	0.01	Arrears relate to audit fee dues.
13	Information and publicity	0.10	0.07	Arrears are mainly from the Pondicherry Tourism and Development Corporation towards canteen rent.
14	Other departments* *	0.01	***	Arrears relate to fisheries, health and family welfare and Puducherry Government guest houses.
	Total	142.41	35.19	

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

** Details from the Transport Department were not received (October 2007).

*** Rs 300 was pending for more than five years from Puducherry Government Guest House, Chennai

6.5 Frauds and evasion of tax

The details of cases of fraud and evasion of the sales tax cases detected, cases finalised and the demands for additional tax and penalty levied as reported by the Sales Tax Department is mentioned below:

(Rupees in lakh)

Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	Number of cases in which assessment/investigation completed and additional tax and penalty levied		Number of pending cases as on 31 March 2007
			Number of cases	Amount demanded	
33	26	59	26	36.95	33

6.6 Failure to enforce accountability and protect interest of the Government

Accountant General (Commercial and Receipt Audit), Tamil Nadu arranges periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). Important irregularities are included in the IRs issued to the heads of 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 to the office of the Accountant General within two months from

the dates of issue of the IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Accountant General.

Inspections reports issued upto December 2006 disclosed that 589 paragraphs involving Rs 146.74 crore relating to 180 IRs remained outstanding at the end of June 2007. Department-wise break up of the IRs and audit observations outstanding as on 30 June 2007 is mentioned below:

(Rupees in crore)

Serial number	Tax heads	Outstanding		Amount involved
		Inspection reports	Audit observations	
1	Sales tax	46	230	133.90
2	Land revenue	26	55	1.79
3	Stamp duty and registration fees	53	136	1.09
4	Taxes on vehicles	28	118	3.67
5	State excise	27	50	6.29
	Total	180	589	146.74

The above indicates the failure of the departmental officials in initiating action to rectify the defects, omissions and irregularities pointed out in the IRs by the Accountant General. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers took timely action.

6.7 Results of audit

Test-check of records of sales tax, state excise, stamp duty and registration fees, motor taxes on vehicles, town and country planning conducted during 2006-07 revealed under-assessments/short levy/loss of revenue amounting to Rs 34.99 crore in 69 audit observations. During the year, the departments accepted Rs 80,000 in four audit observations pointed out in 2006-07 and in earlier years and recovered the amount. No reply has been received in respect of remaining cases.

This chapter contains two paragraphs relating to application of incorrect rate of tax and loss of revenue due to allotment of plots to unspecified categories involving Rs 1.13 crore. The department/Government has not accepted one paragraph involving Rs 3.83 lakh and no reply has been received in the other case. In respect of the audit observation not accepted by the department/Government, gist of the reasons for non-acceptance has been included in the paragraph with further comments of audit.

6.8 Status of recovery against audit observations accepted by the Government

Review of the replies of the Government to the paragraphs of the Audit Reports for the last five years from 2001-02 to 2005-06 shows that against the revenue effect of Rs 22.37 crore of the audit observations accepted by the department, the actual recovery is extremely low at Rs 12 lakh. A year-wise break up of the recovery of revenue till August 2007 is mentioned below:

(Rupees in crore)

Year of Audit Report	Revenue effect of chapter	Amount accepted by the department	Amount recovered
2001-02	0.02	0.02	0.01
2002-03	0.22	0.22	0.11
2003-04	--	--	--
2004-05	--	--	--
2005-06	22.13	22.13	--
Total	22.37	22.37	0.12

COMMERCIAL TAXES DEPARTMENT

6.9 Application of incorrect rate of sales tax

Under entry 2 of Part I of First Schedule to the Pondicherry General Sales Tax Act, 1967, all kinds of biscuits, confectioneries and chocolates are taxable at the rate of eight *per cent* with effect from 1 April 1997 at the point of first sale. By a notification issued in March 1998, the rate of tax was reduced to six *per cent*.

In Pondicherry I assessment circle, while finalising the assessments of a dealer for the years 2001-02 and 2002-03 in July and November 2005, first sale of bubble gum amounting to Rs 1.28 crore was assessed to tax at three *per cent* instead of at six *per cent*. The adoption of incorrect rate of tax resulted in short levy of tax of Rs 3.83 lakh.

After the case was pointed out, the Government stated in August 2007 that bubble gum was meant for refreshing the mouth and unlike other confectioneries, was not meant to be swallowed and therefore the assessment made at three *per cent* treating it as an unclassified commodity was in order. The reply is not tenable as the specific entry in the Act will override the general entry. The term 'confectionery' means a collective name for sweetmeats or confection. In common parlance bubblegum is perceived to be a type of confectionery and was required to be taxed at six *per cent*.

TOWN AND COUNTRY PLANNING DEPARTMENT

6.10 Irregular allotment of plots to unspecified categories

The Government of Puducherry framed rules in accordance with the guidelines framed by the Government of India (GOI) for allotment of plots to the beneficiaries of specific schemes¹ under the Land Acquisition and Development Scheme (LADS) promulgated by the GOI. According to the Scheme, plots intended for sale to persons not covered by the scheme shall be sold by public auction or by open tender. The rules also stipulate that the beneficiaries should start construction within two years from the date of allotment and complete it within a period of three years. Besides, resale of plots with permission of the Government was also allowed if 50 per cent of profit was passed on to the Government. Failure to construct houses within the stipulated period or resale without permission of the Government or non-remittance of 50 per cent of profit on resale would result in cancellation of allotment and forfeiture of 20 per cent of the cost paid by the allottee.

Scrutiny of the records of the Chief Town Planner, Town and Country Planning Department revealed that 49 plots were allotted to 46 Members of the Legislative Assembly (MLAs) and three Indian Administrative Service (IAS) officers during 1999-2006 without open auction. In addition to this, allotment was made to 12 press personnel whose details of allotment were not available. Audit disclosed that 32 out of 49 MLAs/IAS officers had not constructed houses as of December 2006. Out of these, three MLAs sold the plots with the permission of the Government and remitted Rs 7.34 lakh only against Rs 18.36 lakh payable to the Government. In addition, another MLA sold the plot with the permission of the Government and remitted Rs 4.37 lakh to the Government. Since the sale value of his plot was not furnished to audit, correctness of the remittance could not be ascertained. One more MLA sold his plot without obtaining permission, earning a profit of Rs 6.06 lakh but did not remit any amount to the Government. Inaction on the part of the department to enforce the condition of allotment resulted in foregoing revenue of Rs 1.09 crore being the difference between market value and sale value of plots excluding those on which houses have been constructed (Rs 94.93 lakh) and the amount due to Government on sale of plots (Rs 14.05 lakh).

The matter was referred to the Government in July 2007; their reply has not been received (January 2008).

¹ (a) Slum Clearance Scheme, (b) Subsidised Industrial Housing Scheme, (c) Low Income Group Housing Scheme, (d) Middle Income Group Housing Scheme and (e) Rental Housing Scheme for State Government employees