

CHAPTER-I: General

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by the Government of Rajasthan during the year 2004-05, 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:

(Rupees in crore)

Sl. No.	Particulars	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
I.	Revenue raised by the State Government					
	(a) Tax revenue	5,299.96	5,671.17	6,253.34	7,246.18	8,414.82
	(b) Non tax revenue	1,687.98	1,508.46	1,569.00	2,071.64	2,146.15
	Total	6,987.94	7,179.63	7,822.34	9,317.82	10,560.97
II.	Receipts from Government of India					
	(a) State's share of divisible Union taxes	2,836.61	2,882.36	3,063.10	3,602.22	4,305.61
	(b) Grants in aid	2,577.23	2,091.30	2,196.42	2,503.80	2,897.01
	Total	5,413.84	4,973.66	5,259.52	6,106.02	7,202.62
III.	Total receipts of the State (I and II)	12,401.78	12,153.29	13,081.86	15,423.84	17,763.59¹
IV.	Percentage of I to III	56	59	60	60	59

¹ For details, please see 'Statement No. 11-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Rajasthan for the year 2004-05. Figures under the head 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax and 0045-Other Taxes and Duties on Commodities and Services - share of net proceeds assigned to State booked in the Finance Accounts under A-Tax Revenue have been excluded from revenue raised by the State and included in 'State's share of divisible Union Taxes' in this statement.

1.1.2 Details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:-

(Rupees in crore)

Sl. No.	Revenue heads	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+)/ decrease (-) in 2004-2005 over 2003-2004
1.	(a) Taxes on Sales, Trade etc.	2,644.51	2,869.23	3,229.79	3,751.80	4,500.78	(+) 20
	(b) Central Sales Tax	176.70	199.80	208.11	233.63	296.75	(+) 27
2.	State Excise	1,118.48	1,110.27	1,142.34	1,163.15	1,276.07	(+) 10
3.	Stamp Duty and Registration Fee	436.73	478.89	515.73	611.77	817.83	(+) 34
4.	Taxes and Duties on Electricity	251.90	250.88	239.85	280.29	442.76	(+) 58
5.	Taxes on Vehicles	511.30	566.33	646.14	904.31	817.21	(-) 10
6.	Taxes on Goods and Passengers	19.55	23.10	130.44	150.50	144.01	(-) 4
7.	Other taxes on Income and Expenditure, Tax on Professions, Trades Callings and Employments	10.99	15.56	17.23	20.11	1.85	(-) 91
8.	Other Taxes and Duties on Commodities and Services	52.89	54.04	47.12	46.85	47.56	(+) 2
9.	Land Revenue	44.81	79.17	57.98	71.44	68.86	(-) 4
10.	Other Taxes	32.10	23.90	18.61	12.33	1.14	(-) 91
	Total	5,299.96	5,671.17	6,253.34	7,246.18	8,414.82	

Reasons for increase/decrease in receipts during 2004-05 as compared to those of 2003-04, as intimated by the respective departments, are given below:-

Taxes on Sales, Trade etc. and Central Sales Tax: Increase (20 per cent and 27 per cent respectively) was due to check on tax evasion and recovery efforts of the Department.

State Excise: Increase (10 per cent) was mainly on account of actual contract amount of liquor, bhang and lanced poppy heads.

Stamp Duty and Registration Fee: Increase (34 per cent) was due to increase in registration of documents including lease deeds of Housing Board, JDA² and UIT³ documents.

Taxes and Duties on Electricity: Increase (58 per cent) was due to imposition of electricity duty on captive power generation sets.

Taxes on vehicles: Decrease (10 per cent) was due to lesser book adjustment (Rs.9.31 crore) of Special Road Tax from RSRTC during 2004-05 as against Rs.177.10 crore during 2003-04.

Other Taxes on Income and Expenditure, Tax on Professions, Trades, Callings and Employments: Decrease (91 per cent) was due to abolition of Professional Tax.

1.1.3 Details of major non-tax revenue raised by the State during the year 2004-05 alongwith the figures for the preceding four years are given below:-

(Rupees in crore)

Sl. No.	Heads of Revenue	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	Percentage of increase (+)/ decrease (-) in 2004-05 over 2003-04
1.	Interest Receipts	589.55	583.77	607.04	685.12	754.94	(+) 10
2.	Forestry and Wild Life	37.02	44.82	41.63	39.53	39.41	-
3.	Non-ferrous Mining and Metallurgical Industries	370.13	412.98	449.38	513.70	645.35	(+) 26
4.	Miscellaneous General Services	241.92	46.23	43.88	340.50	90.47	(-) 73
5.	Power	0.10	0.02	1.40	0.02	0.10	(+) 400
6.	Major and Medium Irrigation	36.48	18.43	20.74	43.23	56.50	(+) 31
7.	Medical and Public Health	16.13	24.57	22.40	16.28	29.84	(+) 83
8.	Cooperation	7.33	6.79	7.90	6.93	8.71	(+) 26
9.	Public Works	22.33	17.49	19.69	16.45	17.85	(+) 9
10.	Police	57.43	48.66	57.59	46.16	54.04	(+) 17
11.	Other Administrative Services	43.65	34.76	38.21	50.65	91.79	(+) 81
12.	Other Non-Tax Receipts	265.91	269.94	259.14	313.07	357.15	(+) 14
Total		1,687.98	1,508.46	1,569.00	2,071.64	2,146.15	

² Jaipur Development Authority

³ Urban Improvement Trust

Reasons for increase/decrease in receipts during 2004-05 as compared to those of 2003-04, as intimated by the respective departments, are given below:-

Interest Receipts: Increase (10 *per cent*) was due to more receipts of interest from departmental commercial undertakings, investment of cash balances and from public sector and other undertakings.

Non-Ferrous Mining and Metallurgical Industries: Increase (26 *per cent*) was due to revision in rates of royalty.

Miscellaneous General Services: Decrease (73 *per cent*) was due to less receipts under the sub-head "Other Receipts".

Power: Increase (400 *per cent*) was due to increase in licence fees from electricity companies.

Major and Medium Irrigation: Increase (31 *per cent*) was due to increase in receipts from Chambal Project, Bhakra Dam Irrigation Branch and Gang Canal. Irrigation Department also intimated that budget estimates were not increased according to demand.

Medical and Public Health: Increase (83 *per cent*) was mainly due to increase in receipts from Employees State Insurance Scheme.

Cooperation: Increase (26 *per cent*) was due to increase in receipts of Rs.1.87 crore from NCDC⁴ as compared to previous year.

Police: Increase (17 *per cent*) was due to more receipt on account of Police Force supplied to other Governments and to other parties.

Other Administrative Services: Increase (81 *per cent*) was due to increase in other receipts under the minor head "Elections".

1.2 Variations between revised estimates and actuals

The variations between the revised estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax and non tax

⁴ National Cooperative Development Corporation

revenue are given below:-

(Rupees in crore)

Sl. No.	Heads of Revenue	Revised estimates	Actuals	Variation excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1.	Taxes on Sales, Trade etc.	4,720.00	4,797.53	(+) 77.53	(+) 2
2.	State Excise	1,300.00	1,276.07	(-) 23.93	(-) 2
3.	Stamp Duty and Registration Fee	790.00	817.83	(+) 27.83	(+) 4
4.	Taxes and Duties on Electricity	471.01	442.76	(-) 28.25	(-) 6
5.	Taxes on Vehicles	785.00	817.21	(+) 32.21	(+) 4
6.	Land Revenue	70.08	68.86	(-) 1.22	(-) 2
7.	Taxes on Immovable Property other than Agricultural Land	0.37	1.15	(+) 0.78	(+) 211
Total		8,136.46	8,221.41	(+) 84.95	(+) 1
Non tax revenue					
1.	Nonferrous Mining and Metallurgical Industries	625.00	645.35	(+) 20.35	(+) 3
2.	Interest Receipts	772.93	754.94	(-) 17.99	(-) 2
3.	Miscellaneous General Services	75.20	90.47	(+) 15.27	(+) 20
4.	Forestry and Wild Life	37.20	39.41	(+) 2.21	(+) 6
5.	Police	66.14	54.04	(-) 12.10	(-) 18
Total		1,576.47	1,584.21	(+) 7.74	(+) 0.49

Taxes on Immovable Property other than Agricultural Land:- Increase (211 per cent) was due to non finalisation of proposed refund of Rs.91.67 lakh.

Miscellaneous General Services: Increase (20 per cent) was due to increase in sale of land and property.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05, alongwith the relevant all India

average percentage of expenditure on collection to gross collection for 2003-04 were as follows:

(Rupees in crore)

Sl. No.	Heads of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2003-2004
1.	Taxes on Sales, trade etc.	2002-03	3,437.90	32.69	1.0	1.15
		2003-04	3,985.43	37.05	0.9	
		2004-05	4,797.53	41.85	0.9	
2.	State excise	2002-03	1,142.34	18.60	1.6	3.81
		2003-04	1,163.15	19.82	1.7	
		2004-05	1,276.07	22.39	1.8	
3.	Taxes on vehicles	2002-03	646.14	10.27	1.6	2.57
		2003-04	904.31	11.49	1.3	
		2004-05	817.21	13.30	1.6	
4.	Stamp duty and registration fee	2002-03	515.73	10.40	2.0	3.66
		2003-04	611.77	11.23	1.8	
		2004-05	817.83	14.32	1.8	

1.4 Collection of Sales Tax per assessee

(Rupees in lakh)

Year	No. of assesseees	Sales tax revenue	Revenue/assessee
2000-2001	1,79,418	2,82,121	1.57
2001-2002	1,87,281	3,06,903	1.64
2002-2003	2,19,052	3,43,790	1.57
2003-2004	2,09,216	3,98,543	1.90
2004-2005	2,16,462	4,79,753	2.21

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.2,977.66 crore of which Rs.540.05 crore was outstanding for more than five years as detailed below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years	Remarks
1.	2.	3.	4.	5.
01.	Taxes on Sales, Trade etc.	2,249.17	370.40	Out of Rs.2,249.17 crore, demand for Rs.368.67 crore was stayed by the court and judicial authorities. Demand for Rs.114.18 crore was covered under recovery certificate under Land Revenue Act and Revenue Recovery Act. Recovery of Rs.60.37 crore was held up due to dealers becoming insolvent. Demand of Rs.1.76 crore was likely to be written off. Demand of Rs.166.73 crore was pending against the dealers who were not traceable. Recovery of Rs.62.09 crore was pending against Government departments. Arrears of Rs.1,475.37 crore were at various stages of recovery.
02.	State Excise	213.34	56.70	Total demand was covered under Land Revenue Act.
03.	Taxes on vehicles	20.55	8.84	Out of Rs.20.55 crore, demand for Rs.2.29 crore was stayed by the court/Government. Demand for Rs.16.67 crore was covered under recovery certificates. Arrears of Rs.1.59 crore were at other stages of recovery
04.	Taxes on passenger and goods	1.90	1.90	Stages of recovery not intimated by Transport Department.
05.	Stamp duty and Registration fee	53.77	7.62	Out of Rs.53.77 crore, demand for Rs.27.47 crore was covered by recovery certificates. Demand for Rs.26.30 crore was stayed by High Court and other judicial authorities.
06.	Land Revenue	67.91	21.84	Out of Rs.67.91 crore, demand for Rs.6.22 crore was stayed by Government and Rs.5.66 crore was stayed by the High Court and other judicial authorities. Arrears of Rs.56.03 crore were at various stages of recovery.
07.	Taxes on Immovable property other than Agricultural land.	58.88	11.11	Out of Rs.58.88 crore, demand of Rs.28.22 crore had been stayed by the High Court/judicial authorities. Rs.15.25 crore were covered under recovery certificates and Rs.15.41 crore were at other stages of recovery.
08.	Water supply and Sanitation receipts from Rural/Urban water supply scheme	54.34	17.77	Out of Rs.54.34 crore, demand of Rs.0.24 crore had been stayed by the High Court/Judicial authorities and Rs.0.39 crore were stayed by the Government. Demand for Rs. 1.56 crore was likely to be written off. Rs.0.03 crore was covered under recovery certificates and Rs.52.12 crore were at other stages of recovery.

1.	2.	3.	4.	5.
09.	Non ferrous Mining and Metallurgical Industries	67.39	26.38	Out of Rs.67.39 crore, demand of Rs.28.21 crore was stayed by the High Court/other judicial authorities and Rs.2.72 crore was stayed by the Government. Demand for Rs.27.84 crore was covered under recovery certificates under LR Act and PDR Act. Arrears of Rs.1.80 crore was likely to be written off. Recovery of Rs.0.06 crore was held up due to rectification/review of application. Arrears of Rs.6.76 crore were at various stages of recovery.
10.	Miscellaneous General Services- Sale of Land	126.76	5.54	Out of Rs.126.76 crore, demand of Rs.0.59 crore was stayed by the High Court/other judicial authorities and Rs.69.71 crore was stayed by the Government. Remaining amount of Rs.56.46 crore were at other stages of recovery.
11.	⁵ Major and Medium irrigation	63.65	11.95	Out of Rs.63.65 crore, arrears of Rs.52.95 crore pertaining to Board of Revenue were pending collection at various stages of recovery. Stages of recovery for remaining Rs.10.70 crore not intimated by the Commissioner, CAD Chambal, Kota and Chief Engineer, IGNP, Bikaner.
Total		2,977.66	540.05	

1.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2004-05, cases becoming due for assessments during the year, cases disposed off during the year and number of cases pending finalisation at the end of the year 2004-05 as furnished by the departments are as follows:

Heads of Revenue	Opening balance	New cases due for assessment	Total	Cases disposed of	Balance	Percentage of Column 5 to 4
Finance Department						
Sales Tax	81,346	2,12,397	2,93,743	2,28,913	64,830	77.93
Entertainment Tax	2,060	2,514	4,574	2,606	1,968	56.97
Taxes on Immovable property other than Agricultural Land	26,230	-	26,230	25,137	1,093	95.83
Nonferrous Mining and Metallurgical Industries	7,714	6,346	14,060	7,705	6,355	54.80

⁵ This information pertains to Board of Revenue, Rajasthan, Ajmer; Commissioner, Command Area Development(CAD), Chambal, Kota and Chief Engineer, Indira Gandhi Nahar Pariyojna(IGNP), Bikaner.

1.7 Evasion of Tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised during 2004-05 as reported by the departments are given below:

Sl. No.	Heads of Revenue	Opening balance as on 1 st April 2004	Cases detected	Total	No. of cases in which assessments/investigations completed and additional demands including penalty etc., raised.		No. of cases pending finalisation as on 31 st March 2005
					No. of cases	Amount of demand (Rupees in crore)	
1.	Taxes on Sales, Trade etc.	455	12,162	12,617	12,336	51.48	281
2.	Non ferrous Mining and Metallurgical Industries	5,330	4,667	9,997	1,730	Not intimated	8,267
3.	Stamp Duty and Registration Fee	17,444	9,609	27,053	12,495	Not intimated	14,558

1.8 Write off and waiver of revenue

During the year 2004-05, demands for Rs.8.75 crore in 5,286 cases were written off/waived/remitted as detailed below:

(Rupees in lakh)

Sl. No.	Name of Department	Number of cases	Amount	Reasons
1.	Commercial Taxes	1,330	723.27 ⁶	Waived due to death of dealers not having movable/immovable property, leaving of business point by dealers.
2.	State Excise	7	1.29	Waived/written off as whereabouts of defaulters were not known.
3.	Registration and Stamps	3,949	150.61	In 2,030 cases penalty of Rs.80.61 lakh was remitted and 1,919 cases of Rs.70.00 lakh were waived/written off for other reasons.
	Total	5,286	875.17	

⁶ It includes Rs.352.75 lakh waived under Amnesty Scheme.

1.9 Refunds

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2004-05 as reported by departments are given below:

(Rupees in crore)

Name of department	Opening balance		Claims received		Refunds allowed		Closing balance	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Commercial Taxes	846	7.31	5,134	39.70	4,608	39.23	1,372	7.78
Registration and Stamps	1,917	1.30	1,348	2.13	1,183 ⁷	1.79	2,082	1.64
Land Revenue	19	0.07	42	0.08	56	0.08	5	0.07
Colonisation	37	0.10	39	0.16	32	0.14	44	0.12
Land and Building Tax	18	0.80	9	0.41	7	0.21	20	1.00
Non ferrous Mining and metallurgical Industries	226	0.57	122	0.36	179	0.62	169	0.31
Total	3,063	10.15	6,694	42.84	6,065	42.07	3,692	10.92

Interest of Rs.4.39 crore in 610 cases was paid by the Commercial Taxes Department due to belated refunds and Rs.1.38 crore in 517 cases due to other reasons which were not specified.

It would thus be seen that the balance at the end of the year was 8 per cent higher than the claims outstanding at the beginning of the year.

1.10 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fee and other non-tax receipts conducted during the year 2004-05 revealed under-assessment, short levy and loss of revenue amounting to Rs.658.29 crore in 16,964 cases. The concerned Departments accepted under-assessment etc. of Rs.49.52 crore involved in 7,866 cases of which 3,714 cases involving Rs.26.37 crore had been pointed out in audit during the year 2004-05 and the rest in earlier years. The Department recovered an amount of Rs.3.37 crore in 1,164 cases at the instance of audit during the year 2004-05.

This report contains 27 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.276.63 crore. The Department/Government accepted audit observations involving Rs.4.22 crore of which Rs.54.06 lakh had been recovered upto July 2005.

⁷ It includes 125 cases of Rs.0.08 crore rejected by the Department.

1.11 Outstanding inspection reports and audit observations- Lack of responsiveness and erosion of accountability

Audit observations on under assessments, short determination/ realisation of taxes, duties, fees *etc.* and defects in the maintenance of initial records, which are not settled on the spot, are communicated to the heads of the departments through inspection reports. Important irregularities are also reported to Government/departments through inspection reports by the office of Accountant General (Commercial & Receipt Audit) to which replies are required to be furnished by them within one month of their issue.

The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 2004, which were pending settlement with the departments as on 30 June 2005, alongwith figures for the preceding two years, are given below:-

Sl. No.	Particulars	As on 30 June		
		2003	2004	2005
1.	Number of inspection reports pending settlement	2,914	2,971	2,800
2.	Number of outstanding audit observations	6,102	7,477	7,701
3.	Amount of revenue involved (Rupees in crore)	892.82	1,117.84	1,511.54

Departmentwise break up of the inspection reports and audit observations outstanding as on 30 June 2005 is given below:-

Sl. No.	Department	Number of outstanding inspection reports	Number of outstanding audit observations	Amount (Rupees in crore)	Earliest year to which reports relate	Number of inspection reports where even first compliance not received
1.	Commercial Taxes	647	1,938	296.33	1989-90	-
2.	Land Revenue	541	1,045	200.02	1988-89	37
3.	Registration and Stamps	654	1,446	54.87	1994-95	53
4.	Transport	412	1,386	54.40	1996-97	10
5.	Forest	158	393	4.24	1997-98	14
6.	Mines and Geology	169	754	477.90	1994-95	21
7.	State Excise	94	264	396.61	1998-99	-
8.	Lands and Buildings Tax	95	411	25.34	1992-93	17
9.	Electrical Inspectorate	30	64	1.83	1995-96	-
	Total	2,800	7,701	1,511.54		152

It would be seen from the above details that period of pendency in settlement of audit comments ranged between seven to 16 years. According to Rule 327(1) of General Financial Rules, the retention period for various accounting

records ranges between one and three years after audit. As a result of failure of departmental officers to comply with the observations of Inspection reports within the prescribed retention period of records, the possibility of their settlement in future appeared to be bleak due to non availability of records.

The Government should look into the matter to ensure that (a) action is taken against the officials who failed to send replies to the audit findings within the prescribed time schedule (b) to recover revenue and (c) to streamline the system to ensure prompt action and proper response to audit observations.

The above position was brought to the notice of the Government in October 2005.

1.12 Departmental Audit Committee Meetings.

Audit Committee meetings were to be arranged by each Department, twice a year on half yearly basis upto June and December respectively. Departmentwise position of Audit Committee meetings held during 2004 was as under:

Sl. No.	Name of Department	Number of meetings held during 2004		
		Half year ending June 2004	Half year ending December 2004	Total
1.	Commercial Taxes	1	1	2
2.	State Excise	Nil	1	1
3.	Transport	1	1	2
4.	Registration and Stamps	1	1	2
5.	Land and Building	1	1	2
6.	Land Revenue	Nil	1	1
7.	Mines and Geology	Nil	1	1
	Total	4	7	11

1.13 Response of the Departments to Draft Audit Paragraphs

The Finance Department issued directions to all departments in August 1969 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipts. The draft paragraphs are forwarded by the respective audit offices to the Secretaries of the concerned Department through demi official letters drawing their attention to the audit findings and requesting them to send

their response within three 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 2005 were forwarded to the Secretaries of the respective departments between June 2005 and August 2005 through demi official letters. Out of the 71 cases (clubbed into 27 paragraphs) issued, the Department has accepted audit observations in 31 cases.

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 Rajasthan Legislative Secretariat in respect of paragraphs included in the Audit Report within three month of their being laid on the table of the House.

The position of paragraphs which have appeared in the Audit Reports and those pending discussion as on 31 July 2005 is given in *Annexure-'A'*. It would be seen that during the year, 27 audit paragraphs were discussed by the Public Accounts Committee. As a result thereof, no audit paragraph pertaining to reports upto the year 1999-2000 is pending for discussion in the Public Accounts Committee and 92 paragraphs pertaining to the period 2000-01 to 2003-04 were pending.

As per the Rules and Procedures of the Committee on Public Accounts of the Rajasthan State Assembly framed in 1997, the concerned Department shall take necessary steps to send its Action Taken Notes (ATNs) on the recommendation of the Public Accounts Committee (PAC) on the Audit Reports within six months from the date of its presentation to the House. The position of outstanding ATNs due is given in *Annexure-'B'*. It would be seen that the pendency of ATNs ranged from four months to 25 months.