

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by the Government of Tamil Nadu during the year 2004-05, 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 four years are given below:

(Rupees in crore)

		2000-01	2001-02	2002-03	2003-04	2004-05
I	Revenue raised by the State Government					
	(a) Tax Revenue	12,282.24	13,009.70	14,341.71	15,944.97	19,357.04
	(b) Non-tax revenue*	1,710.78	1,556.73	1,860.62	2,093.79	2,208.35
		(1,657.10)	(1,499.85)	(1,742.46)	(2,058.53)	(-)
	Total	13,993.02 (13,939.34)	14,566.43 (14,509.55)	16,202.33 (16,084.17)	18,038.76 (18,003.50)	21,565.39 (-)
II	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	2,783.75	2,870.07	3,047.57	3,544.20	**4,236.39
	(b) Grants in aid	1,539.89	1,381.54	1,586.84	2,122.75	2,649.75
	Total	4,323.64	4,251.61	4,634.41	5,666.95	6,886.14
III	Total receipts of the State [(I) + (II)]	18,316.66 (18,262.98)	18,818.04 (18,761.16)	20,836.74 (20,718.58)	23,705.71 (23,670.45)	28,451.53 (-)
IV	Percentage of I to III	76	77	77	76	76

* Figures in bracket representing non tax revenue include receipts from lotteries net of expenditure on prize winning tickets.

** For details please see Statement No.11 – Detailed Accounts of Revenue by Minor Heads of the Finance Accounts of the Government of Tamil Nadu for the year 2004-05. Figures under the Head '0021 – Taxes on Income other than Corporation Tax – Share of net proceeds assigned to States' 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.

Of the total receipts (Rs.28,451.53 crore) for the year 2004-05, 76 per cent was raised by the State Government and remaining 24 per cent came from the Union Government as State's share of divisible Union taxes and grants in aid.

1.1.2 The details of tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1	Sales Tax	8,197.15	8,385.59	9,589.60	11,004.63	12,996.18	18
2	State Excise	1,868.68	2,058.22	2,113.61	1,657.10	2,549.00	54
3	Stamp Duty and Registration Fees	910.20	1,137.89	1,079.12	1,316.40	1,604.36	22
4	Taxes on Vehicles	590.44	648.43	745.62	934.29	1,014.75	9
5	Land Revenue	55.72	50.47	8.40	17.50	71.95	311
6	Taxes on Agricultural Income	5.23	2.02	1.63	1.25	0.59	(-) 53
7	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	11.65	14.11	12.69	12.03	11.81	(-) 2
8	Others	643.17	712.97	791.04	1,001.77	1,108.40	11
Total		12,282.24	13,009.70	14,341.71	15,944.97	19,357.04	

State Excise: The increase (54 per cent) was due to increase in receipts under malt liquor, foreign liquors and spirits, etc.

Land Revenue: The payments to local bodies as deduct refunds were not made during the year 2004-05. Hence the increase (311 per cent).

Reasons for increase/shortfall, though called for from other departments, have not been received (September 2005).

1.1.3 The details of major non tax revenue realised during the year 2004-05 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1	Interest Receipts, Dividends and Profits	440.17	535.42	594.70	559.74	590.05	5
2	Crop Husbandry	64.87	79.19	62.22	61.61	57.27	(-) 7
3	Forestry and Wild Life	131.18	97.04	157.44	90.21	155.07	72
4	Non-Ferrous Mining and Metallurgical Industries	395.33	160.40	181.09	377.54	409.58	8
5	Education, Sports, Art and Culture	53.75	65.79	89.50	122.58	143.43	17
6	Other Receipts						
	(a) State Lotteries	121.66	126.70	119.50	22.18	852.95	(-) 3
	(b) Others	503.82	492.19	656.17	859.93		
	Total	1,710.78	1,556.73	1,860.62	2,093.79	2,208.35	

Forestry and Wild life: The increase (72 per cent) was mainly due to increased receipts under sale of timber and other forest products etc.

Reasons for increase/shortfall, though called for from other departments, have not been received (September 2005).

1.2 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2004-2005 in respect of the principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sl. No	Heads of Revenue	Budget estimates	Actuals	Variations excess (+) or short-fall (-)	Percentage of variation
1	Sales tax	11,732.00	12,996.18	1,264.18	11
2	State excise	2,350.59	2,549.00	198.41	8
3	Stamp duty and registration fees	1,350.23	1,604.36	254.13	19
4	Taxes on vehicles	1,101.11	1,014.75	(-) 86.36	(-) 8
5	Land revenue	21.44	71.95	50.51	236
6	Taxes on immovable property other than agricultural land (Urban Land Tax)	14.72	11.81	(-) 2.91	(-) 20
7	Taxes and duties on electricity	222.72	243.05	20.33	9
8	Interest receipts, dividends & profits	473.22	590.05	116.83	25
9	Non ferrous mining and metallurgical industries	525.39	409.58	(-) 115.81	(-) 22
10	Crop husbandry	53.65	57.27	3.62	7
11	Roads and bridges	22.67	37.86	15.19	67
12	Major and medium irrigation	20.15	15.63	(-) 4.52	(-) 22

Sales Tax: The increase (11 *per cent*) was due to general inflationary trend and creation of Tax Recovery Cell for collection of old arrears.

Reasons for variations, though called for from other departments, have not been received (September 2005).

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 along with 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 2003-04
1	Sales Tax	2002-03	9,589.60	93.64	0.98	1.15
		2003-04	11,004.63	93.70	0.85	
		2004-05	12,996.18	102.34	0.79	
2	Taxes on vehicles	2002-03	745.62	35.29	4.73	2.57
		2003-04	934.29	34.69	3.71	
		2004-05	1,014.75	48.56	4.79	
3	State excise	2002-03	2,113.61	23.15	1.10	3.81
		2003-04	1,657.10	19.84	1.20	
		2004-05	2,549.00	25.88	1.02	
4	Stamp duty and registration fees	2002-03	1,079.12	71.85	6.66	3.66
		2003-04	1,316.40	79.00	6.00	
		2004-05	1,604.36	84.02	5.24	

It can be seen from the above that the percentage of expenditure on collection of taxes on vehicles and stamp duty and registration fee was higher than the all India average.

1.4 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of assesseees	Sales tax revenue	Revenue/ assessee
2000-01	1,06,242	8,197.15	0.08
2001-02	1,06,946	8,385.59	0.08
2002-03	1,45,489	9,589.60	0.07
2003-04	1,57,126	11,004.63	0.07
2004-05	1,83,707	12,996.18	0.07

1.5 Arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.7,728.38 crore, of which Rs.1,825.65 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Heads of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than 5 years as on 31 March 2005	Remarks
1	2	3	4	5
1	Sales tax	7,106.42	1,577.43	Out of the total arrears of Rs.7,106.42 crore, demands amounting to Rs.2,690.14 crore were covered under Revenue Recovery Act. Demands amounting to Rs.1,059.23 crore were stayed by Government, High Court and other judicial authorities. Rs.264.29 crore could not be recovered on account of the assessee becoming insolvent. Rs.1,942.69 crore was pending under deferral. Rs.328.80 crore was involved in cases pending under BIFR*/AAIFR**. Rs.356.28 crore was likely to be written off/waived. Rs.202.22 crore was to be eliminated and a sum of Rs.258.52 crore was under various stages of recovery. Rs.4.25 crore had since been collected.
2	Mines and minerals	255.94	94.14	Out of the total arrears of Rs.255.94 crore, demands amounting to Rs.13.14 crore were covered under Revenue Recovery Act, demands amounting to Rs.110.11 crore were stayed by High Court and other judicial authorities. A sum of Rs.74.21 crore was likely to be written off. Rs.57.48 crore was under various stages of collection, while Rs.1 crore has since been collected.
3	Stamp duty and registration fees	182.50	50.00	The entire arrears of Rs.182.50 crore were covered by recovery certificates.
4	Urban land tax	105.27	38.52	Demands amounting to Rs.20.60 crore were stayed by Government, High Court and other judicial authorities. Rs.71.65 crore was under various stages of collection. Rs.13.02 crore has since been collected.

* Board for Industrial & Financial Reconstruction

** Appellate Authority for Industrial & Financial Reconstruction

1	2	3	4	5
5	State excise	48.41	48.41	Out of the total arrears of Rs.48.41 crore, demands amounting to Rs.17.57 crore were covered under Revenue Recovery Act, demands amounting to Rs.1.74 crore were stayed by Government, High Court and other judicial authorities. Rs.4.51 crore was held up due to rectification/review application. Rs.0.15 crore was held up on account of persons becoming insolvent, Rs.0.50 crore was likely to be written off, Rs.23.33 crore was under various stages of collection. Rs.0.61 crore has since been collected.
6	Land revenue	26.89	16.19	Out of the total arrears of Rs.26.89 crore, demands amounting to Rs.3.05 crore were stayed by High Court and other judicial authorities, Rs.4.64 crore was stayed by State Government, Rs.0.13 crore was likely to be written off, Rs.16.61 crore was under various stages of collection. Rs.2.46 crore has since been collected.
7	Taxes on Vehicles	2.95	0.96	Out of the total arrears of Rs.2.95 crore, demands amounting to Rs.1.97 crore were covered under Revenue Recovery Act. Demands amounting to Rs.27.70 lakh were stayed by High Court and other judicial authorities. Rs.70.72 lakh was under various stages of collection. .
	Total	7,728.38	1,825.65	

1.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2004-05, cases that are due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2004-05, as furnished by the Sales Tax Department in respect of sales tax and by Revenue Department in respect of urban land tax and agricultural income tax are as follows:

Head of Revenue	Opening balance	New cases due for assessment during 2004-05	Total assessments due	Cases disposed of during 2004-05	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax	53,533	1,71,052	2,24,585	1,70,293	54,292	76
Urban Land Tax	5,093	2,227	7,320	1,383	5,937	19
Agricultural Income Tax	251	3,338	3,589	1,379	2,210	38

1.7 Evasion of tax

The details of cases of evasion of tax detected, sales tax cases finalised and the demands for additional tax raised as reported by the Department are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2004	Cases detected during 2004-05	Total	Cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2005
					No.	Amount	
1	Sales Tax						
	i) Enforcement Wing.	4,601	8,582	13,183	7,380	N.F*.	5,803
	ii) Administrative-Wing.	3,933	4,723	8,656	3,290	661.25	5,366
* Not furnished.							

1.8 Write off and waiver of revenue

During the year 2004-05, Rs.1.73 crore (in 176 cases) relating to sales tax were written off by the Department as irrecoverable. Reasons for the write off of these demands as reported by the Department were as follows:

(Rupees in lakh)

Sl. No.	Reasons	Sales Tax	
		No. of cases	Amount
1	Whereabouts of defaulters not known	140	160.63
2	Defaulters no longer alive	25	0.24
3	Defaulters not having any property	10	2.46
4	Defaulters adjudged insolvent	1	9.24
Total		176	172.57

In addition to the above, sales tax amounting to Rs.1.12 crore in 28 cases, was waived during the year.

1.9 Refunds

The number of refund cases pending at the beginning of the year as on 1 April 2004, claims received during the year, refunds allowed during the year and cases pending at the close of the year as on 31 March 2005, as reported by the departments are given below:

(Rupees in crore)

Sl. No.	Particulars	Sales Tax		Taxes on Vehicles		Mines and Minerals	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	59,048	98.62	21	0.02	6	0.01
2	Claims received during the year	38,436	101.61	383	0.76	26	10.92
3	Refunds made during the year	26,058	66.21	337	0.72	26	10.89
4	Balance outstanding at the end of the year	71,426	134.02	67	0.06	6	0.04

1.10 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts and non tax receipts conducted during 2004-05 revealed under assessment/short levy/loss of revenue amounting to Rs.852.56 crore in 2,430 cases. During the year, the Departments accepted under assessment of Rs.8.33 crore in 1,157 cases pointed out in 2004-05 and earlier years and recovered Rs.2.47 crore.

This Report contains 23 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalties etc., involving Rs.576.20 crore. The Department/Government accepted audit observations involving Rs.4.07 crore, of which Rs.1.28 crore was recovered upto September 2005. Final reply has not been received in respect of the remaining cases (September 2005).

1.11 Failure of senior officials to enforce accountability and protect interest of Government

Audit observations on incorrect assessments, short levy of taxes, duties and fees, etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the heads of departments concerned and the Government. The heads of offices are required to furnish replies to the inspection reports through their respective heads of departments within a period of two months.

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

	Position as on 30 June		
	2003	2004	2005
Number of inspection reports pending settlement	5,627	5,629	6,134
Number of outstanding audit observations	21,348	18,709	20,477
Amount of revenue involved (Rupees in crore)	2,053.26	2,139.19	2,399.64

The increase in the outstanding audit reports and objections is indicative of non compliance with Government's instruction to send replies to initial audit observations and report on further action taken thereon within the stipulated time. State audit committee and departmental audit committee were constituted in March 1993 with the objectives of expeditious settlement of outstanding paras. This has not been achieved.

1.11.2 Revenue headwise breakup of the inspection reports and audit observations outstanding as on 30 June 2005 is given below:

Sl. No.	Revenue Heads	Number of outstanding		Amount (in crore of rupees)	Earliest year to which the inspection report relates
		Inspection reports	Audit observations		
1	2	3	4	5	6
1	Sales tax	2,820	13,141	667.57	1987-88
2	Stamp duty and registration fees	986	1,935	53.93	1984-85
3	Land revenue	709	1,897	1,054.18	1988-89
4	Taxes on vehicles	379	940	76.72	1983-84
5	State Excise	244	522	110.19	1987-88

1	2	3	4	5	6
6	Taxes on agricultural income	77	207	81.46	1986-87
7	Mines and minerals	230	640	283.97	1989-90
8	Urban land tax	229	618	29.89	1983-84
9	Electricity duty	69	120	30.28	1986-87
10	Entertainments tax	107	117	8.93	1992-93
11	Luxury tax	150	162	1.37	1994-95
12	Betting tax	12	23	0.09	1991-92
13	Entry tax	122	155	1.06	2003-04
Total		6,134	20,477	2,399.64	

1.12 Departmental Audit Committee Meeting

During the course of the year 2004-05, five meetings were held in respect of Commercial Taxes Department pertaining to sales tax. One hundred and twenty three paras with a value of Rs.41.73 lakh were settled during these meetings. In respect of other departments, no departmental audit committee meeting was held during the year 2004-05.

1.13 Response of the Department/Government to draft audit paragraphs

Government (Finance Department) issued directions to all departments 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 as early as in 1952 itself. The draft paragraphs are forwarded 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 departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty eight draft paragraphs (finally clubbed into 23 paragraphs including two reviews) proposed to be included in this Report were forwarded to the Secretaries of the respective departments during the period from April to June 2005, through demi official letters and followed up with reminders in July 2005.

The Secretaries of the departments did not send replies to 19 draft paragraphs including two reviews. These paragraphs have been included in this Report without the response of the Secretaries of the departments.

1.14 Follow up on Audit Reports – Summarised position

With a view to ensuring accountability of the executive in respect of all the issues dealt with in Audit Reports, the Public Accounts Committee (PAC) directed that the concerned departments should furnish remedial/corrective Action Taken Notes (ATN) on all paragraphs contained therein, within the prescribed time frame.

A review of outstanding ATNs as of 31 March 2005 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that for 932 recommendations pertaining to 277 audit paragraphs discussed by PAC, the departments had not submitted remedial ATNs. Out of the 932 recommendations pending, ATNs were not submitted by the departments even once in respect of 577 recommendations; the earliest of which relate to the Report of 1986-87.

Further, PAC has also laid down that necessary explanatory notes for the issues mentioned in the audit report should be furnished to the Committee within a maximum period of two months from the date of placing of the Reports before Legislature. Though the Audit Reports for the years from 1998-99 to 2002-2003 were placed before the Legislative Assembly between May 2000 and July 2004, the departments are yet to submit explanatory notes for 76 paragraphs (including nine reviews) included in these reports.