

CHAPTER - 1

GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Tamil Nadu during the year 2000-2001, the 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 two years are given below:

(Rupees in crore)

| | | 1998-99 | 1999-2000 | 2000-2001 |
|-----|--|--------------------------------------|--------------------------------------|--------------------------------------|
| I | Revenue raised by the State Government | | | |
| | (a) Tax revenue | 9625.30 | 10918.93 | 12282.24 |
| | (b) Non-tax revenue* | 1156.70 (1128.00) | 1356.85 (1317.66) | 1710.78 (1657.10) |
| | Total - I | 10782.00 (10753.30) | 12275.78 (12236.59) | 13993.02 (13939.34) |
| II | Receipts from the Government of India | | | |
| | (a) State's share of divisible Union taxes | 2408.98 | 2667.00 | 2783.75** |
| | (b) Grants-in-aid | 1069.85 | 1384.75 | 1539.89 |
| | Total - II | 3478.83 | 4051.75 | 4323.64 |
| III | Total receipts of the State Government [(I) + (II)] | 14260.83 (14232.13) | 16327.53 (16288.34) | 18316.66 (18262.98) |
| IV | Percentage of I to III | 76 | 75 | 76 |

* Figures in brackets 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 2000-2001. 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.

(i) The details of tax revenue raised during the year 2000-2001, along with the corresponding figures for the preceding two years, are given below.

(Rupees in crore)

| Sl No | Heads of revenue | 1998-1999 | 1999-2000 | 2000-2001 | Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000 |
|-------|---|----------------|-----------------|-----------------|--|
| 1. | Sales Tax | 6112.94 | 7024.23 | 8197.15 | (+) 16.70 |
| 2. | State Excise | 1709.81 | 1833.70 | 1868.68 | (+) 1.91 |
| 3. | Stamp Duty and Registration Fees | 672.52 | 817.58 | 910.20 | (+) 11.33 |
| 4. | Taxes on Vehicles | 518.14 | 577.98 | 590.44 | (+) 2.16 |
| 5. | Land Revenue | 28.29 | 47.23 | 55.72 | (+) 17.98 |
| 6. | Taxes on Agricultural Income | 38.53 | 17.78 | 5.23 | (-) 70.58 |
| 7. | Taxes on Immovable Property other than Agricultural Land (Urban Land Tax) | 14.18 | 11.47 | 11.65 | (+) 1.57 |
| 8. | Others | 530.89 | 588.96 | 643.17 | (+) 9.20 |
| | TOTAL | 9625.30 | 10918.93 | 12282.24 | |

Sales Tax: The increase (16.70 per cent) was mainly due to increased receipts under 'Central Sales Tax Act'

Agricultural Income Tax: The decrease (70.58 per cent) was due to low price of tea.

The reasons for variations though called from other departments have not been received (October 2001).

(ii) The details of non-tax revenue realised during the years 1998-99 to 2000-2001 are given below:

(Rupees in crore)

| Sl. No | Heads of revenue | 1998-1999 | 1999-2000 | 2000-2001 | Percentage of increase (+) or decrease (-) in 2000-2001 over 1999-2000 |
|--------|---|----------------|----------------|----------------|--|
| 1. | Interest Receipts, Dividends and Profits | 409.24 | 388.74 | 440.17 | (+) 13.23 |
| 2. | Crop Husbandry | 73.48 | 75.13 | 64.87 | (-) 13.66 |
| 3. | Forestry and Wild life | 64.00 | 130.08 | 131.18 | (+) 1.00 |
| 4. | Non-Ferrous Mining and Metallurgical Industries | 101.04 | 113.25 | 395.33 | (+) 249.08 |
| 5. | Education, Sports, Art and Culture | 38.29 | 44.86 | 53.75 | (+) 19.82 |
| 6. | Other Receipts | | | | |
| | (a) State Lotteries | 53.62 | 124.41 | 121.66 | (-) 2.21 |
| | (b) Others | 417.03 | 480.38 | 503.82 | (+) 4.88 |
| | TOTAL | 1156.70 | 1356.85 | 1710.78 | (+) 26.08 |

Interest Receipts: The increase (13.23 per cent) was mainly due to increased receipts from departmental commercial undertakings and local bodies.

Non-Ferrous Mining and Metallurgical Industries: The increase (249.08 per cent) was mainly due to increased receipts under Mineral Concession Fees, and royalties received in advance from Neyveli Lignite Corporation.

The reasons for variations though called for from other departments have not been received (October 2001).

1.2 Variations between budget estimates and actuals

The variations between budget estimates of revenue for the year 2000-2001 and actual receipts under the principal heads are given below:-

(Rupees in crore)

| Sl No | Heads of revenue | Budget estimates | Actuals | Variations increase (+) decrease (-) | Percentage of variation excess (+) shortfall (-) |
|-------|---|------------------|---------|--------------------------------------|--|
| 1. | Sales Tax | 8015.00 | 8197.15 | (+) 182.15 | (+) 2.27 |
| 2. | State Excise | 2153.25 | 1868.68 | (-) 284.57 | (-) 13.22 |
| 3. | Stamp Duty and Registration Fees | 947.40 | 910.20 | (-) 37.20 | (-) 3.93 |
| 4. | Taxes on Vehicles | 655.23 | 590.44 | (-) 64.79 | (-) 9.89 |
| 5. | Land Revenue | 35.00 | 55.72 | (+) 20.72 | (+) 59.20 |
| 6. | Taxes on Agricultural Income | 38.00 | 5.23 | (-) 32.77 | (-) 86.24 |
| 7. | Taxes on Immovable Property other than Agricultural Land (Urban Land Tax) | 14.00 | 11.65 | (-) 2.35 | (-) 16.79 |
| 8. | Taxes and Duties on Electricity | 220.00 | 227.01 | (+) 7.01 | (+) 3.19 |
| 9. | Interest Receipts, Dividends & profits | 369.03 | 440.17 | (+) 71.14 | (+) 19.28 |
| 10. | Non-ferrous mining and Metallurgical Industries | 217.93 | 395.33 | (+) 177.40 | (+) 81.40 |
| 11. | Crop Husbandry | 74.65 | 64.87 | (-) 9.78 | (-) 13.10 |
| 12. | Roads and Bridges | 17.86 | 20.77 | (+) 2.91 | (+) 16.29 |
| 13. | Major and Medium Irrigation | 8.50 | 9.31 | (+) 0.81 | (+) 9.53 |
| 14. | State Lotteries | 177.63 | 121.66 | (-) 55.97 | (-) 31.50 |

Interest Receipts: The increase (19.28 per cent) was mainly due to increased receipts from departmental commercial undertakings and local bodies.

Taxes on Agricultural Income: The decrease (86.24 per cent) was due to low price of tea and payment made towards wage settlement.

Land Revenue: The increase (59.20 per cent) was due to collection of arrears.

Mines and Minerals: The increase (81.40 per cent) was due to advance receipt of royalty paid by Neyveli Lignite Corporation for the next 3 years.

The reasons for variations in respect of other heads though called for from the State Government have not been received (October 2001).

1.3 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 1998-99, 1999-2000 and 2000-2001 along with the relevant all India average percentage of expenditure on collection to gross collections for 1999-2000 are given below:

(Rupees in crore)

| Sl. No | Heads of revenue | Year | Gross collection | Expenditure on collection | Percentage of expenditure to gross collection | All India average percentage for the year 1999-2000 |
|--------|----------------------------------|-----------|------------------|---------------------------|---|---|
| 1. | Sales Tax | 1998-1999 | 6112.94 | 99.45 | 1.62 | 1.56 |
| | | 1999-2000 | 7024.23 | 102.02 | 1.45 | |
| | | 2000-2001 | 8197.15 | 104.88 | 1.28 | |
| 2. | State Excise | 1998-1999 | 1709.81 | 15.55 | 0.90 | 3.31 |
| | | 1999-2000 | 1833.70 | 20.32 | 1.11 | |
| | | 2000-2001 | 1868.68 | 20.92 | 1.12 | |
| 3. | Stamp Duty and Registration Fees | 1998-1999 | 672.52 | 53.94 | 8.02 | 4.62 |
| | | 1999-2000 | 817.58 | 55.44 | 6.78 | |
| | | 2000-2001 | 910.20 | 61.19 | 6.72 | |
| 4. | Taxes on Vehicles | 1998-1999 | 518.14 | 21.69 | 4.19 | 3.56 |
| | | 1999-2000 | 577.98 | 26.29 | 4.55 | |
| | | 2000-2001 | 590.44 | 26.70 | 4.52 | |

1.4 Arrears in assessments

The details of assessment cases in respect of Sales Tax, Agricultural Income Tax and Urban Land Tax pending at the beginning of the year, cases due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2000-2001, as furnished by the department are given below:

| Sl. No | Heads of Revenue | Opening Balance | Cases due for assessment during the year | Total | Cases finalised during the year | Balance at the end of the year |
|--------|-------------------------|-----------------|--|--------|---------------------------------|--------------------------------|
| 1 | Sales Tax | 29075 | 139201 | 168276 | 143569 | 24707 |
| 2 | Agricultural Income Tax | 219 | 3993 | 4212 | 4104 | 108 |
| 3 | Urban Land Tax | 3111 | 694 | 3805 | 1021 | 2784 |

1.5 Arrears of revenue

As on 31 March 2001 arrears of revenue pending collection under principal heads of revenue as reported by the departments are as under:

| Sl. No | Heads of revenue | Arrears pending collection | | Remarks |
|--------|----------------------------------|----------------------------|-----------------------|--|
| | | Total | More than 5 years old | |
| | | (Rupees in crore) | | |
| 1 | 2 | 3 | 4 | 5 |
| 1 | Sales Tax | 7197.00 | 918.94 | Out of the total arrears of Rs.7197.00 crore, demands amounting to Rs.1790.44 crore were covered under Revenue Recovery Act. Demands amounting to Rs.1705.00 crore were stayed by High court and other judicial authorities. A sum of Rs.115.93 crore was stayed by Government. Recoveries amounting to Rs.45.67 crore were held up due to rectification/review applications. Rs.117.61 crore could not be recovered on account of the assessee becoming insolvent. A sum of Rs.413.00 crore was likely to be written off and a sum of Rs.2869.80 crore was under various stages of recovery. A sum of Rs.139.54 crore had since been collected (August 2001). |
| 2 | Mines and Minerals | 1047.34 | 726.20 | Out of the total arrears of Rs.1047.34 crore, a sum of Rs.188.35 crore was covered under Revenue Recovery Act. Demands amounting to Rs.327.13 crore were stayed by High court and other judicial authorities. A sum of Rs.0.08 crore was likely to be written off. A sum of Rs.531.23 crore was under various stages of recovery. A sum of Rs.0.55 crore had since been collected (August 2001). |
| 3 | Stamp Duty and Registration Fees | 302.86 | 14.11 | Out of the total arrears of Rs.302.86 crore, demands amounting to Rs.39.49 crore were covered under Revenue Recovery Act. A sum of Rs.263.37 crore was under various stages of recovery. |
| 4 | Urban Land Tax | 76.11 | 37.70 | Out of the total arrears of Rs.76.11 crore, demands amounting to Rs.18.92 crore were stayed by High court and other judicial authorities. Demands amounting to Rs.13.68 crore were covered by stay granted by Government. A sum of Rs.2.48 crore was stayed by Principal Commissioner of Land Reforms. A sum of Rs.39.20 crore was under various stages of recovery. A sum of Rs.1.83 crore had since been collected (August 2001). |

| 1 | 2 | 3 | 4 | 5 |
|----------|-------------------|----------------|----------------|---|
| 5 | State Excise | 50.56 | 50.56 | Out of the total arrears of Rs.50.56 crore, demands amounting to Rs.13.40 crore were covered under Revenue Recovery Act. Rs.7.13 crore were stayed by High court and other judicial authorities. Demands amounting to Rs.0.33 lakh were held up due to rectification/review applications. Rs.4.36 lakh could not be recovered on account of the assessee becoming insolvent. A sum of Rs.5.17 crore was likely to be written off. A sum of Rs.24.82 crore was under various stages of recovery. |
| 6. | Land Revenue | 30.04 | 13.89 | Out of the total arrears of Rs.30.04 crore, arrears of Rs.10.88 crore were covered by stay granted by High Court/Government and other judicial authorities. A sum of Rs.13.69 crore was under various stages of recovery and a sum of Rs.0.26 crore was likely to be written off. A sum of Rs.5.21 crore had since been collected (August 2001). |
| 7 | Taxes on vehicles | 3.01 | 2.07 | Out of the total arrears of Rs.3.01 crore demands amounting to Rs.2.20 crore were covered under Revenue Recovery Act. Demands of Rs.0.18 crore were stayed by High Court and other judicial authorities. A sum of Rs.0.20 crore was likely to be written off. A sum of Rs.0.43 crore was under various stages of recovery. |
| | Total | 8706.92 | 1763.47 | |

1.6 Frauds and Evasion of tax

The details of cases of frauds and evasion of taxes pending at the beginning of the year, number of cases detected by the departmental authorities (including internal audit), number of cases in which assessments/investigations were completed and additional demand (including penalties etc) of taxes raised against the assesseees during the year and the number of cases pending finalisation at the end of March 2001 as furnished (October 2001) by the Commercial Taxes Department are given below:

(Rupees in crore)

| Nature of Tax | Cases pending as on 31 March 2000 | | Cases detected during 2000-2001 | | Cases in which assessment/ investigations completed and additional demand including penalty etc. raised | | Cases pending finalisation as on 31 March 2001 | |
|---------------------------|-----------------------------------|---------|---------------------------------|--------|---|---------|--|---------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Sales Tax | | | | | | | | |
| (i) Enforcement Wing | 3600 | 106.16 | 5746 | NF | 7981 | NF | 1865 | NF |
| (ii) Administrative Wing | 2809 | 2006.50 | 2563 | 347.61 | 1496 | 1139.85 | 3876 | 1214.26 |
| NF – Not furnished | | | | | | | | |

1.7 Refunds

Details of amount refunded during the year 2000-2001 under certain heads of receipts as furnished by the concerned departments are as follows:

(Rupees in crore)

| Sl. No. | Heads of Revenue | Claims outstanding at the beginning of the year | | Claims received during the year | | Total | | Refunds made during the year | | Balance outstanding at the end of the year | |
|---------|-------------------------|---|--------|---------------------------------|--------|-------|--------|------------------------------|--------|--|--------|
| | | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| 1. | Sales Tax | 63124 | 51.03 | 27617 | 70.95 | 90741 | 121.98 | 40758 | 61.81 | 49983 | 60.17 |
| 2. | Taxes on vehicles | 56 | 0.07 | 191 | 0.12 | 247 | 0.19 | 197 | 0.16 | 50 | 0.03 |
| 3. | Agricultural Income Tax | — | — | 4 | 0.13 | 4 | 0.13 | 1 | 0.01 | 3 | 0.12 |
| 4. | Urban land Tax | 15 | 0.05 | 4 | 0.02 | 19 | 0.07 | 3 | 0.01 | 16 | 0.06. |

1.8 Write-off and waiver of revenue

Demands for Rs.5.10 crore were written off/waived during 2000-2001 by competent authorities as indicated below:

| Sl. No. | Name of the department | Write off/Waiver of revenue | |
|----------------------------|------------------------|-----------------------------|-----------------------|
| | | No. of cases | Amount (Rs. in crore) |
| 1. | Commercial Taxes | 1277 | 1.44 |
| 2. | Taxes on Vehicles | 6 | 0.01 |
| 3. | Land Revenue | NF | 3.65 |
| | Total | | 5.10 |
| NF – Not furnished. | | | |

1.9 Internal Audit

The number of inspection reports/audit objections issued by the internal audit wing pending settlement as on 31 March 2001 were as under:

| Sl. No. | Heads of Revenue | Number of Inspection Reports | Number of objections | Amount (Rs. in crore) |
|----------------------------|---|------------------------------|----------------------|-----------------------|
| 1. | Sales Tax (including Entertainments Tax, Betting Tax, etc.) | 3171 | 18972 | 16.48 |
| 2. | Taxes on vehicles | 34 | 593 | 0.36 |
| 3. | Mines and Minerals | 65 | 727 | 364.43 |
| 4. | Agricultural Income Tax | NF | 443 | 5.69 |
| 5. | Taxes and Duties on Electricity | 225 | 1005 | 0.01 |
| 6. | Stamp Duty and Registration Fees | 1271 | 8286 | 2.91 |
| 7. | State Excise | 106 | 1022 | 0.02 |
| 8. | Urban Land Tax | NF | NF | NF |
| NF – Not furnished. | | | | |

1.10 Results of Audit

Test-check of the records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles, Other Tax Receipts and Mines and Minerals under Non-Tax Receipts conducted during the year 2000-2001 revealed under-assessment/short-levy/loss of revenue amounting to Rs.962.63 crore in 4228 cases. During the course of the year 2000-2001, the concerned departments accepted under-assessments, etc. of Rs.3.03 crore involved in 639 cases, of which 328 cases involving Rs.74.03 lakh had been pointed out in audit during 2000-2001 and the rest in earlier years. Of these, the department recovered Rs.1.31 crore in 501 cases.

This report contains 28 paragraphs including 4 reviews involving Rs.668.90 crore. The department/Government have accepted audit observations involving Rs.1.69 crore. Of this, a sum of Rs.42.75 lakh has been recovered (October 2001). Audit observations with total revenue effect of Rs.647.29 crore in 5621 cases were not accepted by the departments/Government, but their contentions have been found at variance with facts and legal position and these have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (October 2001).

1.11 Outstanding Inspection Reports and Audit Observations

Audit observations on incorrect assessments, short-levy of taxes, duties, 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.

(i) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 2000, which were pending settlement by the departments as on 30 June 2001, along with corresponding figures for the preceding two years, are given below:

| | Position as on 30 June | | |
|---|------------------------|--------|--------|
| | 1999 | 2000 | 2001 |
| Number of inspection reports pending settlement | 4084 | 4100 | 4754 |
| Number of outstanding audit observations | 15163 | 15579 | 17974 |
| Amount of revenue involved (Rupees in crore) | 327.54 | 386.98 | 633.98 |

(ii) Revenue-wise break-up of the inspection reports and audit observations outstanding as on 30 June 2001 is given below:

| Sl. No | Revenue Head | Number of outstanding | | Amount involved (Rupees in crore) | Earliest year to which reports relate |
|--------|----------------------------------|-----------------------|--------------------|-----------------------------------|---------------------------------------|
| | | Inspection Reports | Audit Observations | | |
| 1. | Sales Tax | 2263 | 12364 | 447.82 | 1984-85 |
| 2. | Stamp Duty and Registration Fees | 997 | 2061 | 14.11 | 1982-83 |
| 3. | Land Revenue | 486 | 1310 | 35.67 | 1988-89 |
| 4. | Taxes on Vehicles | 263 | 504 | 21.88 | 1983-84 |
| 5. | State Excise | 155 | 307 | 27.42 | 1986-87 |
| 6. | Taxes on Agricultural Income | 76 | 251 | 9.56 | 1984-85 |
| 7. | Mines and Minerals | 144 | 411 | 60.86 | 1989-90 |
| 8. | Urban Land Tax | 207 | 545 | 8.11 | 1983-84 |
| 9. | Electricity Duty | 52 | 84 | 5.75 | 1986-87 |
| 10. | Entertainments Tax | 67 | 76 | 2.55 | 1992-93 |
| 11. | Luxury Tax | 34 | 41 | 0.16 | 1994-95 |
| 12. | Betting Tax | 10 | 20 | 0.09 | 1991-92 |
| | TOTAL | 4754 | 17974 | 633.98 | |

The matter was brought to the notice of the Government (October 2001).

1.12 Follow-up on Audit Reports

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 department should furnish remedial/corrective Action Taken Notes (ATN) on all paragraphs contained therein within the prescribed time frame.

However, a review of outstanding ATNs as of 31 March 2001 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that for 731 recommendations pertaining to 455 audit paragraphs the departments had not submitted remedial ATNs. Out of the 731 recommendations pending, in respect of 463 recommendations, ATNs were not submitted by the department even once.

Further, PAC has also laid down that necessary explanatory notes for those issues mentioned in the audit report should be furnished to Committee within a maximum period of three months from the date of placing of the Reports before Legislature. Though the Audit Reports for the year 1997-98 and 1998-99 were placed before the Legislative Assembly in April 1999 and May 2000 the departments are yet to submit Explanatory Notes for 46 paragraphs (including 3 reviews) included in these reports.

1.13 Response of the department/Government to Draft Audit Paragraphs

Government (Finance Department) issued direction (April 1952) to all departments to send their response to the Draft Audit Paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always 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 are invariably indicated at the end of each such Paragraphs included in the Audit Report.

47 Draft Paragraphs (including 4 reviews) proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2001 were forwarded to the Secretaries of the respective departments during April-August 2001 through Demi- Official letters.

The Secretaries of the departments did not send replies to 40 Draft Paragraphs (including 4 reviews) in non-compliance to above instructions of the Government. These Paragraphs have been included in this Report without the response of the Secretaries of the department