

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 2001-2002, 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)

		1999-2000	2000-2001	2001-2002
I	Revenue raised by the State Government			
	(a) Tax revenue	10918.93	12282.24	13009.70
	(b) Non-tax revenue*	1356.85 (1317.66)	1710.78 (1657.10)	1556.73 (1499.85)
	Total - I	12275.78 (12236.59)	13993.02 (13939.34)	14566.43 (14509.55)
II	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	2667.00	2783.75	2870.07**
	(b) Grants-in-aid	1384.75	1539.89	1381.54
	Total - II	4051.75	4323.64	4251.61
III	Total receipts of the State Government [(I) + (II)]	16327.53 (16288.34)	18316.66 (18262.98)	18818.04 (18761.16)
IV	Percentage of I to III	75	76	77

* 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 2001-2002. 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 2001-2002, along with the corresponding figures for the preceding two years, are given below.

(Rupees in crore)

Sl. No.	Heads of revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
1.	Sales Tax	7024.23	8197.15	8385.59	(+) 2
2.	State Excise	1833.70	1868.68	2058.22	(+) 10
3.	Stamp Duty and Registration Fees	817.58	910.20	1137.89	(+) 25
4.	Taxes on Vehicles	577.98	590.44	648.43	(+) 10
5.	Land Revenue	47.23	55.72	50.47	(-) 9
6.	Taxes on Agricultural Income	17.78	5.23	2.02	(-) 61
7.	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	11.47	11.65	14.11	(+) 21
8.	Others	588.96	643.17	712.97	(+) 11
	TOTAL	10918.93	12282.24	13009.70	(+) 6

State Excise: The increase (10 per cent) was due to more collections of duty under foreign liquors and spirits.

Stamp Duty and Registration Fees: The increase (25 per cent) was mainly due to increase in sale of stamps under non-judicial category.

The reasons for variations though called from other departments have not been received (September 2002).

(ii) The details of non-tax revenue realised during the year 2001-2002 alongwith the corresponding figures for preceding two years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) or decrease (-) in 2001-2002 over 2000-2001
1.	Interest Receipts, Dividends and Profits	388.74	440.17	535.42	(+) 22
2.	Crop Husbandry	75.13	64.87	79.19	(+) 22
3.	Forestry and Wild life	130.08	131.18	97.04	(-) 26
4.	Non-Ferrous Mining and Metallurgical Industries	113.25	395.33	160.40	(-) 59
5.	Education, Sports, Art and Culture	44.86	53.75	65.79	(+) 22
6.	Other Receipts				
	(a) State Lotteries	124.41	121.66	126.70	(+) 4
	(b) Others	480.38	503.82	492.19	(-) 2
	TOTAL	1356.85	1710.78	1556.73	(-) 9

Interest Receipts: The increase (22 per cent) was mainly due to more receipts from Public Sector and other undertakings in respect of loans availed by them.

Non-Ferrous Mining and Metallurgical Industries: The decrease (59 per cent) was mainly due to less collection relating to Mineral Concession Fees, and royalties as Neyveli Lignite Corporation has paid the royalty due in advance last year.

The reasons for variations though called for from other departments have not been received (September 2002).

1.2 Variations between budget estimates and actuals

The variations between budget estimates of revenue for the year 2001-2002 and actual receipts under the principal heads are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) shortfall(-)	Percentage of variation excess (+) shortfall (-)
1.	Sales Tax	9550.00	8385.59	(-) 1164.41	(-) 12
2.	State Excise	2280.00	2058.22	(-) 221.78	(-) 10
3.	Stamp Duty and Registration Fees	990.39	1137.89	(+) 147.50	(+) 15
4.	Taxes on Vehicles	734.31	648.43	(-) 85.88	(-) 12
5.	Land Revenue	51.53	50.47	(-) 1.06	(-) 2
6.	Taxes on Agricultural Income	17.98	2.02	(-) 15.96	(-) 89
7.	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	14.00	14.11	(+) 0.11	(+) 1
8.	Taxes and Duties on Electricity	260.27	259.75	(-) 0.52	---
9.	Interest Receipts, Dividends & profits	409.43	535.42	(+) 125.99	(+) 31
10.	Non-ferrous Mining and Metallurgical Industries	232.00	160.40	(-) 71.60	(-) 31
11.	Crop Husbandry	76.85	79.19	(+) 2.34	(+) 3
12.	Roads and Bridges	17.79	25.55	(+) 7.76	(+) 44
13.	Major and Medium Irrigation	8.03	10.51	(+) 2.48	(+) 31
14.	State Lotteries	115.00	126.70	(+) 11.70	(+) 10
15.	Forestry and Wild Life	89.89	97.04	(+) 7.15	(+) 8

Stamp Duty and Registration Fees: The excess collection (15 per cent) was mainly due to increase in sale of stamps under non-judicial category.

Taxes on Agricultural Income: The shortfall (89 per cent) was due to low price of tea and increase in wage bill of the assessees.

Interest Receipts: The excess (31 per cent) was mainly due to increased receipts from Public Sector and other undertakings in respect of loans availed by them.

Non-ferrous Mining and Metallurgical Industries: The shortfall (31 per cent) was due to less collection relating to mineral concession fees and royalties as Neyveli Lignite Corporation has paid the royalty due for the current year in advance in last year.

The reasons for variations in respect of other heads though called for from the State Government have not been received (September 2002).

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 1999-2000, 2000-2001 and 2001-2002 along with the relevant all India average percentage of expenditure on collection to gross collections for 2000-2001 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 2000-2001
1.	Sales Tax	1999-2000	7024.23	102.02	1.45	1.31
		2000-2001	8197.15	104.88	1.28	
		2001-2002	8385.59	96.93	1.16	
2.	State Excise	1999-2000	1833.70	20.32	1.11	3.10
		2000-2001	1868.68	20.92	1.12	
		2001-2002	2058.22	22.44	1.09	
3.	Stamp Duty and Registration Fees	1999-2000	817.58	55.44	6.78	4.39
		2000-2001	910.20	61.19	6.72	
		2001-2002	1137.89	54.15	4.76	
4.	Taxes on Vehicles	1999-2000	577.98	26.29	4.55	3.48
		2000-2001	590.44	26.70	4.52	
		2001-2002	648.43	27.05	4.17	

Reasons for excess percentage called for from the concerned departments have not been received (October 2002).

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 2001-2002 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	24707	139404	164111	130903	33208
2	Agricultural Income Tax	108	3896	4004	3707	297
3	Urban Land Tax	2784	1950	4734	1686	3048

Sales Tax: The reasons for non finalisation were attributed to pendency of cases under judicial forums, awaiting clarifications from higher authorities, awaiting D3 deviation, etc.

Urban Land Tax: The cases were stated to be under scrutiny.

1.5 Arrears of revenue

As on 31 March 2002 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	8470.68	1194.89	Out of total arrears of Rs.8470.68 crore, demands amounting to Rs.2279.74 crore were covered under Revenue Recovery Act. Demands amounting to Rs.1365.14 crore were stayed by High Court and other judicial authorities. A sum of Rs.41.37 crore was stayed by Government. Recoveries amounting to Rs.136.04 crore were held up due to rectification/review applications. Rs.47.48 crore could not be recovered on account of the assessee becoming insolvent. A sum of Rs.122.42 crore was likely to be written off and a sum of Rs.4444.69 crore was under various stages of recovery. A sum of Rs.33.80 crore had since been collected.
2	Mines and Minerals	472.19	221.32	Out of the total arrears of Rs.472.19 crore, a sum of Rs.163.30 crore was covered under Revenue Recovery Act. Demands amounting to Rs.261.85 crore were stayed by High Court and other judicial authorities. A sum of Rs.0.28 crore was stayed by Government. Amount of Rs.0.03 crore was likely to be written off and Rs.44.25 crore was under various stages of recovery. A sum of Rs.2.48 crore had since been collected.
3	Stamp Duty and Registration Fees	64.91	33.02	Out of the total arrears of Rs.64.91 crore, demands amounting to Rs.64.52 crore were covered under Revenue Recovery Act. A sum of Rs.0.39 crore was since collected.
4	Urban Land Tax	77.65	42.10	Out of the total arrears of Rs.77.65 crore, demands amounting to Rs.14.60 crore were stayed by High Court and other judicial authorities. Demands amounting to Rs.14.96 crore were covered by stay granted by Government. A sum of Rs.6.99 crore was stayed by Principal Commissioner of Land Reforms. A sum of Rs.39.51 crore was under various stages of recovery. A sum of Rs.1.59 crore had since been collected.

1	2	3	4	5
5	State Excise	49.96	49.96	Out of the total arrears of Rs.49.96 crore, demands amounting to Rs.11.87 crore were covered under Revenue Recovery Act. Rs.6.60 crore were stayed by High Court and other judicial authorities. Demands amounting to Rs.7.13 crore were held up due to rectification/review applications. Rs.0.04 crore could not be recovered on account of the assessee becoming insolvent. A sum of Rs.5.25 crore was likely to be written off. A sum of Rs.19.07 crore was under various stages of recovery.
6	Land Revenue	29.90	14.95	Out of the total arrears of Rs.29.90 crore, arrears of Rs.5.84 crore were covered by stay granted by High Court and other judicial authorities. A sum of Rs.2.70 crore was stayed by Government and Rs.0.21 crore is likely to be written off. A sum of Rs.17.29 crore was under various stages of recovery. A sum of Rs.3.86 crore had since been collected.
7	Taxes on Vehicles	6.09	2.10	Out of the total arrears of Rs.6.09 crore, demands amounting to Rs.4.14 crore were covered under Revenue Recovery Act. Demands of Rs.0.37 crore were stayed by High Court and other judicial authorities and a sum of Rs.0.19 crore was held up due to rectification/review application. A sum of Rs.0.14 crore was likely to be written off. A sum of Rs.1.25 crore had since been collected.
	Total	9171.38	1558.34	

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 assessee during the year and the number of cases pending finalisation at the end of March 2002 as furnished (July 2002) by the Commercial Taxes Department are given below:

(Rupees in crore)

Nature of Tax	Cases pending as on 31 March 2001		Cases detected during 2001-2002		Cases in which assessment/ investigations completed and additional demand including penalty etc. raised		Cases pending finalisation as on 31 March 2002	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Sales Tax								
(i) Enforcement Wing	*1365	41.11	4605	164.68	3634	186.59	2336	19.20
(ii) Administrative Wing	3876	1214.26	5371	1810.02	4924	435.88	4323	2588.40
* The opening balance of cases pending as on 31 March 2001 is 1365 as reported by the department and not 1865 (as per last year's report).								

1.7 Refunds

Details of amount refunded during the year 2001-2002 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	49983	60.17	27848	82.59	77831	142.76	23534	78.32	54297	64.44
2.	Taxes on vehicles	50	0.03	106	0.07	156	0.10	104	0.03	52	0.07
3.	Agricultural Income Tax	3	0.12	4	0.47	7	0.59	---	---	7	0.59
4.	Urban land Tax	16	0.06	---	---	---	---	---	---	16	0.06

1.8 Write-off and waiver of revenue

Demands for Rs.2.97 crore were written off/waived during 2001-2002 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	4928	2.23
2.	Taxes on Vehicles	7	0.68
3	Mines and Minerals	3	0.06
	Total	4938	2.97

1.9 Internal Audit

The number of inspection reports/audit objections issued by the internal audit wing pending settlement as on 31 March 2002 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.)	1613	15680	16.20
2.	Taxes on Vehicles	50	1285	1.82
3.	Mines and Minerals	69	770	311.89
4.	Agricultural Income Tax	NF	390	6.75
5.	Taxes and Duties on Electricity	172	773	0.01
6.	Stamp Duty and Registration Fees	1906	6120	3.23
7.	State Excise	100	976	0.05
8.	Urban Land Tax	25	78	0.08
	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 2001-2002 revealed under-assessment/short-levy/ loss of revenue amounting to Rs.756.99 crore in 2599 cases. During the course of the year 2001-2002, the concerned departments accepted under-assessments, etc. of Rs.3.76 crore involved in 576 cases, of which 202 cases involving Rs.1.34 crore had been pointed out in audit during 2001-2002 and the rest in earlier years. Of these, the department recovered Rs.1.39 crore in 473 cases.

This report contains 27 paragraphs including 2 reviews involving Rs.512.60 crore. The department/Government have accepted audit observations involving Rs.2.81 crore. Of this, a sum of Rs.87.45 lakh has been recovered (October 2002). Audit observations with total revenue effect of Rs.78.64 crore 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 2002).

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 2001, which were pending settlement by the departments as on 30 June 2002, along with corresponding figures for the preceding two years, are given below:

	Position as on 30 June		
	2000	2001	2002
Number of inspection reports pending settlement	4100	4754	5103
Number of outstanding audit observations	15579	17974	19403
Amount of revenue involved (Rupees in crore)	386.98	633.98	853.49

The increasing trend of outstanding audit reports and objections is indicative of the non-compliance of the Government's instruction to send replies to initial audit observations and further action thereon within the stipulated time. Though various Committees such as State Audit Committee, Departmental Audit Committee were constituted (March 1993), the objectives of the Committees, viz., expeditious settlement of outstanding paras had not been achieved. The Public Accounts Committee recommendations, as per the Action Taken Note, were also not complied with. This trend not only indicates lack of interest at higher levels but also defeats the very principles of accountability and the failure of budgetary control mechanism.

(ii) Revenue-Headwise break-up of the inspection reports and audit observations outstanding as on 30 June 2002 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	2528	13750	568.62	1986-87
2.	Stamp Duty and Registration Fees	943	1798	12.12	1982-83
3.	Land Revenue	530	1408	49.39	1988-89
4.	Taxes on Vehicles	276	502	24.92	1983-84
5.	State Excise	184	395	40.15	1986-87
6.	Taxes on Agricultural Income	58	250	70.37	1984-85
7.	Mines and Minerals	163	467	63.22	1989-90
8.	Urban Land Tax	209	555	9.00	1983-84
9.	Electricity Duty	61	99	7.37	1986-87
10.	Entertainments Tax	92	102	8.07	1992-93
11.	Luxury Tax	47	55	0.17	1994-95
12.	Betting Tax	12	22	0.09	1991-92
	TOTAL	5103	19403	853.49	

The matter was brought to the notice of the Government (August 2002).

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 2002 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that for 813 recommendations pertaining to 495 audit paragraphs the departments had not submitted remedial ATNs. Out of the 813 recommendations pending, in respect of 462 recommendations, ATNs were not submitted by the department even once, the earliest of which relates to Audit Report 1986-87.

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 1998-99 and 1999-2000 were placed before the Legislative Assembly in May 2000 and September 2001 the departments are yet to submit Explanatory Notes for 45 paragraphs (including 4 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 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.

57 Draft Paragraphs (including 2 reviews) proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2002 were forwarded to the Secretaries of the respective departments during April-August 2002 through Demi- Official letters.

The Secretaries of the departments did not send replies to 54 Draft Paragraphs (including 2 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 departments.