

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 2003-2004, 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:

(In crore of rupees)

		1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
I	Revenue raised by the State Government					
	(a) Tax Revenue	10,918.93	12,282.24	13,009.70	14,341.71	15,944.97
	(b) Non-tax revenue*	1,356.85	1,710.78	1,556.73	1,860.62	2,093.79
		(1,317.66)	(1,657.10)	(1,499.85)	(1,742.46)	(2,058.53)
	Total	12,275.78 (12,236.59)	13,993.02 (13,939.34)	14,566.43 (14,509.55)	16,202.33 (16,084.17)	18,038.76 (18,003.50)
II	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	2,667.00	2,783.75	2,870.07	3,047.57	**3,544.20
	(b) Grants-in-aid	1,384.75	1,539.89	1,381.54	1,586.84	2,122.75
	Total	4,051.75	4,323.64	4,251.61	4,634.41	5,666.95
III	Total receipts of the State [(I) + (II)]	16,327.53 (16,288.34)	18,316.66 (18,262.98)	18,818.04 (18,761.16)	20,836.74 (20,718.58)	23,705.71 (23,670.45)
IV	Percentage of I to III	75	76	77	77	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 2003-04. 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.23,705.71 crore) for the year 2003-04, 76 per cent were 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 2003-2004 along with the figures for the preceding four years are given below:

(In crore of rupees)

Sl. No.	Heads of Revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1	Sales Tax	7,024.23	8,197.15	8,385.59	9,589.60	11,004.63	(+) 15
2	State Excise	1,833.70	1,868.68	2,058.22	2,113.61	1,657.10	(-) 22
3	Stamp Duty and Registration Fees	817.58	910.20	1,137.89	1,079.12	1,316.40	(+) 22
4	Taxes on Vehicles	577.98	590.44	648.43	745.62	934.29	(+) 25
5	Land Revenue	47.23	55.72	50.47	8.40	17.50	(+) 108
6	Taxes on Agricultural Income	17.78	5.23	2.02	1.63	1.25	(-) 23
7	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	11.47	11.65	14.11	12.69	12.03	(-) 5
8	Others	588.96	643.17	712.97	791.04	1,001.77	(+) 27
Total		10,918.93	12,282.24	13,009.70	14,341.71	15,944.97	

Sales Tax: The increase (15 per cent) was mainly due to increase of 22 per cent under Central Sales Tax Act and 14 per cent under State Sales Tax Act.

State Excise: The shortfall (22 per cent) was due to overall decrease in receipts under Malt Liquor, Country Spirits, Foreign Liquors and Spirits, etc.

Stamp Duty and Registration Fees: The increase (22 per cent) was due to increase of 34 per cent under Stamps-Judicial, 25 per cent under Stamps Non Judicial and 10 per cent under Registration Fees.

Taxes on Vehicles: The increase (25 per cent) was mainly due to increased receipts of 40 per cent under State Motor Vehicles Taxation Act. This was partly offset by decrease of 27 per cent under Other Receipts and 17 per cent under Indian Motor Vehicles Act.

Reasons for increase/shortfall though called for from other departments have not been received (September 2004).

1.1.3 The details of major non-tax revenue realised during the year 2003-2004 alongwith the figures for the preceding four years are given below:

(In crore of rupees)

Sl. No.	Heads of Revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-2004 over 2002-2003
1	Interest Receipts, Dividends and Profits	388.74	440.17	535.42	594.70	559.74	(-) 6
2	Crop Husbandry	75.13	64.87	79.19	62.22	61.61	(-) 1
3	Forestry and Wild Life	130.08	131.18	97.04	157.44	90.21	(-) 43
4	Non-Ferrous Mining and Metallurgical Industries	113.25	395.33	160.40	181.09	377.54	(+) 108
5	Education, Sports, Art and Culture	44.86	53.75	65.79	89.50	122.58	(+) 37
6	Other Receipts						
	(a) State Lotteries	124.41	121.66	126.70	119.50	22.18	(-) 81
	(b) Others	480.38	503.82	492.19	656.17	859.93	(+) 31
	Total	1,356.85	1,710.78	1,556.73	1,860.62	2,093.79	

Non-Ferrous Mining and Metallurgical Industries: The increase (108 *per cent*) was due to increase in receipts under mineral concession fees, rents and royalties and other receipts.

State Lotteries: The decrease (81 *per cent*) was due to ban on sale of lotteries in the State during 2003-04 resulting in sharp decline in receipts from sale of lotteries.

Reasons for increase/shortfall though called for from other departments have not been received (September 2004).

1.2 Variations between budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2003-2004 in respect of the principal heads of tax and non-tax revenue are given below:

(In crore of rupees)

Sl. No	Heads of Revenue	Budget estimates	Actuals	Variations excess (+) or short-fall (-)	Percentage of variation
1	Sales Tax	10,475.50	11,004.63	(+) 529.13	(+) 5
2	State Excise	2,263.59	1,657.10	(-) 606.49	(-) 27
3	Stamp Duty and Registration Fees	1,278.61	1,316.40	(+) 37.79	(+) 3
4	Taxes on vehicles	878.41	934.29	(+) 55.88	(+) 6
5	Land Revenue	20.50	17.50	(-) 3.00	(-) 15
6	Taxes on Agricultural Income	5.00	1.25	(-) 3.75	(-) 75
7	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	13.50	12.03	(-) 1.47	(-) 11
8	Taxes and Duties on Electricity	209.52	228.00	(+) 18.48	(+) 9
9	Interest Receipts, Dividends & profits	439.39	559.74	(+) 120.35	(+) 27
10	Non-Ferrous Mining and Metallurgical Industries	169.23	377.54	(+) 208.31	(+) 123
11	Crop Husbandry	77.78	61.61	(-) 16.17	(-) 21
12	Roads and Bridges	26.20	24.60	(-) 1.60	(-) 6
13	Major and Medium Irrigation	11.87	12.71	(+) 0.84	(+) 7

State Excise: The shortfall (27 per cent) was due to overall decrease in receipts under Malt Liquor, Country Spirits, Foreign Liquors and Spirits, etc.

Taxes and Duties on Electricity: The increase (nine per cent) was due to the introduction of new Taxation Act on consumption and sale of Electricity in June 2003.

Non-Ferrous Mining and Metallurgical Industries: The increase (123 per cent) was due to increase in receipts under mineral concession fees, rents and royalties and other receipts.

Reasons for variations though called for from other departments have not been received (September 2004).

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 2001-2002, 2002-2003 and 2003-2004 along with the relevant All India Average percentage of expenditure on collection to gross collection for 2002-2003 were as follows:

(In crore of rupees)

Sl. No	Heads of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2002-2003
1	Sales Tax	2001-2002	8,385.59	96.93	1.16	1.18
		2002-2003	9,589.60	93.64	0.98	
		2003-2004	11,004.63	93.70	0.85	
2	Taxes on Vehicles	2001-2002	648.43	27.05	4.17	2.86
		2002-2003	745.62	35.29	4.73	
		2003-2004	934.29	34.69	3.71	
3	State Excise	2001-2002	2,058.22	22.44	1.09	2.92
		2002-2003	2,113.61	23.15	1.10	
		2003-2004	1,657.10	19.84	1.20	
4	Stamp Duty and Registration Fees	2001-2002	1,137.89	54.15	4.76	3.46
		2002-2003	1,079.12	71.85	6.66	
		2003-2004	1,316.40	79.00	6.00	

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

1.4 Collection of sales tax per assessee

(In crore of rupees)

Year	No. of assesseees	Sales tax revenue	Revenue/ assessee
1999-2000	1,09,677	7,024.23	0.06
2000-2001	1,06,242	8,197.15	0.08
2001-2002	1,06,946	8,385.59	0.08
2002-2003	1,45,489	9,589.60	0.07
2003-2004	1,57,126	11,004.63	0.07

1.5 Arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.7,246.93 crore of which Rs.1,662.93 crore were outstanding for more than five years as detailed in the following table:

(In crore of rupees)

Sl. No.	Heads of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
1	2	3	4	5
1	Sales Tax	6,529.12	1,286.84	Out of total arrears of Rs.6,529.12 crore, demands amounting to Rs.2,324.63 crore were covered under Revenue Recovery Act. Demands amounting to Rs.934.33 crore were stayed by Government, High Court and other judicial authorities. A sum of Rs.4.42 crore was held up due to rectification/review applications. Rs.56.71 crore could not be recovered on account of the assessee becoming insolvent. A sum of Rs.100.79 crore was likely to be written off. An amount of Rs.1,895.00 crore was covered under deferral and a sum of Rs.1,205.72 crore was covered under various stages of recovery. A sum of Rs.7.52 crore had since been collected.
2	Mines and Minerals	397.22	218.09	Out of the total arrears of Rs.397.22 crore, a sum of Rs.193.30 crore was covered by recovery certificates. Demands amounting to Rs.124.29 crore were stayed by High Court and other judicial authorities. Rs.0.52 crore was stayed by Government. A sum of Rs.5.44 crore was held up due to rectification/review applications. An amount of Rs.0.04 crore was likely to be written off and Rs.68.32 crore was under various stages of recovery. A sum of Rs.5.31 crore had since been collected.
3	Stamp Duty and Registration Fees	137.36	50.31	The entire arrears of Rs.137.36 crore were covered by recovery certificates.

1	2	3	4	5
4	Urban Land Tax	99.33	37.93	Out of the total arrears, Rs.5.40 crore was stayed by High Court; Rs.1.36 crore and Rs.10.86 crore were stayed by Government and Head of the Department respectively. Rs.68.63 crore was covered under various stages of recovery. Rs.13.08 crore has since been collected.
5	State Excise	49.45	49.45	Out of the total arrears of Rs.49.45 crore, Rs.11.27 crore was covered by recovery certificates. Rs.5.08 crore was stayed by High Court and Rs.3.23 crore was held up due to rectification/review applications. Rs.0.02 crore could not be collected on account of assessee becoming insolvent. A sum of Rs.4.28 crore was likely to be written off. Rs.25.15 crore was covered under various stages of recovery. Rs.0.42 crore had since been collected.
6	Land Revenue	30.40	18.07	Out of the total arrears, demands amounting to Rs.1.03 crore was covered by recovery certificates. Arrears of Rs.3.32 crore was covered by stay granted by High Court and other judicial authorities. A sum of Rs.3.20 crore was stayed by Government. A sum of Rs.3.06 crore was held up due to rectification/review application and Rs.4.50 crore was likely to be written off. A sum of Rs.14.93 crore was under various stages of recovery. A sum of Rs.0.36 crore had since been collected.
7	Taxes on Vehicles	4.05	2.24	Out of the total arrears of Rs.4.05 crore, demands amounting to Rs.2.19 crore was covered by Recovery Certificates. Demands of Rs.0.23 crore was stayed by High Court and other judicial authorities. A sum of Rs.0.02 crore was likely to be written off and Rs.1.61 crore was under various stages of collection.
	Total	7,246.93	1,662.93	

1.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-04, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2003-04, 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 2003-04	Total assessments due	Cases disposed of during 2003-04	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax	48,499	1,64,397	2,12,896	1,59,363	53,533	75
Urban Land Tax	4,421*	1,583	6,004	911	5,093	15
Agricultural Income Tax	166	2,594	2,760	2,509	251	91
Total	53,086	1,68,574	2,21,660	1,62,783	58,877	

* The difference in closing balance figures as shown in A.R. 2002-2003 and the opening figures as shown in the table above was due wrong furnishing of statistics by the Department which was subsequently rectified.

1.7 Evasion of tax

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

(In crore of rupees)

Sl. No.	Head of revenue	Cases pending as on 31 March 2003	Cases detected during 2003-2004	Total	Cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2004
					No.	Amount	
1	Sales Tax						
	i) Enforcement Wing.	3,353	5,946	9,299	4,698	NF	4,601
	ii) Administrative-Wing.	4,367	2,937	7,304	3,371	4.15	3,933
NF – Not furnished.							

1.8 Write-off and waiver of revenue

During the year 2003-04, demands of Rs.2.42 crore (in 1,024 cases) and Rs.2.49 lakh (in five cases) relating to sales tax and mines and minerals respectively were written off by the Departments as irrecoverable. Reasons for the write-off of these demands as reported by the Departments were as follows:

(In lakh of rupees)

Sl. No.	Reasons	Sales Tax		Mines and Minerals	
		No. of cases	Amount	No. of cases	Amount
1	Whereabouts of defaulters not known	993	205.37	1	0.60
2	Defaulters no longer alive	4	14.71	---	---
3	Defaulters not having any property	19	5.54	4	1.89
4	Defaulters adjudged insolvent	1	9.24	---	---
5	Other reasons	7	6.71	---	---
Total		1,024	241.57	5	2.49

In addition to the above, in respect of Sales Tax an amount of Rs.10.82 crore involving 378 cases was waived off under the Samadhan Scheme.

1.9 Refunds

The number of refund cases pending at the beginning of the year 1 April 2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year as on 31 March 2004, as reported by the departments are given below:

(In crore of rupees)

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	55,881	104.26	37	0.06	5	0.32
2	Claims received during the year	27,716	65.61	29	0.03	17	2.22
3	Refunds made during the year	24,549	71.25	45	0.07	16	2.53
4	Balance outstanding at the end of the year	59,048	98.62	21	0.02	6	0.01

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 2003-2004 revealed under-assessment/short levy/loss of revenue amounting to Rs.917.59 crore in 2,206 cases. During the year the Departments accepted under-assessment of Rs.5.16 crore in 792 cases pointed out in 2003-04 and earlier years and recovered Rs.1.56 crore.

This Report contains 22 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalties etc., involving Rs.815.05 crore. The Department/Government accepted audit observations involving Rs.25.34 crore of which Rs.0.18 crore had been recovered upto September 2004. Final reply has not been received in respect of the remaining cases till September 2004.

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 2003, which were pending settlement by the Departments as on 30 June 2004, along with corresponding figures for the preceding two years, are given below:

	Position as on 30 June		
	2002	2003	2004
Number of inspection reports pending settlement	5,103	5,627	5,629
Number of outstanding audit observations	19,403	21,348	18,709
Amount of revenue involved (In crore of rupees)	853.49	2,053.26	2,139.19

The increasing trend of 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. Though various committee such as State Audit Committee, Departmental audit committee were constituted in March 1993, the objectives

of the committees, viz., expeditious settlement of outstanding paras had not been achieved.

1.11.2 Revenue-headwise breakup of the inspection reports and audit observations outstanding as on 30 June 2004 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	Sales Tax	2,592	11,750	557.06	1986-87
2	Stamp duty and Registration Fees	1,024	2,100	37.31	1984-85
3	Land Revenue	644	1,759	973.78	1988-89
4	Taxes on Vehicles	343	842	68.11	1983-84
5	State Excise	223	508	91.86	1987-88
6	Taxes on Agricultural Income	73	211	80.89	1986-87
7	Mines and Minerals	197	551	277.37	1989-90
8	Urban Land Tax	213	578	27.28	1983-84
9	Electricity Duty	63	114	14.52	1986-87
10	Entertainments Tax	107	117	8.99	1989-90
11	Luxury Tax	100	112	1.37	1994-95
12	Betting Tax	12	23	0.09	1991-92
13	Entry Tax	38	44	0.56	2003-04
Total		5,629	18,709	2,139.19	

1.12 Departmental Audit Committee Meeting

During the course of the year 2003-04, two meetings were held in respect of Industries Department pertaining to Mines and Minerals. Twelve paras valuing Rs.14.15 lakh were settled during these meetings. However, in respect of other departments no Departmental Audit Committee meeting was held during the year 2003-04.

1.13 Response of the Department/Government to Draft Audit Paragraphs

Government (Finance Department) issued directions in April 1952 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. 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.

Forty five draft paragraphs (clubbed into 22 paragraphs including two reviews) proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended March 2004 were forwarded to the Secretaries of the respective departments during April-July 2004, through demi-official letters and followed up with reminders in August 2004.

The Secretaries of the Departments did not send replies to 39 draft paragraphs including 2 reviews. These paragraphs have been included in this Report without the response of the Secretaries of the Departments. This had resulted in non-compliance to above instructions of the Government.

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.

However, a review of outstanding ATNs as of 31 March 2004 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that for 866 recommendations pertaining to 265 audit paragraphs discussed by PAC, the Departments had not submitted remedial ATNs. Out of the 866 recommendations pending, ATNs were not submitted by the Departments even once in respect of 498 recommendations; the earliest of which relate to Audit Report 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 year 1999-2000, 2000-2001 and 2001-2002 were placed before the Legislative Assembly in September 2001, May 2002 and May 2003 respectively, the Departments are yet to submit Explanatory Notes for 60 paragraphs (including 7 reviews) included in these reports.