

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Uttar Pradesh during the year 2007-08, 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 mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	• Tax revenue	13,601.23	15,692.61	18,857.90	22,997.97	24,959.32
	• Non-tax revenue	2,282.08	2,720.29	2,930.32	6,532.64	5,816.01
	Total	15,883.31	18,412.90	21,788.22	29,530.61	30,775.33
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	13,272.97	15,055.26	18,203.13	23,218.31	29,287.74 ¹
	• Grants-in-aid	2,481.69	4,149.28	5,357.80	7,850.60	8,609.40
	Total	15,754.66	19,204.54	23,560.93	31,068.91	37,897.14
III.	Total receipts of the State (I + II)	31,637.97	37,617.44	45,349.15	60,599.52	68,672.47
IV.	Percentage of I to III	50	49	48	49	45

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 45 per cent of the total revenue receipts (Rs. 68,672.47 crore) against 49 per cent in the preceding year. The balance 55 per cent of receipts during 2007-08 was from the Government of India.

¹ For details, please see Statement No. 11 - detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2007-08. Figures under the major heads 0020 - Corporation tax, 0021 - Other taxes on income and expenditure, 0028 - Taxes on income other than corporation tax, 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 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.

1.1.2 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Increase (+) or decrease (-) in 2007-08 with reference to 2006-07	Percentage of increase or decrease with reference to 2006-07
1.	Trade tax	7,684.13	8,888.31	11,284.67	13,278.82	15,023.10	(+) 1,744.28	(+) 13.13
2.	State excise	2,472.37	2,686.19	3,088.54	3,551.25	3,948.40	(+) 397.15	(+) 11.18
3.	Stamp duty and registration fees	2,296.06	2,682.36	2,996.78	4,513.67	3,976.68	(-) 536.99	(-) 11.89
4.	Taxes on vehicles	676.96	775.84	965.20	1,017.60	1,145.84	(+) 128.24	(+) 12.60
5.	Taxes and duties on electricity	174.72	354.36	182.26	193.92	206.65	(+) 12.73	(+) 6.56
6.	Land revenue	117.67	102.44	108.69	187.52	392.53	(+) 205.01	(+) 109.32
7.	Other taxes and duties on commodities and services	92.78	112.28	114.76	131.57	137.50	(+) 5.93	(+) 4.50
8.	Taxes on goods and passengers	80.21	81.74	105.19	108.70	109.65	(+) 0.95	(+) 0.87
9.	Other (hotel receipts, corporation tax, etc.)	6.33	9.09	11.81	14.92	18.97	(+) 4.05	(+) 27.14
	Total	13,601.23	15,692.61	18,857.90	22,997.97	24,959.32	(+) 1,961.35	(+) 8.52

Reason for variation beyond ten *per cent*, as furnished by the Transport Department, is the recovery of arrear of passenger tax from Uttar Pradesh State Transport Corporation. Other departments did not inform (November 2008) the reasons for variation despite being requested (July 2008).

1.1.3 The following table presents the details of non-tax revenue realised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Increase (+) or decrease (-) in 2007-08 with reference to 2006-07	Percentage of increase/decrease with reference to 2006-07
1.	Misc. general services	41.80	58.02	75.02	2,281.23	1,153.53	(-) 1,127.70	(-) 49.43
2.	Interest receipts	658.09	597.93	457.94	828.86	1,247.84	(+) 418.98	(+) 50.54
3.	Forestry and wild life	60.96	107.42	161.98	212.37	294.80	(+) 82.43	(+) 38.81
4.	Major and medium irrigation	136.10	176.60	53.78	143.29	319.43	(+) 176.14	(+) 122.92
5.	Education, sports, art and culture	227.68	581.02	934.81	814.96	1,217.62	(+) 402.66	(+) 49.40
6.	Other administrative services	116.91	128.23	99.96	99.71	146.10	(+) 46.39	(+) 46.52
7.	Non-ferrous mining and metallurgical industries	251.05	292.01	354.60	345.34	395.20	(+) 49.86	(+) 14.43
8.	Police	75.91	97.58	96.66	209.60	147.17	(-) 62.43	(-) 29.78
9.	Crop husbandry	188.73	18.60	40.84	33.96	51.03	(+) 17.07	(+) 50.26

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Increase (+) or decrease (-) in 2007-08 with reference to 2006-07	Percentage of increase/decrease with reference to 2006-07
10.	Social security and welfare	33.65	17.25	14.23	15.77	19.73	(+) 3.96	(+) 25.11
11.	Medical and public health	42.69	42.03	39.75	62.67	72.11	(+) 9.44	(+) 15.06
12.	Minor irrigation	18.53	12.53	21.21	33.02	31.41	(-) 1.61	(-) 4.87
13.	Roads and bridges	41.79	31.67	55.36	58.83	74.24	(+) 15.41	(+) 26.19
14.	Public works	19.92	31.44	36.09	26.59	34.03	(+) 7.44	(+) 27.98
15.	Co-operation	7.57	8.15	6.27	7.02	6.33	(-) 0.69	(-) 9.82
16.	Others	360.70	519.81	481.82	1,359.42	605.44	(-) 753.98	(-) 55.46
Total		2,282.08	2,720.29	2,930.32	6,532.64	5,816.01	(-) 716.63	(-) 10.96

The concerned department did not inform (November 2008) the reasons for variations despite being requested (July 2008).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of principal heads of revenue are mentioned below:

(Rupees in crore)					
Sl. No	Head of revenue	Budget estimates	Actual receipts	Variation excess (+) short fall (-)	Percentage of variation
Tax revenue					
1.	Trade tax	17,314.10	15,023.10	(-) 2,291.00	(-) 13.23
2.	State excise	4,192.00	3,948.40	(-) 243.60	(-) 5.81
3.	Stamp duty and registration fees	4,276.00	3,976.68	(-) 299.32	(-) 7.00
4.	Taxes on goods and passengers	707.00	109.65	(-) 597.35	(-) 84.49
5.	Taxes on vehicles	826.30	1,145.84	(+) 319.54	(+) 38.67
6.	Other taxes and duties on commodities and services	133.46	137.50	(+) 4.04	(+) 3.03
7.	Taxes and duties on electricity	240.05	206.65	(-) 33.40	(-) 13.91
8.	Land revenue	102.73	392.53	(+) 289.80	(+) 282.10
Non-tax revenue					
1.	Misc. general services	1,149.68	1,153.53	(+) 3.85	(+) 0.33
2.	Interest receipts	1,664.82	1,247.84	(-) 416.98	(-) 25.05
3.	Forestry and wild life	185.15	294.80	(+) 109.65	(+) 59.22
4.	Major and medium irrigation	53.77	319.43	(+) 265.66	(+) 494.07
5.	Education, sports, art and culture	85.63	1,217.62	(+) 1,131.99	(+) 1,321.95
6.	Non-ferrous mining and metallurgical industries	448.96	395.20	(-) 53.76	(-) 11.97

The concerned departments did not inform (November 2008) the reasons for variations despite being requested (July 2008).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 are mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of cost of collection to gross collection	All India average percentage for the year 2006-07
1.	Trade tax	2005-06	11,284.67	193.51	1.71	0.82
		2006-07	13,278.82	200.19	1.51	
		2007-08	15,023.10	228.19	1.52	
2.	Taxes on vehicles, goods and passengers	2005-06	1,070.39	31.27	2.92	2.47
		2006-07	1,126.30	30.25	2.69	
		2007-08	1,255.49	36.15	2.87	
3.	State excise	2005-06	3,088.54	33.39	1.08	3.30
		2006-07	3,551.25	37.34	1.05	
		2007-08	3,948.40	44.57	1.13	
4.	Stamp duty and registration fees	2005-06	2,996.78	52.55	1.75	2.33
		2006-07	4,513.67	61.36	1.36	
		2007-08	3,976.68	72.71	1.83	

Thus, the cost of collection under trade tax and taxes on vehicles, goods and passengers were higher than the all India average percentage for the year 2006-07.

1.4 Arrears in assessment

The details of assessments relating to trade tax pending at the beginning of the year, additional cases became due for assessment during the year, cases disposed during the year and cases pending at the end of the year as furnished by the Trade Tax Department during 2003-04 to 2007-08 are mentioned below:

Year	Opening balance	Cases which become due for assessment	Total	Cases disposed of during the year	Cases pending at the close of the year
2003-04	4,75,512	4,83,428	9,58,940	4,76,263	4,82,677
2004-05	4,82,677	5,87,405	10,70,082	5,39,360	5,30,722
2005-06	5,30,722	5,33,349	10,64,071	5,22,962	5,41,109
2006-07	5,41,109	6,00,531	11,41,640	5,64,532	5,77,108
2007-08	5,76,968 ²	6,19,710	11,96,678	2,58,011	9,38,667

² Figures as intimated by the department are at variance with last year's report. On being asked it was stated by the department (November 2008) that difference is due to clerical mistake. Figure of opening balance for the year 2007-08 is correct.

The pending cases have been steadily increasing every year. The department needs to take appropriate steps to dispose of the arrears in assessment.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008, in respect of some principal heads of revenue amounted to Rs. 11,658.61 crore of which Rs. 4,903.09 crore relating to trade tax were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears outstanding for more than five years as on 31 March 2008	Remarks
1.	Trade tax	11,081.94	4,903.09	Out of Rs. 11,081.94 crore, demand for Rs. 794.91 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 1,306.59 crore had been stayed by the Courts/ Government. Recoveries amounting to Rs. 205.35 crore were outstanding against Government/semi-Government departments. Demand of Rs. 1,278.55 crore was likely to be written off. Rs. 35.10 crore were outstanding on transporters. Recovery certificates amounting to Rs. 929.70 crore have been sent to other States. Arrears not covered under recovery certificates but under specific action of department amounted to Rs. 6,531.74 crore.
2.	Entertainment tax	11.74	4.40	Out of Rs. 11.74 crore, demand for Rs. 5.55 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 5.72 crore had been stayed by the courts/Government. Notices have been issued for balance of Rs. 47 lakh.
3.	State excise	58.90	NA	Out of Rs. 58.90 crore, demand for Rs. 29.60 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 23.64 crore had been stayed by the Court and Rs. 2.61 crore by the Government/ department. Demand for Rs. 3.05 crore was likely to be written off.
4.	Stamp and registration	422.91	NA	Out of Rs. 422.91 crore, demands for Rs. 101.06 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 27.10 crore had been exempted by court. Demand for Rs. 193.93 crore had been stayed by different courts. Balance demand of Rs. 100.82 crore was pending recovery.

Sl. No.	Heads of revenue	Amount of arrears as on 31 March 2008	Arrears outstanding for more than five years as on 31 March 2008	Remarks
5.	Land revenue	11.38	NA	Out of Rs. 11.38 crore, demands for Rs. 1.55 crore had been stayed by the Government. Balance demand for Rs. 9.83 crore was pending recovery.
6.	Taxes on vehicles, goods and passengers Road tax 13.69 Goods tax 15.45 Passengers tax <u>42.60</u> <u>71.74</u>	71.74	NA	Out of Rs. 71.74 crore demands for Rs. 0.66 crore and Rs. 0.15 crore had been stayed by court and Government respectively. Demand of Rs. 0.14 crore was likely to be written off. Balance demand of Rs. 70.79 crore was pending for recovery.
Total		11,658.61	4,907.49	

1.6 Results of audit

Test check of the records of trade tax, state excise, taxes on vehicles, goods and passengers, stamp duty and registration fees, public works, finance departments, forest and entertainment tax etc., conducted during the year 2007-08 revealed under assessments/short levy/loss of revenue amounting to Rs. 2,251.28 crore in 1,986 cases. During the year 2007-08, the concerned departments accepted under assessments and other deficiencies of Rs. 90.76 lakh in 144 cases of which Rs. 85.57 lakh had been recovered in 134 cases upto March 2008.

This report contains 16 paragraphs including two reviews involving financial effect of Rs. 1,035.85 crore. The departments/Government accepted audit observations involving Rs. 927.83 crore, of which Rs. 8.83 crore had been recovered upto November 2008.

1.7 Outstanding inspection reports and audit observations

Accountant General (Commercial and Receipts Audit) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during the inspection are not settled on the spot, these IRs are issued to the heads of offices inspected with a copy to the next higher authorities. More important irregularities are reported to the heads of departments and the Government. The heads of offices are required to furnish replies to IRs through the respective heads of departments within a period of two months.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2007 which were pending settlement by the departments as

on 30 June 2008, along with corresponding figures for the preceding two years are mentioned below:

Sl. No.		2006	2007	2008
1.	Number of inspection reports pending settlement	7,832	9,524	8,688
2.	Number of outstanding audit observations	19,257	21,445	21,049
3.	Amount of revenue involved (Rs. in crore)	4,225.60	4,782.48	2,642.28

The department wise details of IRs and audit observations outstanding as on June 2008 and the amount involved are indicated below:

Sl. No.	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Amount of revenue involved (in crores of rupees)	Year to which the observations relate
1.	Forestry and wild life	905	1,716	1,004.95	1991-92 to 2007-08
2.	Trade tax	2,060	8,221	567.17	1984-85 to 2007-08
3.	State excise	830	1,191	391.32	1984-85 to 2007-08
4.	Land revenue	696	1,030	29.46	1987-88 to 2007-08
5.	Taxes on vehicle, goods and passengers	972	2,949	139.49	1984-85 to 2007-08
6.	Public works	519	811	33.96	1986-87 to 2007-08
7.	Irrigation	374	648	81.84	1984-85 to 2007-08
8.	Taxes on purchase of sugarcane	96	111	53.51	1985-86 to 2007-08
9.	Stamp duty and registration fees	1,350	3,093	116.74	1983-84 to 2007-08
10.	Agriculture	208	311	22.55	1985-86 to 2007-08
11.	Electricity duty	275	349	167.07	1988-89 to 2007-08
12.	Food and civil supplies	114	179	19.61	1991-92 to 2007-08
13.	Co-operation	106	115	5.98	1985-86 to 2007-08
14.	Entertainment tax	116	143	5.02	1994-95 to 2007-08
15.	Medical and public health	64	179	3.59	2002-03 to 2007-08
16.	Jail	03	03	0.02	2002-03 to 2007-08
Total		8,688	21,049	2,642.28	

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

1.8 Follow up on Audit Reports - summarised position

To ensure accountability of the executive in respect of all the issues dealt in the various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo moto* action on all paragraphs/reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the PAC or not. Out of paragraphs/reviews included in Audit Reports relating to the period 2002-03 to 2006-07 which have already been laid before the State legislature, explanatory notes (ENs) in respect of 85 paragraphs/reviews were not received in audit office as on August 2008 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2002-03 are as mentioned below:

Year of Report	Date of presentation of Audit Report to the legislature	No. of paragraphs/reviews included in the Audit Reports	No. of paragraphs/reviews on which ENs have been received from the departments	No. of paragraphs/reviews on which ENs have not been received from the departments
2002-03	08 November 2004	26	11	15
2003-04	20 July 2005	25	10	15
2004-05	11 March 2006	22	12	10
2005-06	25 January 2007	21	00	21
2006-07	15 February 2008	24	00	24
Total		118	33	85

1.9 Compliance with the earlier Audit Reports

In the Audit Reports 2002-03 to 2006-07 cases of under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs. 3,468.26 crore were reported. As of August 2008, the departments concerned have accepted observations of Rs. 253.96 crore and recovered Rs. 1.43 crore. Audit Report wise details of cases accepted and recovered are mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	1,546.48	109.91	0.05
2003-04	473.20	104.01	0.12
2004-05	449.74	30.39	1.18
2005-06	906.66	7.91	0.05
2006-07	92.18	1.74	0.03
Total	3,468.26	253.96	1.43