

# **CHAPTER - I**

## **OVERVIEW**



## **1.1 About this Report**

This Report contains significant findings of compliance audit of receipts of major revenue earning Departments of Government of Madhya Pradesh. Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

This Report contains four Chapters relating to Taxes on Sales, Trades, etc., Goods and Services Tax, Stamp Duty and Registration Fees, and Land Revenue. The total financial implication of the Report is ₹ 57.44 crore.

Compliance audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes etc., and the general principles governing sound public financial management and the conduct of public officials.

The primary purpose of this Report is to bring to the notice of the State Legislature significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies, as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

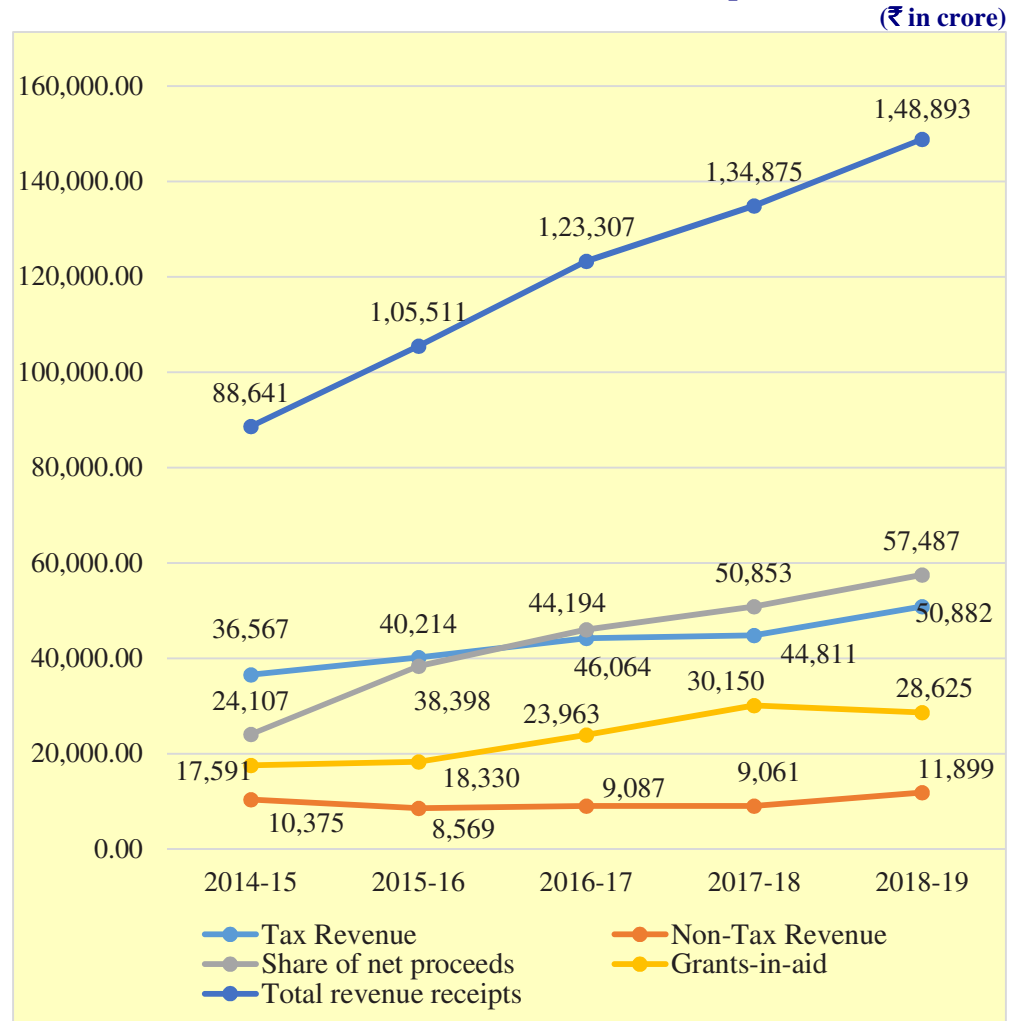
The audit observations in this Report are the result of a test-check of the records made available to audit by the concerned Government Departments. There may be similar irregularities, errors/omissions in other units of these Departments, but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected and accounted for, as per the provisions of the related Acts and Rules.

This Chapter presents an overview of the revenue receipts of the Government of Madhya Pradesh during the year 2018-19, analyses the trends of receipts over the five-year period 2014-15 to 2018-19, and details the arrears of tax revenue pending collection as of 31 March 2019. Further, audit approach to examination of revenue receipts of the State is outlined and the response of the State Government to audit findings is also discussed.

## **1.2 Trend of Revenue Receipts**

The Tax and Non-tax revenue raised by the Government of Madhya Pradesh, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-Aid received from the Government of India (GoI) during the year 2018-19, and the corresponding trend of revenue receipts for preceding four years, are shown in **Chart 1.1**.

**Chart 1.1: Trend of Revenue Receipts**



The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue, excluding the State's share in Central taxes and Grants-in-aid, which are based on the recommendations of the Finance Commission. As can be seen from the Chart above, the tax revenue raised by the State has displayed a healthy increase during the period 2014-17 (increased by 9.97 per cent in 2015-16; 9.90 per cent in 2016-17). It displayed a marginal increase of 1.40 per cent during 2017-18 but buoyed by an increase of 13.55 per cent during 2018-19 to ₹ 50,882 crore and was the main contributor to the overall revenue receipts of the State.

As can be seen from the above Chart, State's share of net proceeds of divisible Union taxes and duties assigned to the State is the largest contributor to the total revenue receipts of the State during 2016-17 to 2018-19.

Grants-in-aid received from GoI have shown a steady increase from 2014-15 to 2017-18; however, there was a 5.06 per cent decrease during 2018-19. Non-tax receipts have been fluctuating over the period 2014-17 before displaying a moderate growth during 2018-19.

The composition of various components of revenue receipts has also undergone a significant change over the five-year period 2014-19 as can be seen from Charts 1.2 and 1.3 given below.

### Composition of Revenue Receipts during 2018-19 vis-à-vis 2014-15

Chart 1.2: 2014-15

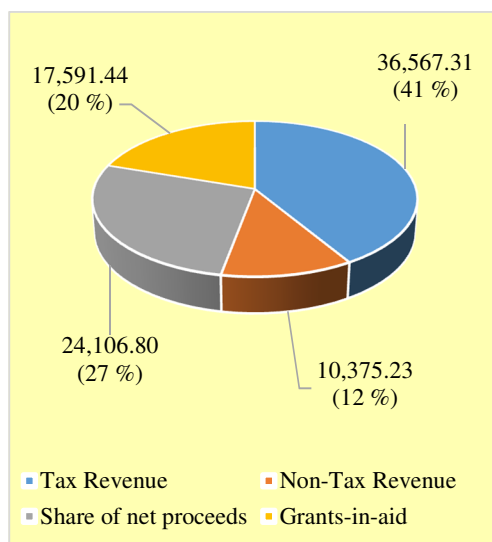
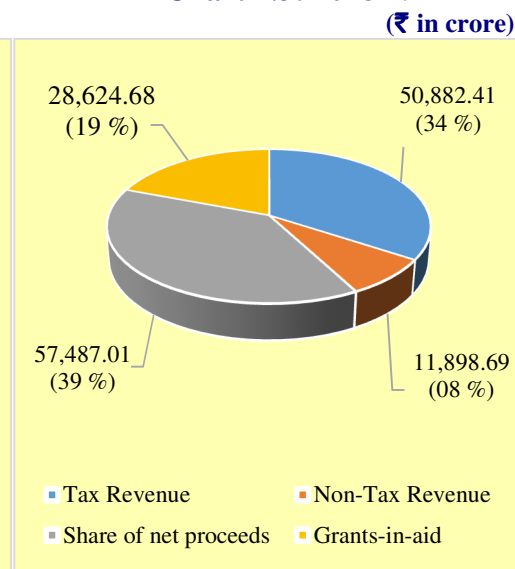


Chart 1.3: 2018-19



As can be seen from the above Charts, the contribution of share of net proceeds of divisible Union taxes and duties assigned to the State has increased from 27 per cent in 2014-15 to 39 per cent in 2018-19 while the contribution of State's Tax Revenue has decreased from 41 per cent to 34 per cent and Non-tax revenue has decreased from 12 per cent to 8 per cent during the same period. The percentage of tax and non-tax revenue raised by the State Government to the total revenue of the State has declined from 53 per cent in 2014-15 to 42 per cent during 2018-19.

#### 1.2.1 Tax Revenue

Details of tax revenue mobilised by the State Government during the period from 2014-15 to 2018-19 are given in **Table 1.1**.

Table 1.1: Details of tax revenue raised

(₹ in crore)

Head of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
Taxes on Sales, Trades, etc.	18,135.96	19,806.15	22,561.12	14,984.04	9,903.20	(-) 33.91
State Goods and Services Tax <sup>1</sup>	NA	NA	NA	8,696.12	18,508.49	(+) 112.84
Taxes on Goods and Passengers	2,686.39	3,084.76	3,805.04	1,159.30	117.50	(-) 89.86

<sup>1</sup> Goods and Services Tax (GST) was implemented with effect from 01 July 2017.

Head of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
State Excise	6,695.54	7,922.84	7,532.59	8,245.01	9,542.15	(+) 15.73
Stamp Duty and Registration Fees	3,892.77	3,867.69	3,925.43	4,788.51	5,277.99	(+) 10.22
Taxes and duties on Electricity	2,010.20	2,257.83	2,620.53	2,590.29	2,616.29	(+) 1.00
Taxes on Vehicles	1,823.84	1,933.57	2,251.51	2,691.62	3,008.26	(+) 11.76
Land Revenue	243.10	276.86	406.65	490.99	383.91	(-) 21.81
Others	1,079.51	1,063.96	1,090.78	1,164.98	1,524.62 <sup>2</sup>	(+) 30.87
<b>Total (1 to 9)</b>	<b>36,567.31</b>	<b>40,213.66</b>	<b>44,193.65</b>	<b>44,810.86</b>	<b>50,882.41</b>	<b>(+) 13.55</b>

Source: Finance Accounts of Government of Madhya Pradesh for the respective years

Note: Receipts under Sl No 1-3 pertain to Commercial Tax Department

The growth in tax revenue of 13.55 per cent during 2018-19 over the previous year was mainly due to a significant increase of ₹ 9,812.37 crore in State Goods and Services Tax receipts.

### 1.2.1.1 Reasons for variation in Receipts during 2018-19 compared to 2017-18

As can be seen from **Table 1.1** above, there was a variation ranging from (-) 89.86 per cent to (+) 112.84 per cent in receipts under various heads of revenue during 2018-19 over the previous year 2017-18. The concerned Departments attributed the variation to the following factors:

**Stamp Duty and Registration Fees:** The increase of 10.22 per cent (₹ 489.48 crore) under this Head was mainly due to increase (6.06 per cent) in the number of documents registered over the previous year and also on account of increase in the rate of Municipality Duty from two per cent to three per cent in January 2018.

**Taxes on Goods and Passengers:** The decrease of 89.86 per cent (₹ 1,041.80 crore) was due to subsuming of Taxes on Goods and Passengers in GST.

**Taxes on Vehicles:** The increase of 11.76 per cent (₹ 316.64 crore) was mainly due to better management and efforts of field staff.

**Land Revenue:** The decrease of 21.81 per cent (107.08 crore) in revenue was mainly on account of difficulties in collection due to shortage of officers and staff at District level as well as their engagement in other Government works.

**State Excise:** The increase of 15.73 per cent (₹ 1,297.14 crore) was mainly due to increase in the amount received during tendering of liquor shops.

<sup>2</sup> 'Others' includes Hotel receipts (₹ 0.02 crore), Taxes on income and expenditure ₹ 321.18 crore), Taxes on immovable property other than Agricultural land (₹ 701.15 crore) and Other Taxes and Duties on Commodities and Services (₹ 502.27 crore).

## Share of various Heads of revenue in Tax Revenue (₹ in crore)

Chart 1.4: (2014-15)

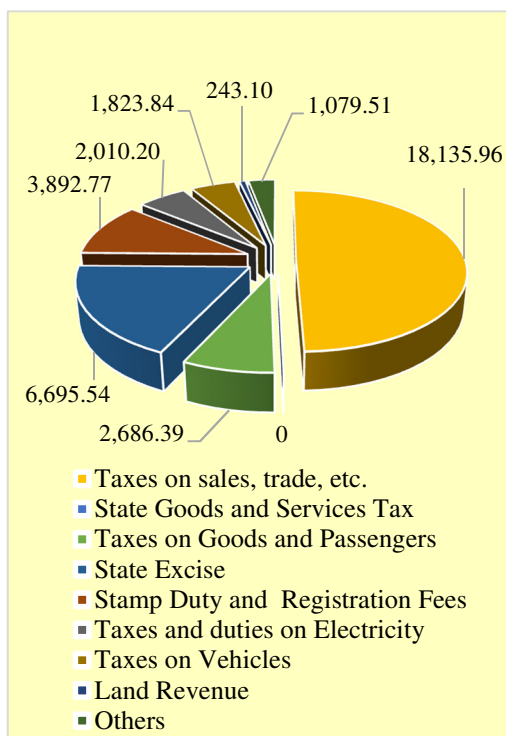
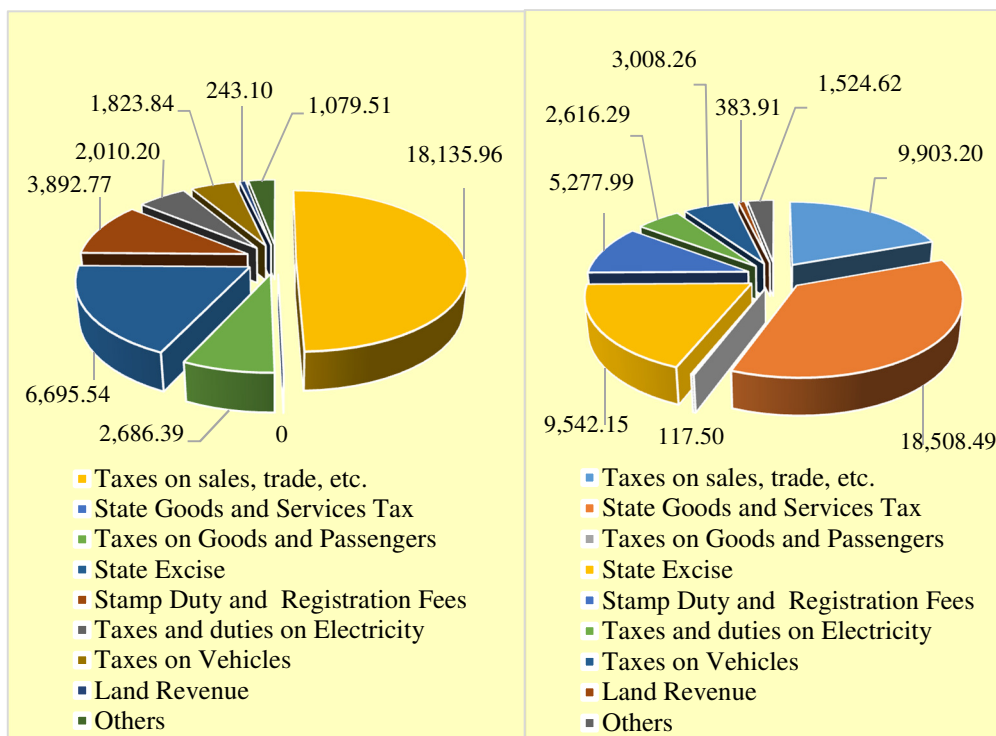


Chart 1.5: (2018-19)



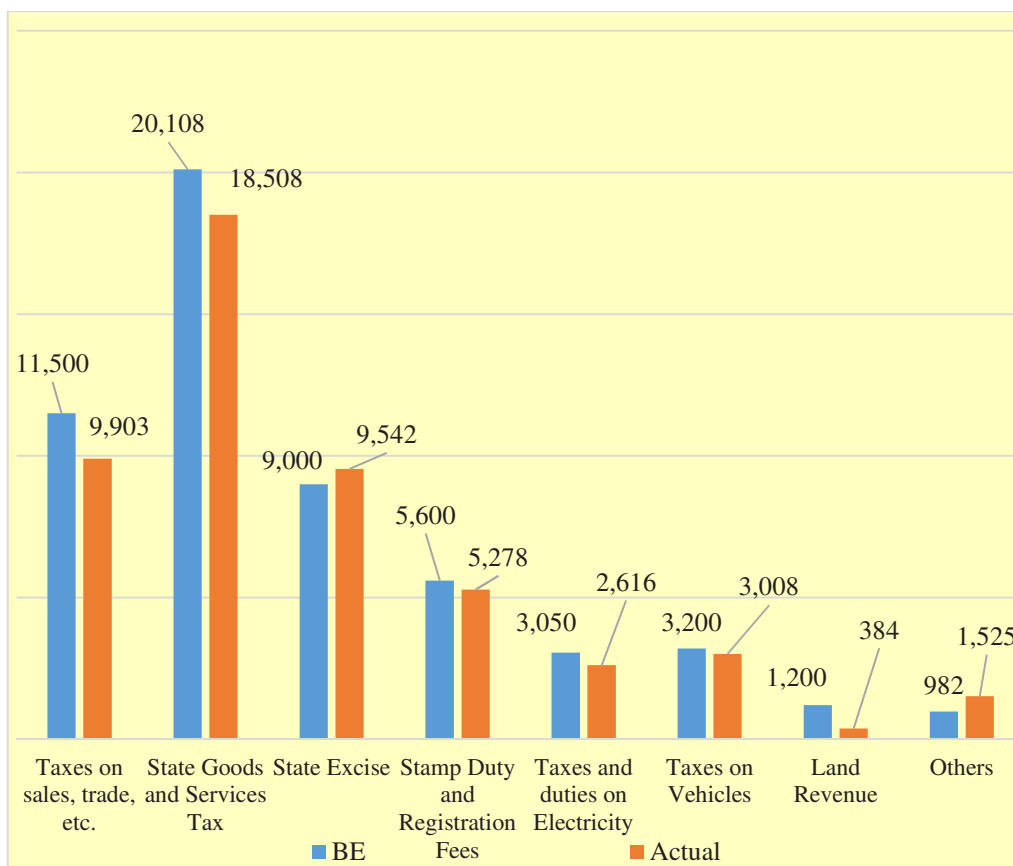
The above Charts indicate that contributions of different Departments have remained largely constant over the last five-year period.

### 1.2.1.2 Budget Estimates (BE) vs Actuals of Tax Revenue

A comparison of BE and Actuals of Tax Revenue during 2018-19 is given in **Chart 1.6**.

**Chart 1.6: Comparison of BE and Actuals of Tax Revenue during 2018-19**

(₹ in crore)



As can be seen from **Chart 1.6**, the variation between the Budget Estimates and the actual figures of receipts during 2018-19 ranged from (-) 68.01 *per cent* to (+) 55.22 *per cent*. Except for State Excise, which has exceeded the budget estimates, none of the other tax receipts have met the budgetary expectations. Reasons for shortfall in revenue receipts *vis-à-vis* budgetary projections, as intimated by the Departments concerned, are as follows:

**State Goods and Services Tax:** The shortfall was primarily due to new taxation system and practical difficulties due to usage of new software.

**Land Revenue:** The shortfall was due to shortage of officers and staff at District level, as well as their engagement in other Government works.

**Taxes and Duties on Electricity:** Budget estimates of the Government were on higher side. Therefore, there was a shortfall.

The other three Departments *viz.* **Registration and Stamps, Commercial Tax (for Taxes on Sales, Trades, etc.) and Transport** stated that they have achieved the Revised Estimates (RE) figures for the year.

### 1.2.2 Non-Tax Revenue

Details of Non-tax revenue raised during the period 2014-19 are indicated in **Table 1.2**.



**Table 1.2: Details of Non-Tax Revenue**

(₹ in crore)

Head of Revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase(+)/ decrease(-) during 2018-19 over 2017-18
Non-ferrous mining and metallurgical industries	2,813.66	3,059.64	3,168.28	3,640.72	3,933.56	(+) 8.04
Education, sports, art and culture	3,276.10	1,292.41	1,824.03	1,309.69	2,366.39	(+) 80.68
Forestry and Wildlife	968.77	1,001.71	917.98	1,112.25	1,042.94	(-) 6.23
Interest receipts	1,260.65	429.47	581.67	639.11	880.34	(+) 37.74
Power	381.23	190.09	357.87	195.15	190.33	(-) 2.47
Minor Irrigation	299.77	326.74	336.24	354.20	545.04	(+) 53.88
Major and Medium Irrigation	137.55	156.16	238.12	169.70	263.48	(+) 55.26
Dividends and Profit	80.35	129.64	231.50	622.36	347.26	(-) 44.20
Other Administrative services	140.21	147.01	193.87	132.66	355.97	(+) 168.33
Medical and Public Health	120.16	121.04	167.04	128.98	214.46	(+) 66.27
Other non-tax receipts	896.78	1,714.88	1,069.91	756.36	1,758.92 <sup>3</sup>	(+) 132.55
<b>Total</b>	<b>10,375.23</b>	<b>8,568.79</b>	<b>9,086.51</b>	<b>9,061.18</b>	<b>11,898.69</b>	

Source: Finance Accounts of Government of Madhya Pradesh

### 1.2.2.1 Reasons for variation in Receipts during 2018-19 compared to 2017-18

As can be seen from **Table 1.2** there was a variation of (-) 44.20 *per cent* to (+) 168.33 *per cent* in non-tax receipts of 2018-19 compared to 2017-18 under various heads of revenue.

The Departments concerned reported the following reasons for variation between the receipts of 2018-19 over those of 2017-18:

<sup>3</sup> 'Other non-tax receipts' includes actual receipts (₹ in crore) during 2018-19 under the following heads: Public Service Commission (6.42), Police (145.70), Jails (3.65), Public Works (151.75), Stationery and Printing (12.42), Contributions and recoveries towards Pension and other Retirement Benefits (222.35), Family Welfare (0.23), Water Supply and Sanitation (25.34), Housing (28.02), Urban Development (15.00), Information and Publicity (0.38), Labour and Employment (27.18), Social Security and Welfare (11.66), Other social services (92.69), Crop Husbandry (62.14), Animal Husbandry (2.73), Dairy Development (0.005), Fisheries (9.94), Food Storage and Warehousing (1.38), Other agricultural program (1.91), Other rural development program (14.97), Petroleum (0.004), New and Renewable Energy (10.28), Village and Small Industries (88.13), Industries (0.85), Other industries (0.14), Roads and Bridges (1.18), Tourism (11.18), Other General Economic Services (29.71), Cooperation (8.40) and Miscellaneous General Services (773.18).

**Education, sports, art and culture:** The increase of 80.68 *per cent* (₹ 1,056.70 crore) under this Head was mainly due to reimbursement of salary, increase in number of students and fees in private colleges and higher receipts from Central Government in reimbursement of Right to Education fees. Unused money was also deposited in the Government Treasury by the districts in March 2019 under special campaign.

**Minor Irrigation:** The increase of 53.88 *per cent* (₹ 190.84 crore) under this Head was mainly due to deposit of outstanding amount by National Thermal Power Corporation (NTPC) under one-time settlement and deposit of share of water of Bansagar by Uttar Pradesh and Bihar Governments during 2018-19.

**Major and Medium Irrigation:** The increase of 55.26 *per cent* (₹ 93.78 crore) under this Head was mainly due to higher revenue from canal projects of Narmada Valley Development Authority (NVDA).

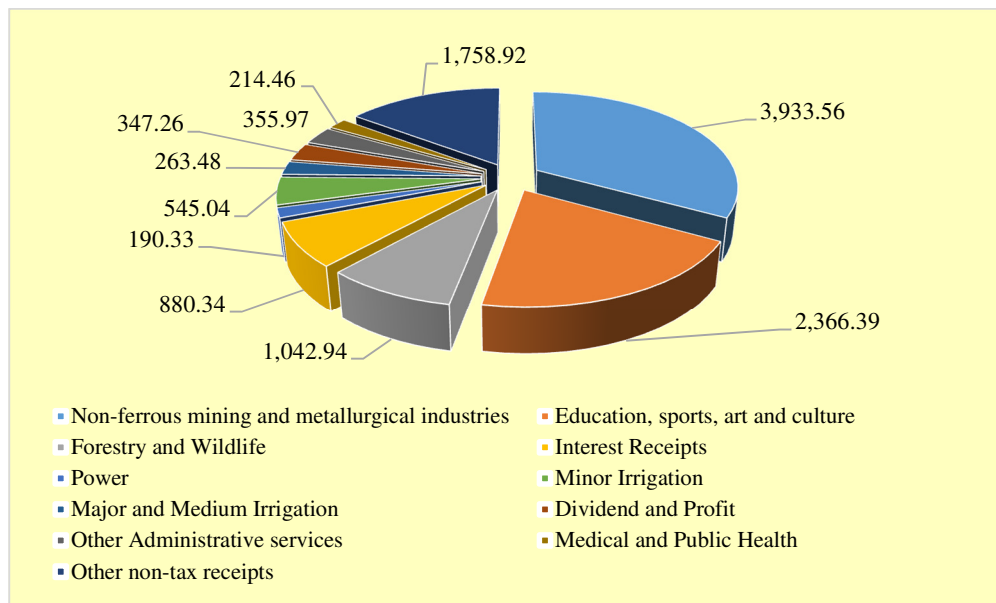
**Dividend and Profit:** The decrease of 44.20 *per cent* (₹ 275.10 crore) under this Head was mainly due to decrease (87 *per cent*, ₹ 540.69 crore) in dividends from Narmada Hydroelectric Development Corporation (NHDC) under Indira Sagar Project, which has been off-set by increase (₹ 265.59 crore) in dividend from other investments.

**Other Administrative Services:** The increase of 168.33 *per cent* (₹ 223.31 crore) under this Head was mainly due to increase (210 *per cent*, ₹ 207.61 crore) in fines in court cases and depositing of outstanding Government Audit Fees by the Local Bodies.

**Medical and Public Health:** The increase of 66.27 *per cent* (₹ 85.48 crore) under this Head was mainly due to start of private nursing school, increase in syllabus, fees for accreditation to private hospitals for treatment, accreditation fees of hospitals for kidney transplant, deposit of increased fees of Post Graduate curriculum seats of private medical colleges and excess reimbursement from GoI under *Karmachari Rajya Bima Yojna*.

**Chart 1.7: Share of various Heads of Revenue in Non-Tax Revenue during 2018-19**

(₹ in crore)



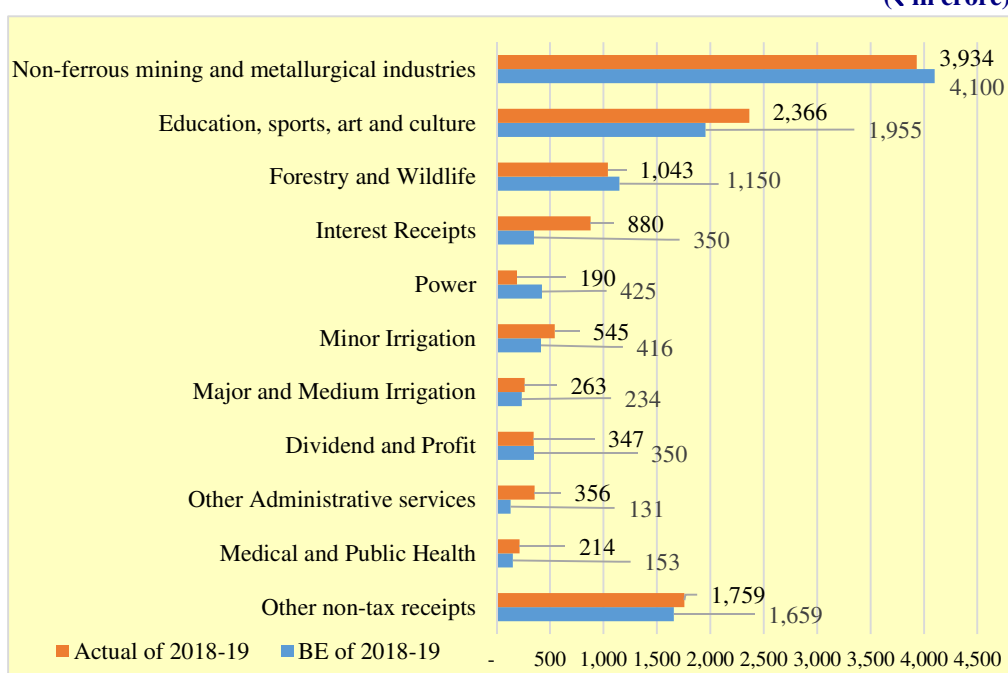
The above Chart indicates that Non-ferrous and metallurgical industries is the largest contributor in Non-tax revenue followed by Education, sports, art and culture and Forestry and Wildlife, together accounting for more than 60 per cent of the total Non-tax revenue of the State Government.

### 1.2.2.2 Budget Estimates (BE) vs Actuals of Non-Tax Revenue

A comparison of Budget Estimates and the Actuals of Non-tax revenue during 2018-19 is given in **Chart 1.8**.

**Chart 1.8: Comparison of BE and Actuals of Non-Tax Revenue during 2018-19**

(₹ in crore)



It can be seen from **Chart 1.8** that there was a variation of (-) 55.21 to (+) 170.72 *per cent* between the Budget Estimates and the actual receipts during 2018-19 under various heads of revenue. Reasons for shortfall in revenue receipts *vis-à-vis* budgetary projections, as intimated by the Departments are as under:

**Forestry and Wild life:** The decrease in revenue during 2018-19 was due to delay in receipt of permission for cutting of trees from the GoI. Since disposal of forest produce was being done through open auction, the rates depend upon the situation of market, which resulted in the realisation of less revenue.

**Power:** Revenue receipts from Sardar Sarovar Project depend upon the generation of electricity. During 2018-19, due to shortage of rainfall, electricity generation was less. Therefore, the revenue receipts were affected.

**Mineral Resources:** The Department stated that it has achieved the Revised Estimates (RE) figures for the year.

### 1.3 Analysis of Arrears of Revenue

The arrears of revenue as on 31 March 2019 in respect of some principal heads of revenue amounted to ₹ 6,350.41 crore, out of which, ₹ 2,678.15 crore (42 *per cent*) was outstanding for more than five years, as detailed in **Table 1.3**.

**Table 1.3: Arrears of Revenue**

(₹ in crore)

Head of revenue	Total amount outstanding as on 31 March 2018	Total amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019
Taxes on Sales, Trades, etc.	5,219.48	5,405.24	2,361.88
<p><b>Department replied that</b> efforts had been made for recovery of arrears and that, there was no laxity on its part. The details of outstanding arrears are given below:</p> <ul style="list-style-type: none"> <li>• ₹ 2,007.96 crore was pending under various court proceedings, ₹ 643.17 crore was pending with appellate authorities, ₹ 236.89 crore was involved in sick mills or Board for Industrial and Financial Reconstruction (BIFR),</li> <li>• ₹ 5.42 crore was in installments, ₹ 1,044.97 crore was involved in closed firms, and ₹ 814.32 crore was involved in attachment of properties, and</li> <li>• Revenue Recovery Certificates (RRCs) were issued in respect of ₹ 273.75 crore, an amount of ₹ 9.39 crore was awaited to be written-off, and ₹ 369.37 crore was under normal recovery.</li> </ul>			
State Excise	220.72	221.15	75.28
<p><b>Department replied that:</b></p> <ul style="list-style-type: none"> <li>• ₹ 14.42 crore was pending in courts,</li> <li>• Action was being taken for writing off ₹ 56.24 crore, being an irrecoverable amount, and</li> <li>• Information regarding remaining outstanding arrears of ₹ 150.49 crore was not provided.</li> </ul>			
Stamp Duty and Registration Fees	343.61	413.69	104.46

**Department replied that** outstanding arrears were pending at District level and that, the Collector of Stamps was taking necessary action under section 48 (b) of Stamp Act, for recovery of arrears. However, cases are not disposed in a timely manner due to non-appearance of parties, despite issuance of notice to them. The details of outstanding arrears are given below:

- ₹ 41.36 crore was pending in courts, ₹ 187.37 crore was pending due to parties not responding, ₹ 71.68 crore was pending due to addresses of defaulters not being found, and ₹ 10.46 crore was pending at district level.
- RRCs were issued for ₹ 37.91 crore, Attachment warrants worth ₹ 12.63 crore were issued for recovery, and Demand Notices for recovery of ₹ 52.28 crore were being continuously issued.

Non-ferrous mining and metallurgical industries	48.38	75.69	Not provided by the Department
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**Department replied that:**

- Arrears included ₹ 54.48 crore on account of outstanding royalty due from Reliance Sasan Power during 2018-19; and
- Reasons for remaining outstanding arrears would be provided after receipt of information from the Districts.

Taxes and Duties on Electricity	225.07	234.64	136.53
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**Department replied that:**

- Recovery of ₹ 119.39 crore was pending in cases that were *sub-judice*, ₹ 3.67 crore was pending against sick textiles mills, and ₹ 83.47 crore was pending in other stages, and
- ₹ 28.11 crore was pending under the cases where Revenue Recovery Certificates (RRCs) have already been issued.

<b>Total</b>	<b>6,057.26</b>	<b>6,350.41</b>	<b>2,678.15</b>
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## 1.4 Pendency of refund claims

Details of refund claims pending at the close of 2018-19, as reported by the Departments, are given in **Table 1.4**.

**Table 1.4: Details of pendency of refund cases**

(₹ in crore)

Particulars	Taxes on Sales, Trades, etc.		Stamp Duty and Registration Fees		State Excise		Taxes and Duties on Electricity	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Claims outstanding at the beginning of the year (A)	1,038	145.58	2,027	5.91	31	1.49	153	1.42
Claims received during the year (B)	6,300	737.22	6,978	22.28	161	13.17	01	0.27
Refunds made during the year (C)	6,376	778.94	6,700	20.09	153	13.56	01	0.27

Balance outstanding at the end of year (A+B-C=D)	962	103.86	2,305	7.81 <sup>4</sup>	39	1.10	0 <sup>5</sup>	0
Percentage of refund [C to (A+B)]	-	88.24	-	71.27	-	92.50	-	-

### 1.5 Authority for audit

The Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits receipts of the Government under Section 16 of the DPC Act.

### 1.6 Audit Approach

There are seven primary revenue generating Departments in Government, out of which, audit was conducted in six Departments during the year 2018-19, viz. Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Registration and Stamps, and Mineral Resources. This report features findings on three out of these six Departments.

Details of Audit universe pertaining to each of these three Departments, as well as units audited under each during the year 2018-19 are given in **Table 1.5**.

**Table 1.5: Details of total and audited units in each Department**

Name of the Department	Total no. of units	Apex Auditable entity <sup>6</sup>	Audit units	Total no. of units audited
Commercial Tax	132	2	130	32
Registration and Stamps	290	1	289	33
Land Revenue	422	2	420	28

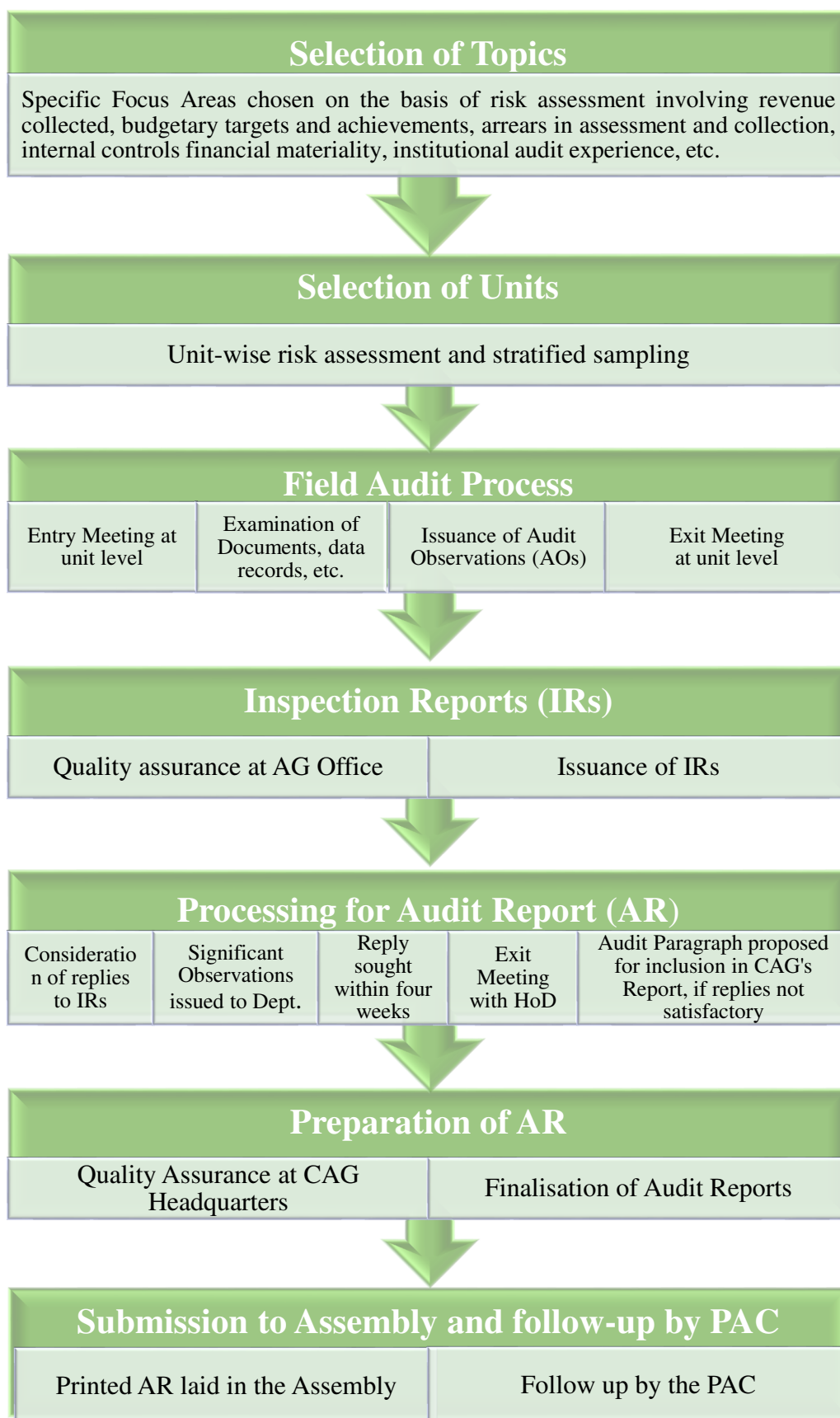
### 1.7 Audit Process

The complete audit process is divided into three broad categories – Planning, Execution and Reporting. Detailed procedure under these heads is as follows:

<sup>4</sup> Department intimated (November 2019) that difference in the balance outstanding at the end of the year was due to deduction of amount from refunds to the parties. Department further intimated (November 2020) that refund were made by the Collectors of Stamp as per provisions contained in section 49 to 54 of Stamp Act, 1899.

<sup>5</sup> Due to expiry of three-year period as per provision of Limitation Act, 153 refund claims amounting to ₹ 1.42 crore were not refundable.

<sup>6</sup> Apex Auditable units are directional and supervisory units, which are responsible for policy formulation. Audit units are defined as units which have attributes like, substantial devolution of administrative and financial powers, functional autonomy, and operational significance with reference to achievement of objectives of Apex Auditable Entity.



### 1.8 Response of the Departments/Government to Audit

On completion of audit of Government Departments and Offices, Inspection

Reports (IRs) were issued to the Heads of Office concerned with copies to their superior officers, for their monitoring and corrective action. Serious financial irregularities are reported to the Heads of the Department and the Government.

Department-wise details of outstanding IRs and Audit Observations at the end of September 2020 are given in **Table 1.6**.

**Table 1.6: Department-wise details of outstanding IRs/paragraphs outstanding at the end of September 2020**

Name of the Department	Nature of receipts	No. of outstanding IRs	No. of outstanding Audit Paragraphs
Commercial Tax	Taxes on Sales, Trades, etc.	1,799	9,500
Energy	Taxes and Duties on Electricity	103	224
State Excise	State Excise	450	1,704
Revenue	Land Revenue	1,580	4,998
Transport	Taxes on Vehicles	603	3,396
Registration and Stamps	Stamp Duty and Registration Fees	809	2,311
Mineral Resources	Non-ferrous mining and metallurgical industries	355	1,812
	<b>Total</b>	<b>5,699</b>	<b>23,945</b>

Despite flagging this issue continuously over the years, the State Government is yet to take corrective action with regard to addressing audit concerns and settling outstanding Audit Paragraphs.

An extensive review of old outstanding IRs/paras was conducted by this office during the year, in tandem with the office of the Chief Secretary of the Government of Madhya Pradesh. Accordingly, a total of 88 IRs and 3,585 paras were settled on the basis of responses received from the Departments.

**Recommendation:**

**State Government needs to put in place an appropriate mechanism expeditiously to ensure that Departmental Officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of outstanding IRs and Audit Paragraphs.**

**1.9 Follow-up action on Audit Reports**

As per the recommendations of the Shakhder Committee<sup>7</sup>, *suo motu* Explanatory Notes (ENs) on corrective/remedial measures taken on all paragraphs included in the Audit Reports are required to be submitted by the Departments, duly vetted by the Accountant General, to the Public Accounts Committee (PAC) within three months from the date of placing of the Audit Reports in the Legislature.

<sup>7</sup> High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India.



Explanatory Notes in respect of 54 paragraphs of the Audit Reports for the period 2012-13 to 2016-17 have not been received (October 2020) from State Revenue and Water Resources Department. Details are given in **Table 1.7**.

**Table 1.7: No. of Paragraphs to which Explanatory Notes were not received**

Name of the Department	2012-13	2013-14	2014-15	2015-16	2016-17
Commercial Tax	0	0	0	12	8
State Excise	0	3	0	7	1
Land Revenue	0	0	0	0	3
Transport	0	0	0	0	0
Registration and Stamps	1	0	0	13	4
Mineral Resources	0	0	0	0	0
Water Resources <sup>8</sup>	0	0	0	0	1
Forest <sup>9</sup>	0	0	1	0	0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>32</b>	<b>17</b>

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATRs) on the recommendations of the PAC should be submitted within six months from the date of tabling the Recommendation Reports of the PAC. In spite of these provisions, the ATRs on Audit Paragraphs of the Reports are being delayed inordinately.

After issue of Recommendation Reports<sup>10</sup> by the PAC, the ATRs in respect of 11 paragraphs of the Audit Reports for 1999-2000 and 229 paragraphs for the period from 2005-06<sup>11</sup> to 2016-17 were not received as of October 2020, adding up to 240 paragraphs from State Revenue Departments. Details are given in **Table 1.8**.

**Table 1.8: Details of ATRs not received**

Name of the Department	No. of paragraphs in respect of which ATRs not received
Commercial Tax	72
State Excise	34
Land Revenue	28
Transport	22
Registration and Stamps	35
Mineral Resources	25
Forest	11

<sup>8</sup> Water Resources Department is not a primary revenue generating Department. However, an audit on "Assessment and Collection of Water Tax" had featured in the Audit Report 2016-17.

<sup>9</sup> Forest Department is also not a primary revenue generating Department. However, an audit on "Forest Receipts" had featured in the Audit Report 2014-15.

<sup>10</sup> Received between December 2004 to December 2019 in this office.

<sup>11</sup> ATRs in respect of the period 2000 to 2005 have been settled.

Commercial Tax (Entertainment Tax)	11
Finance	01
Water Resources	01
<b>Total</b>	<b>240</b>

**Recommendation:**

**The State Government should initiate action to address the shortcomings and systemic deficiencies pointed out by Audit in order to plug the leakage of revenue. The Government also needs to ensure that all Departments promptly prepare ATRs on PAC recommendations.**

**1.9.1 Status of discussion of Revenue Report by PAC**

In the last four Audit Reports for the period 2013-14 to 2016-17, year wise total Audit Paragraphs, Paragraphs selected for discussion and Paragraphs discussed by PAC are given in **Table 1.9**.

**Table 1.9: Status of discussion of Revenue Report by PAC**

Year	2013-14	2014-15	2015-16	2016-17	Total
Total Paragraphs	37	29	52	26	144
Paragraphs selected for discussion by PAC	19	14	25	15	73
Paragraphs discussed by PAC	7	5	5	2	19

As can be seen from the above table, there were a total 144 paragraphs in the last four Audit Reports for the period 2013-14 to 2016-17, out of which, 73 were selected for discussion by PAC but only 19 paragraphs were discussed.

**1.9.2 Compliance to earlier Audit Reports**

In the last five Audit Reports for the period 2013-14 to 2017-18, the Departments/Government accepted audit observations involving ₹ 2,986.42 crore. However, only ₹ 51.43 crore was recovered as of October 2020, as detailed in **Table 1.10**.

**Table 1.10: Compliance to earlier Audit Reports**

(₹ in crore)

Department	Money value accepted	Amount recovered	Percentage of recovery to amount accepted
Commercial Tax	689.92	0.78	0.11
Land Revenue	128.67	15.16	11.78
Registration and Stamps	78.77	10.17	12.91
Mineral Resources	233.84	14.51	6.20
Transport	95.23	0.36	0.37
State Excise	69.51	6.95	9.99
Forest	12.23	0.70	5.72

Water Resources	1,626.24	0.00	0
Energy	52.01	2.80	5.38
<b>Total</b>	<b>2,986.42</b>	<b>51.43</b>	<b>1.72</b>

## 1.10 Acknowledgement

The office of Accountant General (Audit-II), Madhya Pradesh, Bhopal acknowledges the cooperation rendered by various Departments in providing necessary information and records to Audit. However, despite constant pursuance, Value Added Tax Information System (VATIS) IDs were not provided to Audit by the Commercial Tax Department (December 2020).

## 1.11 Significant audit observations

This Report contains 17 audit paragraphs that emerged from a test-check of records of three Departments of Government of Madhya Pradesh with a tax effect of ₹ 57.44 crore.

Significant results of audit that feature in this Report are summarised below.

### 1.11.1 Commercial Tax

The Assessing Authorities (AAs) under-assessed the taxable turnover by ₹ 32.69 crore. As a result, tax of ₹ 2.99 crore and penalty of ₹ 7.43 crore were not levied.

*(Paragraph 2.6)*

The AAs failed in implementing the provision of the MPVAT Act, Rules and Departmental circulars in order to classify the commodities correctly and apply the appropriate rate of tax. This resulted in short levy of VAT of ₹ 3.19 crore and penalty of ₹ 3.77 crore.

*(Paragraph 2.7)*

The AAs failed in implementation of provisions of the Central Sales Tax Act regarding applicability of the appropriate rate of tax. This resulted in short realisation of tax of ₹ 0.95 crore and non-levy of penalty of ₹ 0.88 crore.

*(Paragraph 2.8)*

The AAs did not levy Entry Tax or levied it at incorrect rates on goods like iron & steel, electrical item, packing material, transformer, pipe, chemical, plastic granules, cement sheet, light diesel oil, explosive, tiles, sanitary, *tendupatta*, *bidi*, sand, *gitti*, coal, bitumen, resin, winding wire and steel tube, etc. on their entry into local area. As a result, Entry Tax amounting to ₹ 1.01 crore could not be realised and penalty of ₹ 2.06 crore remained un-imposed.

*(Paragraph 2.9)*

The AAs allowed ITR without verifications and taking into consideration the fact that the selling dealers concerned had short deposited output tax into the Government account resulting in allowance of excess ITR of ₹ 8.88 crore.

*(Paragraph 2.10)*

Cross-verification of transitional credit (SGST) claimed, with the ITC carried forward as shown in VAT returns (Form-10), revealed that 369 taxpayers had

irregularly carried forward transitional credit of ₹ 11.49 crore in TRAN-1 in excess of the ITC shown in the VAT returns.

*(Paragraph 2.12)*

### **1.11.2 Stamp Duty and Registration Fees**

29 Sub-Registrars (SRs) did not consider the various factors affecting the market value of properties in 113 instruments and refer these instruments to the Collector of Stamps for determination of correct value of properties and duty leviable thereon. This resulted in short levy of Stamp Duty of ₹ 3.59 crore and Registration Fees of ₹ 0.34 crore.

*(Paragraph 3.6)*

Six SRs charged Registration Fees of ₹ 50.74 lakh against the chargeable Registration Fees of ₹ 1.01 crore in 35 agreements relating to the development of land by the builders/developers, which resulted in short realisation of ₹ 50.74 lakh to the Government.

*(Paragraph 3.8)*

Ten SRs did not consider the whole amount of royalty payable under the mining lease for determination of Stamp Duty and Registration Fees. This resulted in short realisation of Stamp Duty and Registration Fees of ₹ 5.21 crore.

*(Paragraph 3.10)*

### **1.11.3 Land Revenue**

SDOs did not comply with the provisions of the *upbandh* under Market Value Guidelines (MVGs) and Government Notifications. This resulted in short levy of Premium of ₹ 2.89 crore and non-levy of *Panchayat Upkar* of ₹ 0.05 crore.

*(Paragraph 4.4)*

Four Collectors issued diversion orders in 113 cases without recovering the Diversion Rent of ₹ 22.54 lakh, Premium of ₹ 35.91 lakh, *Panchayat Upkar* of ₹ 1.86 lakh and Penalty of ₹ 130.83 lakh. As a result, an amount of ₹ 1.91 crore is still pending for recovery in these Collectorates.

*(Paragraph 4.5)*