

CHAPTER-I GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Uttar Pradesh during the year 2005-06, State's share of divisible Union taxes and grants in aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
I. Revenue raised by the State Government					
• Tax revenue	10,388.82	12,783.81	13,601.23	15,692.61	18,857.90
• Non tax revenue	1,787.07	1,913.49	2,282.08	2,720.29	2,930.32
Total	12,175.89	14,697.30	15,883.31	18,412.90	21,788.22
II. Receipts from the Government of India					
• State's share of divisible Union taxes	10,130.49	10,814.87	13,272.97	15,055.26	¹ 18,203.13
• Grants in aid	3,291.53	2,309.02	2481.69	4,149.28	5,357.80
Total	13,422.02	13,123.89	15,754.66	19,204.54	23,560.93
III. Total receipts of the State (I + II)	25,597.91	27,821.19	31,637.97	37,617.44	45,349.15
IV. Percentage of I to III	48	53	50	49	48

1.1.2 The details of tax revenue for the year 2005-06 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Revenue Head	2001-02	2002-03	2003-04	2004-05	2005-06	Increase (+) or decrease (-) in 2005-06 with reference to 2004-05	Percentage of increase or decrease with reference to 2004-05
1.	Trade tax	5,052.40	6,850.93	7,684.13	8,888.31	11,284.67	(+) 2396.36	(+) 26.96
2.	State excise	1,961.38	2,555.05	2,472.37	2,686.19	3,088.54	(+) 402.35	(+) 14.98
3.	Stamp duty and registration fees	1,429.29	2,078.68	2,296.06	2,682.36	2,996.78	(+) 314.42	(+) 11.72
4.	Taxes on goods and passengers	76.65	77.33	80.21	81.74	105.19	(+) 23.45	(+) 28.69
5.	Taxes on vehicles	503.04	618.84	676.96	775.84	965.20	(+) 189.36	(+) 24.41
6.	Taxes and duties on electricity	9.22	145.29	174.72	354.36	182.26	(-) 172.10	(-) 48.57
7.	Land revenue	72.93	64.23	117.67	102.44	108.69	(+) 6.25	(+) 6.10
8.	Other taxes and duties on commodities and services	152.34	100.02	92.78	112.28	114.76	(+) 2.48	(+) 2.21
9.	Other (hotel receipts, corporation tax, etc.)	3.67	3.70	6.33	9.09	11.81	(+) 2.72	(+) 29.92
	Total	10,388.82	12,783.81	13,601.23	15,692.61	18,857.90	(+) 3,165.29	(+) 20.17

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 2005-06. 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.

1.1.3 The details of non tax revenue for the year 2005-06 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Revenue Head	2001-02	2002-03	2003-04	2004-05	2005-06	Increase (+) or decrease (-) in 2005-06 with reference to 2004-05	Percentage of increase/decrease with reference to 2004-05
1.	Misc. general services	39.44	48.28	41.80	58.02	75.02	(+) 17.00	(+) 29.30
2.	Interest receipts	543.49	515.38	658.09	597.93	457.94	(-) 139.99	(-) 23.41
3.	Forestry and wild life	68.31	86.27	60.96	107.42	161.98	(+) 54.56	(+) 50.79
4.	Major and medium irrigation	115.76	90.12	136.10	176.60	53.78	(-) 122.82	(-) 69.55
5.	Education, sports, art and culture	137.66	255.35	227.68	581.02	934.81	(+) 353.79	(+) 60.89
6.	Other administrative services	131.47	110.95	116.91	128.23	99.96	(-) 28.27	(-) 22.05
7.	Non ferrous mining and metallurgical industries	190.19	262.54	251.05	292.01	354.60	(+) 62.59	(+) 21.43
8.	Police	67.38	95.40	75.91	97.58	96.66	(-) 0.92	(-) 0.94
9.	Crop husbandry	75.77	25.58	188.73	18.60	40.84	(+) 22.24	(+) 119.57
10.	Social security and welfare	36.33	19.59	33.65	17.25	14.23	(-) 3.02	(-) 17.51
11.	Medical and public health	31.14	41.44	42.69	42.03	39.75	(-) 2.28	(-) 5.42
12.	Minor irrigation	17.73	12.11	18.53	12.53	21.21	(+) 8.68	(+) 69.27
13.	Roads and bridges	16.27	17.97	41.79	31.67	55.36	(+) 23.69	(+) 74.80
14.	Public works	14.66	25.26	19.92	31.44	36.09	(+) 4.65	(+) 14.79
15.	Cooperation	5.23	6.18	7.57	8.15	6.27	(-) 1.88	(-) 23.07
16.	Others	296.24	301.07	360.70	519.81	481.82	(-) 37.99	(-) 7.31
	Total	1,787.07	1,913.49	2,282.08	2,720.29	2,930.32	(+) 210.03	(+) 7.72

1.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of tax and non tax revenue during the year 2005-06 are given below:

(Rupees in crore)

Revenue Head	Budget estimates	Actuals	Variation increase (+) short fall (-)	Percentage of variations
1	2	3	4	5
Tax revenue				
1. Trade tax	10,524.00	11,284.67	(+) 760.67	(+) 7.23
2. State excise	3,200.00	3,088.54	(-) 111.46	(-) 3.48
3. Stamp duty and registration fee	2,928.00	2,996.78	(+) 68.78	(+) 2.35
4. Taxes on goods and passengers	653.00	105.19	(-) 547.81	(-) 83.89
5. Taxes on vehicles	588.74	965.20	(+) 376.46	(+) 63.94
6. Other taxes and duties on commodities and services	117.46	114.76	(-) 2.70	(-) 2.30
7. Taxes and duties on electricity	194.99	182.26	(-) 12.73	(-) 6.53
8. Land revenue	76.50	108.69	(+) 32.19	(+) 42.08

1	2	3	4	5
Non tax revenue				
1. Misc. general services	81.10	75.02	(-) 6.08	(-) 7.50
2. Interest receipts	657.60	457.94	(-) 199.66	(-) 30.36
3. Forestry and wild life	79.10	161.98	(+) 82.88	(+) 104.78
4. Major and medium irrigation	32.86	53.78	(+) 20.92	(+) 63.66
5. Education, sports, art and culture	63.70	934.81	(+) 871.11	(+) 1,367.52
6. Non ferrous mining and metallurgical industries	320.10	354.60	(+) 34.50	(+) 10.78

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and percentage of such expenditure¹ to the gross collection during the years 2003-04, 2004-05 and 2005-06 along with the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 are given below:

(Rupees in crore)

Revenue head	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2004-05
Trade tax	2003-04	7,684.13	197.13	2.60	0.95
	2004-05	8,888.31	178.53	2.00	
	2005-06	11,284.67	193.51	1.71	
Taxes on vehicles, goods and passengers	2003-04	757.17	12.71	1.70	2.74
	2004-05	857.58	12.99	1.60	
	2005-06	1,070.39	31.27	2.92	
State excise	2003-04	2,472.37	28.51	1.20	3.34
	2004-05	2,686.19	29.66	1.10	
	2005-06	3,088.54	33.39	1.08	
Stamp duty and registration fees	2003-04	2,296.06	50.59	2.20	3.44
	2004-05	2,682.36	58.84	2.20	
	2005-06	2,996.78	52.55	1.75	

1.4 Arrears in assessment

The number of assessments pending at the beginning of the year, cases becoming due during the year, cases disposed of during the year and cases pending finalisation at the end of the year, as reported by the Trade Tax Department for the years 2001-02 to 2005-06¹ are given below:

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
1	2	3	4	5	6	7
2001-02	4,28,833	5,24,561	9,53,394	4,85,771	4,67,623	50.95
2002-03	4,67,623	5,29,858	9,97,481	5,21,969	4,75,512	52.33
2003-04	4,75,512	4,83,428	9,58,940	4,76,263	4,82,677	49.67
2004-05	4,82,677	5,83,693	10,66,370	5,38,168	5,28,202	50.47
2005-06	5,30,722	5,33,349	10,64,071	5,22,962	5,41,109	49.15

¹ Figures as intimated by the department are at variance with figures in Finance Account and with last years' information. The reasons for difference though called for have not been received.

1.5 Collection of trade tax per assessee

Number of assessees, trade tax revenue and revenue per assessee during the years 2001-02 to 2005-06 as intimated by the department is given below:

(Rupees in lakh)

Year	No. of assessees (in lakh)	Trade tax revenue	Revenue per assessee
2001-02	3.85	6,15,855	1.59
2002-03	4.07	7,10,393	1.74
2003-04	4.52	7,65,135	1.69
2004-05	4.76	8,88,831	1.87
2005-06	4.77	11,80,533	2.47

1.6 Arrears of revenue

As on 31 March 2006, arrears of revenue under principal heads of revenue as reported by the concerned departments were as under:

(Rupees in crore)

Sl. No.	Heads of revenue	Arrears pending collection		Remarks
		Total	More than 5 years old	
1	2	3	4	5
1	Trade tax	8,456.33	7,143.69	Out of Rs. 8,456.33 crore, demand for Rs. 710.13 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 930.07 crore had been stayed by the Courts/Government. Recoveries amounting to Rs. 299.42 crore is outstanding on Government/semi-government departments. Demand of Rs. 1,064.35 crore was likely to be written off. Rs. 49.92 crore is outstanding on transporters. Recovery certificates amounting to Rs. 745.98 crore has been sent to other States. Remaining arrears of Rs. 4,656.46 crore, are pending with the department.
2	Entertainment tax	11.97	N.A. ¹	Out of Rs. 11.97 crore demand for Rs. 5.93 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 4.44 crore had been stayed by courts/Government. Further notices were issued for remaining balance of Rs. 1.60 crore.
3	State excise	55.86	N.A.	Out of Rs. 55.86 crore demand for Rs. 9.46 crore had been certified for recovery as arrear of land revenue. Recoveries amounting to Rs. 12.62 crore had been stayed by the court. Demand for Rs. 1.94 crore was likely to be written off. Recoveries amounting to Rs. 0.23 crore is related to penal interest. Detail of remaining arrears of Rs. 31.61 crore had not been intimated by the department.
4.	Taxes on vehicles goods and passengers Road tax Goods tax Passenger tax Total	5.31 5.77 12.62 23.70	N.A.	Out of Rs. 23.70 crore demands for Rs. 1.06 crore and Rs. 0.27 crore had been stayed by Judicial and administrative orders respectively. Balance demand of Rs. 22.37 crore were pending for recovery.
5.	Stamp and registration	288.88	N.A.	Out of Rs. 288.88 crore demands for Rs. 61.55 crore had been recovered as arrears of land revenue. Recoveries amounting to Rs. 16.52 crore had been exempted by appeal court. Demand for Rs. 145.83 crore had been stayed by different courts. Balance demand of Rs. 64.98 crore were pending for recovery.
6.	Land revenue	13.40	N.A.	Out of Rs. 13.40 crore demands for Rs. 1.69 crore had been stayed by the Government. Balance demand for Rs. 11.71 crore were pending for recovery.

¹ Not Available.

1.7 Results of audit

Test check of records of trade tax, State excise, taxes on vehicles, goods and passengers, stamp duty and registration fee, land revenue, and public works department, irrigation, housing and urban development, education, mines and minerals, police, finance department, etc. conducted during the year 2005-06 revealed underassessments/short levy/loss of revenue amounting to Rs. 1,159.59 crore in 1,817 cases. During the course of the year 2005-06, the concerned departments accepted underassessments etc. of Rs. 3.55 crore involved in 55 cases, of which Rs. 37.20 lakh in 11 cases had been recovered upto March 2006.

This report contains 21 paragraphs including two reviews relating to non/short levy of tax, penalty, interest etc. involving Rs. 906.66 crore. The departments/Government accepted audit observations during discussion in August 2006 involving Rs. 3.55 crore in 55 cases out of which Rs. 37.20 lakh have been recovered in 11 cases. No replies have been received in remaining cases (August 2006).

1.8 Outstanding inspection reports and audit observations

Audit observations on incorrect assessments, short levy of taxes, duties, fees, etc. as also defects in 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 (IRs). The more important irregularities are reported to the heads of departments and 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 up to 31 December 2005 which were pending settlement by the departments as on 30 June 2006, along with corresponding figures for the preceding two years are as given below:

Sl. No.		2004	2005	2006
1.	Number of inspection reports pending settlement	8,412	8,567	7,832
2.	Number of outstanding audit observations	17,506	17,394	19,257
3.	Amount of revenue involved (Rs. in crore)	4,296.86	4,102.33	4,225.60

Departmentwise breakup of the IRs and audit observations outstanding as on June 2006 is given 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	873	1,562	1,502.01	1991-92 to 2005-06
2	Trade tax	1,490	6,947	1,699.37	1984-85 to 2005-06
3	State excise	593	1,089	352.13	1984-85 to 2005-06
4	Land revenue	942	1,324	43.52	1987-88 to 2005-06
5	Taxes on vehicle, goods and passengers	1,183	2,598	91.15	1984-85 to 2005-06
6	Public works	214	765	29.85	1985-86 to 2005-06
7	Irrigation	393	667	87.01	1984-85 to 2005-06
8	Taxes on purchase of sugarcane	131	147	59.37	1985-86 to 2005-06
9	Stamp duty and registration fee	1,050	2,855	256.26	1984-85 to 2005-06
10	Agriculture	211	313	24.97	1985-86 to 2005-06
11	Electricity duty	320	365	41.96	1985-86 to 2005-06
12	Food and civil supplies	124	187	19.81	1991-92 to 2005-06
13	Cooperation	105	113	5.97	1985-86 to 2005-06
14	Entertainment tax	141	183	6.25	1986-87 to 2005-06
15	Medical and public health	51	128	1.46	2002-03 to 2005-06
16	Jail	11	14	4.51	2002-03 to 2005-06
	Total	7,832	19,257	4,225.60	

This was brought to the notice of Government in September 2006; intimation regarding steps taken by Government to clear the outstanding IRs and audit observations has not been received (November 2006).

1.9 Audit paragraphs/reviews outstanding for discussion by Public Accounts Committee

The details of audit paragraphs and reviews awaiting discussion by the Public Accounts Committee (PAC) as on 31 July 2006 are as follows:

Year	Trade tax	State excise	Taxes on vehicle, goods and passengers	Stamp duty and registration fees	Land revenue	Other tax receipts	Forest receipts	Other departmental receipts
1984-85	10	Nil	09	09	02	Nil	11	09
1985-86	11	07	16	04	05	07	11	14
1986-87	12	04	23	04	03	05	11	14
1987-88	14	10	17	05	05	06	08	Nil
1988-89	19	11	09	04	04	05	07	16
1989-90	12	10	09	02	06	04	11	20
1990-91	17	06	07	02	04	05	11	16
1991-92	13	06	05	04	02	05	06	11
1992-93	13	09	11	03	02	05	09	14
1993-94	15	07	12	03	02	04	06	13
1994-95	09	07	12	03	02	Nil	Nil	Nil
1995-96	05	03	05	01	Nil	05	04	03
1996-97	13	06	08	03	01	04	02	05
1997-98	Nil	Nil	Nil	Nil	Nil	04	Nil	04
1998-99	03	Nil	Nil	05	Nil	02	03	Nil
1999-00	08	01	08	04	04	Nil	Nil	Nil
2000-01	05	04	01	01	01	02	04	04
2001-02	14	Nil	05	02	01	04	01	03
2002-03	13	02	03	03	01	02	Nil	01
2003-04	12	02	03	05	01	Nil	Nil	02
2004-05	08	02	03	01	01	Nil	Nil	07
Total	226	97	166	68	47	69	105	156
Grand Total								934

1.10 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 ARs irrespective of whether the cases were taken up for examination by the PAC or not. Out of paragraphs/reviews included in ARs relating to the period 2000-01 to 2004-05 which have already been laid before the State legislature, explanatory notes (ENs) in respect of paragraphs/reviews were not received in audit office as on July 2006 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2000-01 are as detailed 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 EN has been received from the departments	No. of paragraphs/reviews on which EN is awaited from the departments
2000-01	17-09-2003	32	29	03
2001-02	27-07-2004	34	25	09
2002-03	08-11-2004	26	11	15
2003-04	20-07-2005	25	10	15
2004-05	11-03-2006	22	12	10
TOTAL		139	87	52

The ARs for the year ended March 2001, March 2002, March 2003, March 2004 and March 2005 were laid on the table of the State Vidhan Sabha in September 2003, July 2004, November 2004, July 2005 and March 2006. Though the time limit of three months for furnishing the ENs for the ARs for the period from 2000-01 to 2004-05 has elapsed, the departments have not submitted/furnished remedial ENs on 52 paragraphs.

1.11 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05 the department/Government accepted audit observations involving Rs. 310.63 crore of which only an amount of Rs. 19.16 crore was recovered till 31 August 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01	948.06	15.37	0.54
2001-02	987.71	50.95	17.27
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
Total	4,405.19	310.63	19.16

