

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 2008-09, 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	2004-05	2005-06	2006-07	2007-08	2008-09
I.	Revenue raised by the State Government					
	• Tax revenue	15,692.61	18,857.90	22,997.97	24,959.32	28,658.97
	• Non-tax revenue	2,720.29	2,930.32	6,532.64	5,816.01	6,766.55
	Total	18,412.90	21,788.22	29,530.61	30,775.33	35,425.52
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	15,055.26	18,203.13	23,218.31	29,287.74	30,905.72 ¹
	• Grants-in-aid	4,149.28	5,357.80	7,850.60	8,609.40	11,499.49
	Total	19,204.54	23,560.93	31,068.91	37,897.14	42,405.21
III.	Total receipts of the State (I + II)	37,617.44	45,349.15	60,599.52	68,672.47	77,830.73
IV.	Percentage of I to III	49	48	49	45	46

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 46 *per cent* of the total revenue receipts (Rs. 77,830.73 crore) against 45 *per cent* in the preceding year. The balance 54 *per cent* of receipts during 2008-09 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 2008-09. 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 2004-05 to 2008-09:

(Rupees in crore)

Sl. No	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase or decrease with reference to 2007-08
1.	Commercial tax	8,888.31	11,284.67	13,278.82	15,023.10	17,482.05	2,458.95	16.37
2.	State excise	2,686.19	3,088.54	3,551.25	3,948.40	4,720.01	771.61	19.54
3.	Stamp duty and registration fees	2,682.36	2,996.78	4,513.67	3,976.68	4,138.27	161.59	4.06
4.	Taxes on vehicles	775.84	965.20	1,017.60	1,145.84	1,124.66	-21.18	-1.85
5.	Taxes and duties on electricity	354.36	182.26	193.92	206.65	216.72	10.07	4.87
6.	Land revenue	102.44	108.69	187.52	392.53	549.28	156.75	39.93
7.	Other taxes and duties on commodities and services	112.28	114.76	131.57	137.50	140.58	3.08	2.24
8.	Taxes on goods and passengers	81.74	105.19	108.70	109.65	266.49	156.84	143.04
9.	Other (hotel receipts, corporation tax, etc.)	9.09	11.81	14.92	18.97	20.91	1.94	10.23
	Total	15,692.61	18,857.90	22,997.97	24,959.32	28,658.97	3,699.65	14.82

The concerned departments did not inform (August 2009) the reasons for variations despite being requested (April 2009).

1.1.3 The following table presents the details of non-tax revenue realised during the period 2004-05 to 2008-09:

(Rupees in crore)

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase/decrease with reference to 2007-08
1.	Misc. general services	58.02	75.02	2,281.23	1,153.53	1,698.79	545.26	47.27
2.	Interest receipts	597.93	457.94	828.86	1,247.84	963.87	-283.97	-22.76
3.	Forestry and wild life	107.42	161.98	212.37	294.80	271.92	-22.88	-7.76
4.	Major and medium irrigation	176.60	53.78	143.29	319.43	260.91	-58.52	-18.32
5.	Education, sports, art and culture	581.02	934.81	814.96	1,217.62	1,080.61	-137.01	-11.25
6.	Other administrative services	128.23	99.96	99.71	146.10	145.04	-1.06	-0.73
7.	Non-ferrous mining and metallurgical industries	292.01	354.60	345.34	395.20	427.31	32.11	8.13
8.	Police	97.58	96.66	209.60	147.17	160.78	13.61	9.25
9.	Crop husbandry	18.60	40.84	33.96	51.03	49.64	-1.39	-2.72
10.	Social security and welfare	17.25	14.23	15.77	19.73	34.06	14.33	72.63

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Increase (+) or decrease (-) in 2008-09 with reference to 2007-08	Percentage of increase/decrease with reference to 2007-08
11.	Medical and public health	42.03	39.75	62.67	72.11	618.84	546.73	758.19
12.	Minor irrigation	12.53	21.21	33.02	31.41	31.65	0.24	0.76
13.	Roads and bridges	31.67	55.36	58.83	74.24	60.69	-13.55	-18.25
14.	Public works	31.44	36.09	26.59	34.03	57.52	23.49	69.03
15.	Co-operation	8.15	6.27	7.02	6.33	26.46	20.13	318.01
16.	Others	519.81	481.82	1,359.42	605.44	878.46	273.02	45.09
Total		2,720.29	2,930.32	6,532.64	5,816.01	6,766.55	950.54	16.34

The concerned department did not inform (August 2009) the reasons for variations despite being requested (April 2009).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 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.	Commercial tax	19,705.00	17,482.05	-2,222.95	-11.28
2.	State excise	5,040.00	4,720.01	-319.99	-6.35
3.	Stamp duty and registration fees	5,370.53	4,138.27	-1,232.26	-22.94
4.	Taxes on goods and passengers	737.75	266.49	-471.26	-63.88
5.	Taxes on vehicles	862.25	1,124.66	262.41	30.43
6.	Other taxes and duties on commodities and services	132.55	140.58	8.03	6.06
7.	Taxes and duties on electricity	275.35	216.72	-58.63	-21.29
8.	Land revenue	170.11	549.28	379.17	222.90
Non-tax revenue					
1.	Misc. general services	1,144.92	1,698.79	553.87	48.38
2.	Interest receipts	1,588.57	963.87	-624.70	-39.32
3.	Forestry and wild life	185.15	271.92	86.77	46.86
4.	Major and medium irrigation	56.99	260.91	203.92	357.82
5.	Education, sports, art and culture	79.80	1,080.61	1,000.81	1,254.15
6.	Non-ferrous mining and metallurgical industries	448.96	427.31	-21.65	-4.82

The concerned departments did not inform (August 2009) the reasons for variations despite being requested (April 2009).

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 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 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 2007-08
1.	Commercial tax	2006-07	13,278.82	200.19	1.51	0.83
		2007-08	15,023.10	228.19	1.52	
		2008-09	17,482.05	272.54	1.56	
2.	Taxes on vehicles, goods and passengers	2006-07	1,126.30	30.25	2.69	2.58
		2007-08	1,255.49	36.15	2.87	
		2008-09	1,391.15	50.43	3.62	
3.	Stamp duty and registration fees	2006-07	4,513.67	61.36	1.36	2.09
		2007-08	3,976.68	72.71	1.83	
		2008-09	4,138.27	76.01	1.84	

1.4 Arrears in assessment

The details of assessments relating to commercial 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 Commercial Tax Department during 2004-05 to 2008-09 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
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	6,19,710	11,96,678	2,58,011	9,38,667
2008-09	9,38,667	5,33,358	14,72,025	9,50,313	5,21,712

(The opening balance for the year 2007-08 did not tally with the closing balance for the year 2006-07. The department stated (November 2008) that opening balance for the year 2007-08 was correct. The difference was stated to be due to a clerical error).

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009, in respect of some principal heads of revenue amounted to Rs. 15,731.74 crore of which Rs. 9,210 crore relating to Commercial 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 2009	Arrears outstanding for more than five years as on 31 March 2009	Remarks
1.	Commercial tax	15,389.85	9,210.00	Out of Rs. 15,389.85 crore, demand for Rs. 926.75 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 2,050.13 crore had been stayed by the Courts/ Government. Recoveries amounting to Rs.230.25 crore were outstanding against Government/semi-Government departments. Demand of Rs. 1,246.95 crore was likely to be written off. Rs. 74.51 crore were outstanding on transporters. Recovery certificates amounting to Rs. 869.84 crore have been sent to other States. Arrears not covered under recovery certificates but under specific action of department amounted to Rs. 9,991.42 crore.
2.	Entertainment tax	10.26	4.86	Out of Rs. 10.26 crore, demand for Rs. 4.70 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 5.24 crore had been stayed by the courts/Government. Notices have been issued for balance of Rs. 32 lakh.
3.	Stamp and registration	249.67	Not available	Out of Rs. 249.67 crore, demands for Rs. 95.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 154.58 crore had been stayed by court.
4.	Land revenue	9.90	Not available	Rs. 9.90 crore was pending for recovery.
5.	Taxes on vehicles, goods and passengers	72.06	Not available.	Out of Rs. 72.06 crore demands for Rs. 31 lakh and Rs. 1.18 crore had been stayed by court and Government respectively. Demand of Rs. 89 lakh was likely to be written off. Balance demand of Rs. 69.68 crore was pending for recovery.
Total		15,731.74	9,214.86	

1.6 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 2008 which were pending settlement by the departments as on 30 June 2009, along with corresponding figures for the preceding two years are mentioned below:

Sl. No.		2007	2008	2009
1.	Number of inspection reports pending settlement	9,524	8,688	8,547
2.	Number of outstanding audit observations	21,445	21,049	20,222
3.	Amount of revenue involved (Rs. in crore)	4,782.48	2,642.28	4,559.97

The department wise details of IRs and audit observations outstanding as on June 2009 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	1,050	1,900	1,942.70	1991-92 to 2008-09
2.	Commercial tax	2,410	8,590	1,758.19	1984-85 to 2008-09
3.	Land revenue	592	848	25.93	1987-88 to 2008-09
4.	Taxes on vehicle, goods and passengers	968	2,766	246.32	1984-85 to 2008-09
5.	Public works	459	888	39.88	1986-87 to 2008-09
6.	Irrigation	255	654	87.31	1984-85 to 2008-09
7.	Taxes on purchase of sugarcane	96	111	53.53	1985-86 to 2008-09
8.	Stamp duty and registration fees	1,941	3,208	180.71	1984-85 to 2008-09
9.	Agriculture	185	309	22.22	1985-86 to 2008-09
10.	Electricity duty	250	305	167.07	1988-89 to 2008-09
11.	Food and civil supplies	105	179	19.76	1991-92 to 2008-09
12.	Co-operation	93	114	5.97	1985-86 to 2008-09
13.	Entertainment tax	81	120	5.15	1997-98 to 2008-09
14.	Medical and public health	59	227	5.21	2002-03 to 2008-09
15.	Jail	3	3	0.02	2002-03 to 2008-09
Total		8,547	20,222	4,559.97	

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

1.7 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 Public Accounts Committee (PAC) or not. Out of paragraphs/reviews included in Audit Reports relating to the period 2003-04 to 2007-08 which have already been laid before the State legislature, explanatory notes (ENs) in respect of 80 paragraphs/reviews were not received in audit office as on August 2009 even after the lapse of the prescribed period of three months. The outstanding ENs dating back to 2003-04 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
2003-04	20 July 2005	25	10	15
2004-05	11 March 2006	22	12	10
2005-06	25 January 2007	21	01	20
2006-07	15 February 2008	24	03	21
2007-08	17 February 2009	16	02	14
Total		108	28	80

1.8 Compliance with the earlier Audit Reports

In the Audit Reports 2003-04 to 2007-08 cases of under assessments, non/short levy of taxes, loss of revenue, failure to raise demands, etc. involving Rs. 2,957.63 crore were reported. As of August 2009, the departments concerned have accepted observations of Rs. 1,071.88 crore and recovered Rs. 10.21 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
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
2007-08	1,035.85	927.83	8.83
Total	2,957.63	1,071.88	10.21

1.9 Departmental audit committee meetings

In order to expedite clearance of outstanding audit observations, it is necessary that audit committees should meet regularly and ensure appropriate action on all audit observations leading to their settlement. During the year 2008-09, out

of 11 departments, six departments convened 29 audit committee meetings in which 1,360 paras worth Rs. 25.67 crore were settled.

1.10 Results of audit

Test check of the records of commercial tax, taxes on vehicles, goods and passengers, stamp duty and registration fees, public works, finance departments, forest and entertainment tax etc., conducted during the year 2008-09 revealed under assessments/short levy/loss of revenue amounting to Rs. 1,156.87 crore in 3,272 cases, out of which only few illustrative cases have been mentioned in this audit report. During the year 2008-09, the concerned departments accepted under assessments and other deficiencies of Rs. 8.23 crore in 372 cases of which Rs. 3.31 crore had been recovered in 298 cases upto March 2009.

This report contains 13 paragraphs including two reviews relating to non/short levy of tax, fees, interest and penalty etc. involving Rs. 109.07 crore. Of these, the departments/Government accepted audit observations amounting to Rs. 4.26 crore. The reply in the remaining cases has not been received. These are discussed in succeeding chapters II to V.