

CHAPTER-I: GENERAL

1.1 Introduction

This Chapter presents an overview of the trend of revenue receipts of the Government of Uttar Pradesh (GoUP), follow up on Audit Reports, response of the Government/Departments towards Audit, etc.

1.2 Trend of receipts

1.2.1 The tax and non-tax revenue raised by the GoUP, the State's share of the net proceeds of the divisible Union taxes and duties assigned to States, grants-in-aid received from the Government of India (GoI) during the year 2019-20, and the corresponding figures for the preceding four years are presented in **Table-1.1**.

Table-1.1
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Revenues raised by the State Government					
	• Tax Revenue	81,106.26	85,965.92	97,393.00	1,20,121.86	1,22,825.83
	Percentage of growth compared to previous year	9.35	5.99	13.29	23.34	2.25
	• Non-tax Revenue	23,134.65	28,944.07	19,794.86	30,100.71	81,705.08
	Percentage of growth compared to previous year	16.05	25.11	(-) 31.60	52.06	171.44
	Total	1,04,240.91	1,14,909.99	1,17,187.86	1,50,222.57	2,04,530.91
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	90,973.69	1,09,428.29	1,20,939.14	1,36,766.46	1,17,818.30 ¹
	• Grants-in-aid	31,861.34	32,536.87	40,648.45	42,988.48	44,043.97 ²
	Total	1,22,835.03	1,41,965.16	1,61,587.59	1,79,754.94	1,61,862.27
3	Total revenue receipts of the State Government (1 and 2)	2,27,075.94	2,56,875.15	2,78,775.45	3,29,977.51	3,66,393.18
4	Percentage of 1 to 3	46	45	42	46	56

Source: Finance Accounts of the Government of Uttar Pradesh.

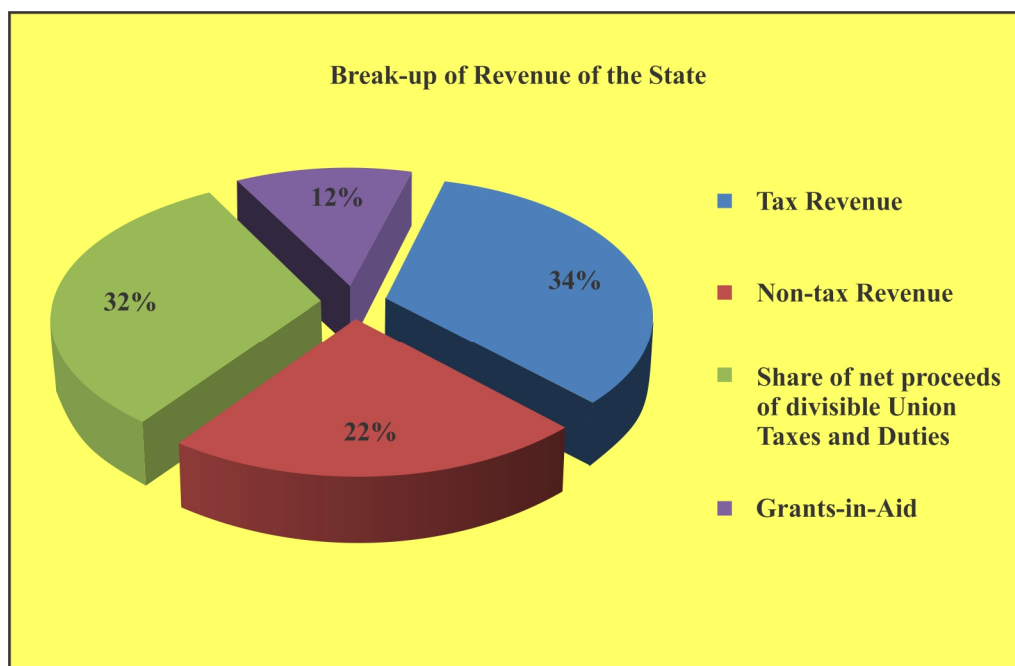
The above table indicates that the average annual growth rate in respect of tax revenue and non-tax revenue were 10.84 *per cent* and 46.61 *per cent* respectively during the period 2015-20.

The break-up of revenue receipts of the State for the year 2019-20 in terms of percentage is shown in **Chart-1.1**.

¹ For details, please see Statement No. 14-Detailed accounts of revenue by the minor heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2019-20. Figures under the major heads 0005-Central Goods and Services Tax, 0008-Integrated Goods and Services Tax, 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties and 0045-Other Taxes and Duties on Commodities and Services, Minor Head 901-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 net proceeds of divisible Union taxes and duties' in this statement.

² Includes compensation of ₹ 5,179.52 crore towards loss of revenue arising out of the implementation of the Goods and Services Tax.

Chart-1.1



1.2.2 Details of tax revenue raised during the period 2015-16 to 2019-20 are given in **Table-1.2**.

Table-1.2
Details of tax revenue

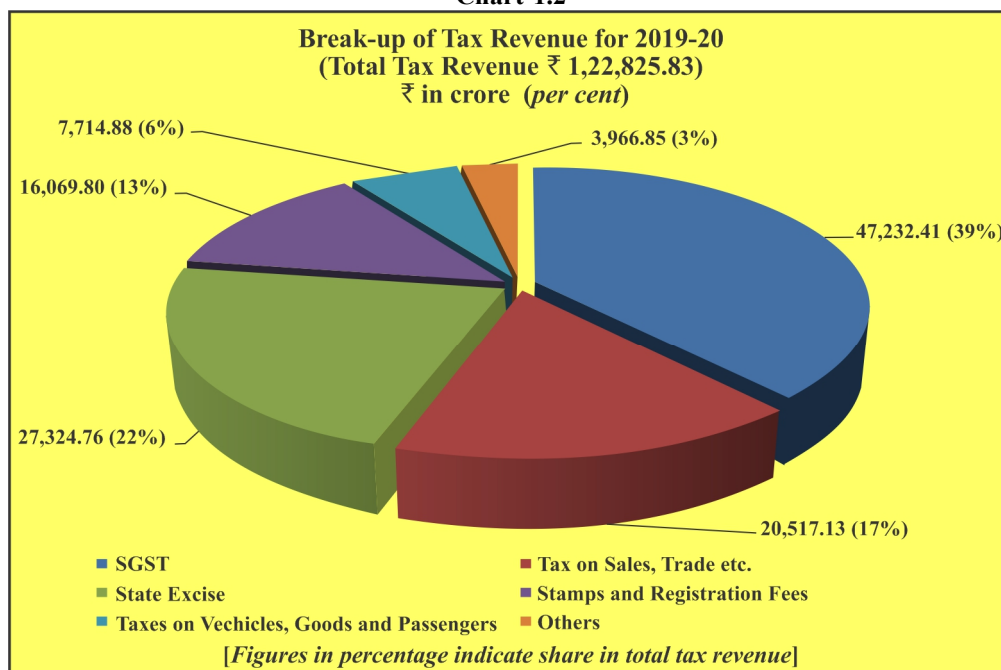
								(₹ in crore)	
Sl. No.	Head of revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Percentage of increase (+) or decrease (-) in actuals of 2019-20 in comparison to		
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2019-20	Actuals of 2018-19	
1	Taxes on Sales, Trade, etc.	<u>52,670.69</u> 47,692.40	<u>57,940.30</u> 51,882.88	<u>36,397.30</u> 31,112.52	<u>22,078.00</u> 23,797.84	<u>24,660.00</u> 20,517.13	(-) 16.80	(-) 13.79	
	State Goods and Services Tax (SGST)			<u>28,602.70</u> 25,373.96	<u>49,422.00</u> 46,108.03	<u>52,980.10</u> 47,232.41	(-) 10.85	(+) 2.44	
2	State Excise	<u>17,500.00</u> 14,083.54	<u>19,250.00</u> 14,273.49	<u>20,593.23</u> 17,320.27	<u>23,000.00</u> 23,926.66	<u>31,517.41</u> 27,324.76	(-) 13.30	(+) 14.20	
3	Stamps and Registration Fees	<u>14,836.00</u> 12,403.72	<u>16,319.60</u> 11,564.02	<u>17,458.34</u> 13,397.57	<u>18,000.00</u> 15,733.03	<u>19,179.07</u> 16,069.80	(-) 16.21	(+) 2.14	
4	Taxes on Vehicles, Goods and Passengers (0041 & 0042)	<u>4,658.00</u> 4,410.53	<u>5,123.80</u> 5,148.37	<u>5,481.20</u> 6,403.69	<u>7,400.00</u> 6,930.02	<u>7,863.42</u> 7,714.88	(-) 1.89	(+) 11.33	
5	Others ³	<u>2,250.31</u> 2,516.07	<u>2,622.80</u> 3,097.16	<u>2,969.13</u> 3,784.99	<u>2,800.00</u> 3,626.28	<u>3,976.00</u> 3,966.85	(-) 0.23	(+) 9.39	
Total		<u>91,915.00</u> <u>81,106.26</u>	<u>1,01,256.50</u> <u>85,965.92</u>	<u>1,11,501.90</u> <u>97,393.00</u>	<u>1,22,700.00</u> <u>1,20,121.86</u>	<u>1,40,176.00</u> <u>1,22,825.83</u>	(-) 12.38	(+) 2.25	

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of the Government of Uttar Pradesh.

³ Includes receipts (less than five *per cent* of tax revenue) from the following: Taxes and duties on Electricity, Land Revenue, Hotel Receipt Tax, Other Taxes and Duties on Commodities and Services etc.

The break-up of tax revenue for the year 2019-20 is shown in **Chart-1.2**

Chart-1.2



The reasons for wide variation in actual receipts during the year 2019-20 over the previous year are discussed below:

- The overall growth of 2.25 *per cent* in own tax revenue during the year 2019-20 was mainly due to increase in ‘State Excise’ (by ₹ 3,398.10 crore), ‘State Goods and Services Tax (SGST)’ (by ₹ 1,124.38 crore), ‘Stamps and Registration Fees’ (by ₹ 336.77 crore) and ‘Taxes on Vehicles, Goods and Passengers’ (by ₹ 784.86 crore).
- Taxes on Sales, Trade, etc., decreased by ₹ 3,280.71 crore during the year 2019-20 in comparison to the previous year. Less revenue under Taxes on Sales, Trade, etc., was due to lower receipts and increased refund from Value Added Tax (lower by ₹ 3,095.30 crore from previous year) and Sales Tax (lower by ₹ 147.44 crore from previous year).
- SGST collection increased by ₹ 1,124.38 crore during the year 2019-20. The main reason for increase in SGST collection was increase in receipts under the heads Tax (₹ 6,570.40 crore), Input Tax Credit Cross Utilisation of SGST and IGST (₹ 4,212.59 crore), apportionment of Integrated GST (₹ 633.96 crore) and less receipts for advance apportionment for IGST (₹ 5,763.53 crore) and receipts awaiting transfer to other minor heads (₹ 4,597.88 crore).
- The growth in ‘State Excise’ was due to more receipts on account of sale of country spirits (₹ 1,471.22 crore), malt liquor (₹ 483.32 crore) and foreign liquors and spirits (₹ 1,459.96 crore).
- Receipts under ‘Stamps and Registration Fees’ increased mainly on account of more sale of non-judicial stamps (₹ 651.65 crore) and reduction of other receipts (₹ 311.42 crore).
- Receipts under ‘Taxes on Vehicles’ increased mainly due to net effect of more receipts under State Motor Vehicle Taxation Act (₹ 1,027.83 crore) and less receipts under Indian Motor Vehicles Act (₹ 239.29 crore).

- The increase of receipts under ‘Taxes and duties on Electricity’ (from ₹ 2,978.22 crore in 2018-19 to ₹ 3,452.50 crore in 2019-20) was due to increase in receipt from consumption and sale of electricity (₹ 522.89 crore).

1.2.3 Details of non-tax revenue raised during the period 2015-16 to 2019-20 are indicated in **Table-1.3**.

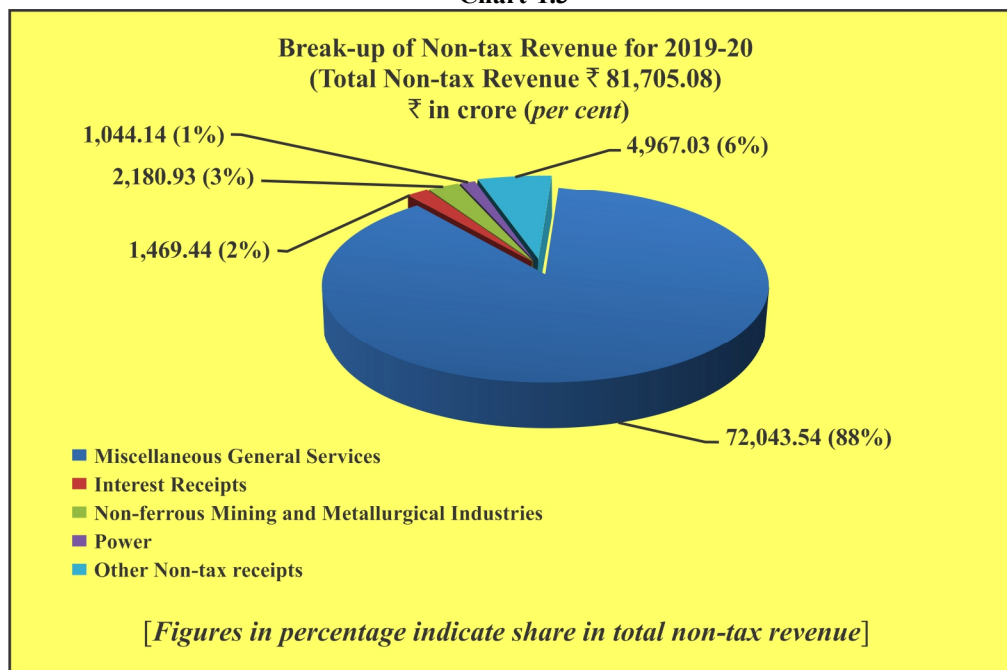
Table-1.3
Details of non-tax revenue

(₹ in crore)								
Sl. No.	Head of revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Percentage of increase (+) or decrease (-) in actuals of 2019-20 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2019-20	Actuals of 2018-19
1	Miscellaneous General Services	4,774.00 4,949.22	4,220.61 4,460.40	4,502.00 4,841.11	12,758.33 13,677.57	14,051.00 72,043.54	(+) 412.73	(+) 426.73
2	Interest Receipts	1,000.00 632.78	750.00 1,164.94	800.00 1,093.38	843.60 1,712.44	1,200.00 1,469.44	(+) 22.45	(-) 14.19
3	Non-ferrous Mining and Metallurgical Industries	1,500.00 1,222.17	1,650.00 1,548.39	3,200.00 3,258.88	4,000.00 3,165.44	4,400.00 2,180.93	(-) 50.43	(-) 31.10
4	Power	2,700.00 1,322.17	2,700.00 2,938.85	4,448.34 4,695.85	5,700.00 5,735.40	4,175.00 1,044.14	(-) 74.99	(-) 81.79
5	Other Non-tax receipts ⁴	11,662.32 15,008.31	10,959.24 18,831.49	5,486.37 5,905.64	5,519.73 5,809.86	6,806.96 4,967.03	(-) 27.03	(-) 14.51
Total		21,636.32 23,134.65	24,240.85 28,944.07	18,436.71 19,794.86	28,821.66 30,100.71	30,632.96 81,705.08	(+) 166.72	(+) 171.44

Source: Finance Accounts of the Government of Uttar Pradesh and budget estimates as per the Statement of Revenue and Receipts of Government of Uttar Pradesh.

The break-up of non-tax revenue for the year 2019-20 is shown in **Chart-1.3**

Chart-1.3



⁴ Others includes receipts (less than five per cent of non-tax revenue) from the following: Housing, Public Works, Stationery and Printing, Social Security and Welfare, Roads & Bridges, Other Administrative Services, Medium Irrigation, Village and Small Industries, Forestry and Wild Life, Medical and Public Health, Urban Development, etc.

The reasons for wide variation in actual receipts during the year 2019-20 over the previous year are discussed below:

- There was an overall increase of 171.44 *per cent* in non-tax receipts amounting to ₹ 51,604.37 crore during the year 2019-20 over 2018-19, mainly under the head ‘Miscellaneous General Services’ which was mainly due to transfer of ₹ 71,180.23 crore from Sinking Fund under Public Account to Revenue Receipts under Consolidated Fund during 2019-20.

As per the Uttar Pradesh Government notification (17 March 2020), the outstanding balance under the existing Sinking Fund at end-March 2020 was to be transferred to the newly created Consolidated Sinking Fund. However, the State Government transferred (30 March 2020) the entire balance of the existing Sinking Fund under Public Account amounting to ₹ 71,180.23 crore as non-tax revenue of the State Government. This transfer of ₹ 71,180.23 crore was a book adjustment and no cash was received by the State Government out of this transaction. The audit observation on this issue has been detailed in the State Finances Audit Report for the year ended 31 March 2020.

Effectively, the receipts as non-tax revenue during the year 2019-20 was ₹ 10,525 crore (excluding the transfer of book balance of Sinking Fund), which was 40 *per cent* lower than the non-tax revenue of the previous year i.e. 2018-19. Further, the actual Revenue Receipts of the State, excluding the transfer of book balance of Sinking Fund, arrived at ₹ 2,95,213 crore and thus, the actual growth rate of revenue receipt of the State Government was (-) 6.96 *per cent* during the year 2019-20 as compared to the year 2018-19.

- Decrease in ‘Interest Receipts’ during the year 2019-20 as compared to 2018-19 was due to less receipts under Cash Balance Investment Account of ₹ 492.41 crore⁵.
- Decrease in ‘Non-ferrous Mining and Metallurgical Industries’ was on account of less receipts (₹ 476.15 crore) from mineral concession fees, rents, royalties and other receipts (₹ 457.81 crore). Further, cancellation/banning of 54 Environment Clearances of mining leases of morrum/sand by the National Green Tribunal affected the Government revenue stream.
- Decrease under revenue head ‘Power’ by 81.79 *per cent* was due to less receipts (₹ 4,691.25 crore) from the Government of India for share capital to Uttar Pradesh Power Corporation for rural electrification.

Further, Audit noted wide variations between the budget estimates approved by the Finance Department and actual revenues during the year 2019-20 under different heads of revenue (refer Table 1.2 and 1.3) which indicated that the budget estimates were not prepared on a realistic basis.

Recommendation:

The Finance Department needs to revisit their budgeting methods to make the budget estimates more realistic.

⁵ ₹ 1,088.56 crore (2018-19)- ₹ 596.15 crore (2019-20)

1.3 Follow up on the Audit Reports-summarised position

To ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports (ARs), the Department of Finance issued instructions in June 1987 to initiate *suo motu* action on all Paragraphs/Performance Audits figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the Public Accounts Committee (PAC) or not. Audit Reports for the year 31 March 2015 to 31 March 2018 have not been discussed by the PAC. Moreover, no explanatory notes were received (January 2021) for Audit Reports for the years 2014-15, 2015-16, 2016-17, 2017-18 (Performance Audit Report on Pricing of Production and Sale of Liquor (State Excise Department)) and 2017-18 which were placed before the State Legislative Assembly between March 2016 and February 2020. Details of pending explanatory notes pertaining to the various Departments are given in **Table-1.4**.

Table-1.4

Sl. No.	Audit Report ending on	Date of presentation in the Legislature	Number of paragraphs	Number of paragraphs where explanatory notes received	Number of paragraphs where explanatory notes not received
1	31 March 2015	06 March 2016	31	00	31
2	31 March 2016	18 May 2017	26	00	26
3	31 March 2017	19 July 2019	15	00	15
4	31 March 2018 (Stand Alone, State Excise)	19 July 2019	08	00	08
5	31 March 2018	24 February 2020	17	00	17
6	31 March 2019	18 August 2021	23	Not due	
Total			120	00	97⁶

In the year 2019-20, the PAC discussed 51⁷ selected paragraphs pertaining to the Audit Reports for the years 2001-02 to 2008-09 and 2011-12 and 2013-14. However, Action Taken Notes (ATNs) have not been received in respect of these paragraphs from the concerned Departments (June 2021).

1.4 Response of the Government/Departments towards Audit

On completion of the audit of Government/Departments and the offices, Audit issues Inspection Reports (IRs) to the concerned head of the offices, with copies to their superior officers for corrective action and monitoring. Serious financial irregularities are reported to Heads of the Departments and the Government.

Review of IRs issued up to March 2020 revealed that 45,399 paragraphs relating to 12,627 IRs remained outstanding at the end of June 2020. The

⁶ Commercial Tax (24 paragraphs), State Excise (22 paragraphs), Transport (19 paragraphs), Stamps and Registration (11 paragraphs), Geology and Mining (18 paragraphs) and Entertainment Tax (03 paragraphs).

⁷ Commercial Tax (22 paragraphs), Medical (02 paragraphs), State Excise (06 paragraphs), Land Revenue (05 paragraphs), Energy Department (01 paragraph), Industrial Development Department (04 paragraphs), Sugarcane Department (01 paragraph), Finance Department (02 paragraphs), Rural Engineering Services (01 paragraph), Public Works Department (06 paragraphs) and Entertainment Tax (01 paragraph).

potentially recoverable revenue brought out in these IRs is as much as ₹ 11,035.10 crore. Department-wise details relating to the revenue sector of the State Government are given in **Table-1.5**.

Table-1.5
Department-wise details of Inspection Reports

(₹ in crore)					
Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Tax	Taxes on Sales, Trade, etc.	5,961	26,146	4,251.12
		Entertainment tax	206	490	467.06
2	State Excise	State Excise	1,025	2,173	1,309.87
3	Transport	Taxes on vehicles	1,390	6,325	2,309.73
4	Stamps and Registration	Stamps and registration fees	3,776	8,896	793.69
5	Geology and Mining	Non-ferrous mining and metallurgical industries	269	1,369	1,903.63
Total			12,627	45,399	11,035.10

Even the first replies, required to be received from the heads of offices within four weeks of receipt of IRs, were not received in time. Out of total 207 IRs issued during the year 2019-20, Audit received first reply from the heads of offices in case of three IRs within six months and in respect of seven IRs beyond six months. The first replies had not been received in case of remaining 197 IRs issued during the year 2019-20. This large pendency of the IRs and non-receipt of first replies from the Departments is indicative of the fact that the heads of auditee units have failed to take cognisance of the reported Audit findings and initiate any corrective action in this regard. Irregularities of similar nature are being reported year after year with no improvement/evidence of any corrective action by the concerned Departments visible at the ground level. This adversely affected the effectiveness of Audit.

Recommendation:

The State Government needs to introduce a mechanism to ensure that the Departmental officers respond to IRs promptly, take corrective action.

1.5 Results of audit

Position of local audit conducted during the year

Audit covered five Departments⁸ of the State Government and test-checked the records of 234 out of 1,556 auditable units (15 *per cent*) relating to Taxes on Sales, Trade, etc., State Excise, Taxes on Vehicles, Goods and Passengers, Stamps and Registration Fees and Mining receipts during the year 2019-20. In these five Departments, revenue of ₹ 1,19,747.24 crore was collected during the year 2018-19, out of which the 234 audited units collected ₹ 23,580.22⁹ crore. In the 234 audited units, records were test-checked on the basis of

⁸ Commercial Tax, State Excise, Transport, Stamps & Registration and Geology & Mining.

⁹ Commercial Tax Department could not provide unit-wise revenue collection to the Audit after the implementation of GST and hence, this figure does not include revenue of audited units of the Department.

turnover/tax payments which revealed underassessment/short levy/loss of revenue aggregating to ₹ 983.54 crore in 1,00,026 cases (out of 3,56,284 test-checked cases) which were reported to the Departments through IRs.

The concerned Departments accepted (between April 2019 and June 2021) underassessment and other deficiencies of ₹ 82.62 crore in 497 cases (including those pointed out in earlier years) and reported recovery of ₹ 9.41 crore in 300 cases.

Recommendation:

The State Government should evolve a mechanism to ensure that the Departments recover all underassessments/short levies pointed out by the Audit and accepted by the Departments.

1.6 Coverage of this Report

This Report contains 18 paragraphs from local audits conducted during the year and those of earlier years which could not be included in the previous reports involving financial effect of ₹ 502.08 crore.

The Commercial Tax Department accepted audit observations amounting to ₹ 19.01 crore and recovered ₹ 47.79 lakh. Replies of other Departments have not been received (July 2021). These are discussed in the succeeding Chapter II to V.

The errors/omissions pointed out are on the basis of a test audit. **The Government/Department may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and if so, to rectify them and put in place a system that would prevent such errors/omissions.**