

CHAPTER-VI

REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Goa during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the 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	569.34	602.20	710.25	856.53	1096.49
• Non tax revenue	1136.08	1039.17	724.73	729.26	761.16
Total	1,705.42	1,641.37	1,434.98	1,585.79	1857.65
II. Receipts from the Government of India					
• State's share of divisible Union taxes	107.82	114.62	135.59	162.07	244.70
• Grants in aid	59.29	77.02	52.55	72.16	66.52
Total	167.11	191.64	188.14	234.23	311.22
III. Total receipts of the State	1,872.53	1,833.01	1,623.12	1,820.02	2168.87
IV. Percentage of I to III	91	90	89	87	86

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

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	• Sales tax	365.37	398.93	463.52	502.70	671.83	(+) 34
	• Central sales tax	36.10	40.26	38.84	64.49	71.48	(+) 11
2.	State excise	46.13	46.79	53.44	55.34	55.35	(+) 0.02
3.	Stamps and registration fees	26.38	26.56	28.96	35.69	60.49	(+) 69
4.	Taxes on vehicles	32.83	36.78	50.76	58.78	63.84	(+) 9
5.	Taxes on goods and passengers	36.19	30.47	41.14	103.10	130.80	(+) 27
6.	Luxury tax	14.95	15.93	24.73	27.01	29.92	(+) 11
7.	Entertainment tax	2.72	2.36	2.11	2.48	5.18	(+) 109
8.	Other taxes and duties on commodities and services	1.13	1.41	1.46	1.79	2.52	(+) 41
9.	Land revenue	7.54	2.71	5.29	5.15	5.08	(-) 1
	TOTAL	569.34	602.20	710.25	856.53	1096.49	(+) 28

The reasons for variation in receipts during 2005-06 as compared to the year 2004-05 as intimated by the departments concerned were as under:

Stamps and registration fees: The increase was mainly due to increase in sale of stamps and fees for registering documents.

Other taxes and duties on commodities and services: The increase was mainly due to more collection of cess under other Acts.

Sales tax: The increase was mainly due to more receipts under value added tax (VAT).

Taxes on goods and passengers: The increase was mainly due to more receipts under Tax on Entry of Goods into Local Areas Act.

The reasons for variations in other heads though called for from the departments have not been received (November 2006).

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

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) or decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	2.62	2.33	2.23	3.73	12.95	(+) 247
2.	Dairy development	0.40	0.49	0.26	0.20	0.20	0
3	Other non tax receipts	63.80	87.65	90.88	88.42	93.00	(+) 5
4.	Forestry and wild life	1.18	0.73	1.81	2.08	1.91	(-) 8
5.	Non ferrous mining and metallurgical industries	13.14	15.78	19.39	23.66	27.15	(+) 15
6.	Power	418.40	548.35	592.15	584.66	594.91	(+) 2
7.	Major and medium irrigation	13.69	4.26	2.94	3.49	10.32	(+) 196
8.	Medical and public health	4.67	6.94	7.30	8.82	12.67	(+) 44
9.	Co-operation	0.36	0.20	0.25	0.42	0.14	(-) 67
10.	Public works	1.21	0.95	1.41	1.37	1.67	(+) 22
11.	Police	0.42	0.66	0.61	2.15	0.72	(-) 67
12.	Other administrative services	3.76	4.68	5.50	10.26	5.52	(-) 46
	Total	1,136.08	1,039.17	724.73	729.26	761.16	(+) 4

The reasons for variation in receipts during 2005-06 as compared to the year 2004-05 as intimated by the departments concerned were as under:

Interest receipts: The increase was due to realisation of interest on investment of cash balances.

Major and medium irrigation: The increase in receipts was more under Selauli Irrigation Project.

Other administrative services: The decrease in receipts was mainly under election and other services like Petroleum Act, Cinematograph Film Act, fees for issuing certified copies of documents, visa, passport etc.

Non ferrous mining and metallurgical industries: The increase was due to increase in mineral concession fees, rent and royalties.

The reasons for variations in other heads though called for from the departments have not been received (November 2006).

6.1.3 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2005-06 in respect of principal heads of tax and non tax revenue are given below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1.	Sales tax	660.00	743.31	(+) 83.31	(+) 12.62
2.	State excise	66.55	55.35	(-) 11.20	(-) 16.83
3.	Land revenue	7.69	5.08	(-) 2.61	(-) 33.94
Non tax revenue					
4.	Interest receipts	7.40	12.95	(+) 5.55	(+) 75.00
5.	Police	2.21	0.72	(-) 1.49	(-) 67.42
6.	Public works	3.87	1.67	(-) 2.20	(-) 56.85
7.	Misc. general services	693.18	--	(-) 693.18	(-) 100.00
8.	Roads & bridges	17.09	4.08	(-) 13.01	(-) 76.13

The reasons for variations between the budget estimates and actuals as furnished by the departments were as under:

Miscellaneous General Services: The receipts were "Nil" due to stoppage of lottery business by Government of Goa in August 2002. Though the lottery business was stopped with effect from August 2002, receipts under the same head were estimated at Rs.693.18 crore in 2005-06. The reasons for making provisions during 2003-06 were called for. No reply has been received (November 2006).

The reasons for wide variations in other revenue heads with those of budget estimates, though called for from the departments, have not been received (November 2006).

6.1.4 Cost of collection

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

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2004-05
1.	Sales tax	2003-04	502.36	3.09	0.62	0.95
		2004-05	567.19	3.59	0.63	
		2005-06	743.31	4.65	0.63	
2.	Taxes on vehicles	2003-04	50.76	0.79	1.56	2.74
		2004-05	58.78	0.87	1.48	
		2005-06	63.84	0.99	1.55	
3.	State excise	2003-04	53.44	2.27	4.25	3.34
		2004-05	55.34	2.59	4.68	
		2005-06	55.35	2.67	4.82	
4.	Stamp duty and registration fees	2003-04	28.96	1.53	5.28	3.44
		2004-05	35.69	1.41	3.95	
		2005-06	60.49	1.52	2.51	

The higher percentage of expenditure on collection to gross collection of state excise as compared to all India average percentage was stated to be due to lower excise duty structure on India made foreign liquor/country liquor in Goa as compared to the rest of India.

6.1.5 Collection of sales tax per assessee

Year	No. of assesses	Sales tax revenue (Rs. in crore)	Revenue/assessee (Rs. in lakh)
2001-02	23,423	401.47	1.71
2002-03	22,112	439.19	1.99
2003-04	21,798	502.36	2.30
2004-05	24,947	567.19	2.27
2005-06	* 18,000 (appr.)	743.31	4.13

* **Note:** Decrease in no. of assesseees was due to switching over from Sales tax to value added tax.

6.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs.425.28 crore of which Rs.80.66 crore were outstanding for more than three years as detailed below.

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2006	Arrears more than three years old	Remarks
Finance Department			
Commercial tax	206.30	64.80	Out of Rs.206.30 crore, only Rs. 28.20 crore were referred to Revenue Recovery Court (RRC) by the department.
Excise	0.38	0.10	Demand notices were issued to the distilleries. No cases were referred to RRC.
Transport			
Taxes on vehicles	6.06	3.14	Recovery notices have been sent to the defaulters. No cases were referred to RRC.
Public Works Department			
Chief Engineer			
• Rent of building / shops	0.44	0.18	Out of Rs.0.44 crore, only Rs.0.02 crore in respect of one case was referred to RRC.
• Water charges, meter rent and sewerage charges	26.17	10.69	Out of Rs.26.17 crore, only Rs.4.70 crore in respect of 1627 cases were referred to RRC.
Water Resources Department			
Chief Engineer			
• Water Charges	3.19	0.60	Out of Rs. 3.19 crore, only Rs. 0.03 crore in respect of 197 cases were referred to RRC.
• Rent on building/shops	2.47	0.93	Out of Rs. 2.47 crore, only Rs.0.06 crore in respect of 18 cases were referred to RRC.
• Hire charges of machinery	0.34	0.22	No cases were referred to RRC.
Power			
Chief Electrical Engineer			
• Energy charges	179.93	Not furnished	Out of Rs.179.93 crore, only Rs.53.43 crore in respect of 5950 cases were referred to RRC.
Total	425.28	80.66	

6.1.7 Arrears in assessment

The details of year wise cases due for assessment during 2005-06, cases finalized during 2005-06 and the number of cases pending finalisation at the end of the year as furnished by the Commercial Taxes Department are as follows:

Head of revenue	Total assessments due upto 2005-06	Cases disposed during 2005-06	Balance at the end of the year	Percentage of column 4 to 2
1	2	3	4	5
Taxes on sales, trade	54,320	35,648	18,672	34

6.1.8 Pending appeals

The details of appeals pending at the beginning of the year 2005-06, cases filed and disposed of during 2005-06 and appeals pending finalisation at the end of year as furnished by the commercial taxes department are as follows:

(Rupees in crore)

No. of appeals pending at the beginning of the year 1 April 2005		No. of appeals filed during 2005-06		Total		No. of appeals disposed of during the year 2005-06		No. of appeals pending at the close of the year 31 March 2006	
No. of appeals	Revenue involved	No. of appeals	Revenue involved	No. of appeals	Revenue involved	No. of appeals	Revenue involved	No. of appeals	Revenue involved
1001*	33.94	500	26.40	1501	60.34	871	20.92	630	39.42

* The discrepancy in the opening balance is due to rectification of the figure by the department.

6.1.9 Refund

The number of refund cases pending at beginning of the year 2005-06, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2006), as reported by the commercial taxes department are as follows :

(Rupees in crore)

Sl. No.		Sales tax including works contracts	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	183	4.78*
2.	Claims received during the year	431	8.40
3.	Refunds made during the year	527	12.30
4.	Balance outstanding at the end of the year	87	0.88

* Difference in opening balance is due to rectification of error.

6.1.10 Results of Audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2005-06 revealed underassessment/short levy/loss of revenue amounting to Rs. 5.56 crore in 37 cases. The department accepted underassessment of Rs.0.18 crore in 15 cases pointed out in earlier years and short assessment of Rs.0.67 crore in six cases pointed out during the year and recovered Rs.0.74 crore as of June 2006 in 19 cases. No replies have been received in respect of the remaining cases.

After issue of draft paragraphs, the departments recovered Rs.55.16 lakh in three cases in full during 2005-06.

This chapter contains one long paragraph on “Receipts under Mines and Minerals” in respect of Mines Department and one paragraph involving Rs.4.69 crore.

6.1.11 Failure of senior officials to enforce accountability and protect interest of Government

Accountant General, Goa arranges to conduct periodical inspection of various offices of Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices with a copy to next higher authority. Government of Goa issued (January 1992) instructions to the executive for response within one month to the IRs issued by Accountant General, Goa after ensuring action in compliance of the prescribed Acts, rules and procedures. A half yearly report is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of audit observations by Government.

Inspection reports issued upto 31 December 2005 pertaining to offices under Finance, Revenue, Transport and Law departments disclosed that 188 paras relating to 73 IRs involving Rs.1.99 crore in 65 cases remained outstanding at the end of June 2006. Of these, 18 IRs containing 28 paras had not been settled for more than four years. Year wise position of outstanding IRs and paras are detailed in *Appendix-6.1*.

The heads of offices and the heads of departments (Secretaries) did not send convincing reply to a number of IRs/paragraphs indicating their failure to initiate action to rectify the defects, omissions and irregularities pointed out in audit. The secretaries of the departments, who were informed of the position through yearly report also did not ensure prompt and timely action. Such inaction would result in continuation of financial irregularities and loss of revenue to Government despite these having been pointed out in audit.

It is recommended that Government should look into the matter again and ensure action against officials who fail to send replies to IRs/paras within the prescribed time schedule, take action to recover loss/under assessments in a time bound manner and revamp the system for ensuring proper response to audit observations by the departments.

The details of outstanding IRs were reported to Government in August 2006.

DEPARTMENT OF MINES

6.2 Long paragraph on “Receipts under Mines and Minerals”

6.2.1 Introduction

The mining belt of Goa covers an area approximate of 700 sq. km. and is mostly concentrated in four talukas[^]. The major minerals found are iron ore, manganese ore, bauxite/aluminum laterite and minor minerals include laterite stones, basalt stones, laterite rubbles, ordinary earth, sand etc. The grant of lease under major minerals is governed by Mines and Minerals (Development and Regulation) Act 1957 (MMDR Act) enacted by Parliament and Mineral Concession Rules 1960 (MCR) framed thereunder. Under the MMDR Act, State Government is empowered to make rules to regulate the grant of mining leases in respect of minor minerals. Accordingly, the Goa Minor Minerals Concession Rules (GMMCR) 1985 was framed. The receipts under mines and minerals consist of royalty, dead rent and surface rent.

6.2.2 Trend of revenue

A comparison of budget estimates and actual receipts for the period 2001-02 to 2005-06 is as under:

(Rupees in lakh)

Year	Budget estimates	Actuals	Variations (+) increase (-) decrease	Percentage of variation
2001-02	1,510	1,313.52	(-) 196.48	-13
2002-03	2,000	1,578.11	(-) 421.89	-21
2003-04	2,200	1,939.16	(-) 260.84	-12
2004-05	2,420	2,365.85	(-) 54.15	-2
2005-06	2,662	2,714.84	(+) 52.84	+2

It can be seen that there was more than 10 *per cent* variation except in 2004-05 and 2005-06, between the estimates and the actuals. Government stated that estimates were normally fixed on higher side and the revenue collection was largely from royalty on iron ore produced and exported. Increase in receipts during 2004-05 and 2005-06 was due to revision of rates of royalty.

6.2.3 Short recovery of royalty

As per the guidelines issued by the State Government in January 2000, royalty was to be collected at the point of extraction of the ore. The lessee is required to file returns monthly/annually. In view of the representation of the mining industry against guidelines of January 2000, Government decided in October 2001 to charge royalty on extracted quantity minus rejections (tailings). The

[^] Bicholim, Quepem, Sanguem, and Sattari

action of Government did not address the issue raised by the mining industry i.e. levying royalty on processed and classified quantity into lumps, fines and concentrates as different royalty rates were applicable. As a result, the mining industry continued to pay royalty on self assessment basis, thus, ignoring the assessments made by the department as per the Government decision of October 2001. Thus, due to failure of Government to address the issue of levying royalty properly, assessments since 1 January 2000 have remained in abeyance. Even the proposal submitted by the department in 2005 to Government to review the existing system of collecting royalty remained pending with the Government (August 2006).

Scrutiny of records however, revealed that the quantity of Goan iron ore exported was much more than the quantity of Goan iron ore stated to have been produced as indicated below:

(In metric tonnes)

Iron ore	2002-03	2003-04	2004-05	Total
Exported	1,89,60,148	2,20,95,993	2,33,08,033	6,43,64,174
Production	1,70,43,862	1,83,23,219	1,80,67,470	5,34,34,551
Difference	19,16,286	37,72,774	52,40,563	1,09,29,623

From the above facts, it transpires that iron ore of 643.64 lakh metric tonnes was exported against the actual production of 534.35 lakh metric tonnes in the state. The department also did not correlate the production of mineral ore from the State with the quantity actually exported and does not have any mechanism to ascertain the correctness of the figures of exports. The short recovery of royalty in respect of differential quantity of iron ore of 109.30 lakh metric tonnes exported worked out to Rs.3.83 crore calculated on the minimum average rate of royalty.

The Director of Mines accepted that there was no mechanism to ascertain the correctness of the quantity exported. Government stated that there appears to be mismatch and requires proper enquiry to arrive at correct figures.

6.2.4 Non levy of stamp duty on lease Agreements

As per Section 26 of the Indian Stamp Act 1899, for the lease of a mine in which royalty is received as rent or part of the rent, it shall be sufficient to have estimated such royalty for the purpose of stamp duty. The State Government is required to estimate the value payable by way of royalty for the purpose of levy of stamp duty. It was seen that the State Government did not estimate the value payable by way of royalty for the purpose of levy of stamp duty. Government received an amount of Rs. 15.57 crore towards royalty for major mining leases during financial year 2005-06. Taking the amount of royalty as base, the loss of revenue on account of stamp duty works out to Rs. 31.14 lakh.

Government in reply stated that no anticipated royalty can be determined for entire period of mining lease as revision of rate of royalty was liable every three years, and the stamp duty cannot be correctly levied/collected. Further, Government stated that the matter needed examination in consultation with Law department. Reply that the stamp duty cannot be correctly levied is not

tenable as Government should have arrived at a formula to work out the anticipated receipts of royalty for the lease period. It is pertinent to note that Government of Karnataka has issued guidelines for quantification of royalty for the purpose of stamp duty.

6.2.5 The assessments/reassessments of royalty dues were pending since January 2000, as the State Government issued guidelines which were inconsistent with provisions of Mines and Minerals (Development & Regulation) Act 1957 on the system of collection of royalty dues. The State Government delayed approval to the revised guidelines of April 2005, resulting in postponement of proper assessments. The returns of the lease holders were accepted as filed by them without verification of correctness of the quantum of production, grade of the ore etc. Stamp duty on lease agreements was not recovered due to non finalisation of amount of anticipated royalty for levy of stamp duty.

FINANCE DEPARTMENT

6.3 Evasion of entertainment tax by cable operators

As per section 3 (E) read with Section 3 (F) of Goa Entertainment Tax Act 1964, cable operators are required to pay entertainment tax at the rate of Rs.10 per connection per month.

Audit scrutiny revealed that there were only 33,196 cable connections on the records of the entertainment tax department in the year 2005-06 as against an estimated number of households of 3.11 lakh in the state which is only 10.67 *per cent*. Though no mechanism existed in the department to verify records of other departments, a cross verification of records of Commissioner of Service Tax carried out by audit in June 2006 revealed that 189 cable operators were registered as against 163 in the records of entertainment tax department. Thus, 26 operators were running their business illegally without registration with entertainment tax department and evaded payment of tax.

After this was pointed out, the department without committing any specific figure accepted that the number of cable connections is higher than the figures available with them. On being enquired about undertaking survey to detect unauthorized connections, the department stated that the entertainment department was functioning with staff of just three.

In view of loss of revenue to the state exchequer, it is necessary to undertake a comprehensive survey to detect unauthorized cable operators and bring them to book in the best interest of Government revenue.

The matter was reported to Government in September 2006; reply has not been received (November 2006).