

# OVERVIEW

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This Report contains 32 paragraphs including two performance audits relating to non/short levy/loss of tax/duty having financial implication of ₹ 1,049.00 crore, out of which ₹ 1,026.48 crore is recoverable and remaining amount of ₹ 22.52 crore was avoidable notional loss to the Government. The audit observations of ₹ 672.01 crore including notional loss of ₹ 22.52 crore have been accepted by the Government/Departments. Some of the major findings are mentioned in the following paragraphs.

### I. General

The total receipts of the Government of Jharkhand for the year 2014-15 were ₹ 31,564.56 crore against ₹ 26,136.79 crore during 2013-14. The revenue raised by the State Government amounted to ₹ 14,684.87 crore comprising tax revenue of ₹ 10,349.81 crore and non-tax revenue of ₹ 4,335.06 crore. The receipts from the Government of India were ₹ 16,879.69 crore (State's share of divisible Union taxes: ₹ 9,487.01 crore and grants-in-aid: ₹ 7,392.68 crore). Thus, the State Government could raise only 47 *per cent* of the total revenue. Taxes on Sales, Trade etc. (₹ 8,069.72 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 3,472.99 crore) were the major source of tax and non-tax revenue respectively during 2014-15.

**(Paragraph 1.1)**

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue *viz*, Taxes on Sales, Trade etc., Taxes on Vehicles and State Excise amounted to ₹ 3,311.93 crore, of which ₹ 2,347.84 crore was outstanding for more than five years. Out of the total outstanding ₹ 392.78 crore was certified for recovery as arrears of land revenue and ₹ 745.94 crore was held up due to proceedings in Courts, other appellate authorities, rectification/review application and parties becoming insolvent, whereas specific action taken in respect of the remaining ₹ 2,173.21 crore was not intimated by the concerned departments.

**(Paragraph 1.2)**

The number of Inspection Reports (IRs) and audit observations issued upto December 2014, but not settled by June 2015, stood at 1,065 and 8,677 respectively involving ₹ 13,276.85 crore. In respect of 182 IRs, issued upto December 2014, even the first replies had not been received though these were required to be furnished within one month of the date of issue of the Report.

**(Paragraph 1.6.1)**

Test check of the records of 114 units relating to Taxes on Sales, Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mining Receipts conducted during 2014-15, revealed under-assessment/short levy/loss of revenue aggregating ₹ 1,219.56 crore in 6,699 cases. During the course of the year, the concerned Departments accepted under-assessment and other deficiencies of ₹ 687.47 crore involved in 4,052 cases and effected recovery of ₹ 3.37 crore in 340 cases in 2014-15.

**(Paragraph 1.9)**

## **II. Taxes on Sales, Trade etc.**

A performance audit of “System of assessment under VAT” revealed the following:

There were only 12 cases of self-assessment during 2009-10 to 2013-14 and the Department took no initiative to popularise self-assessment among dealers which, coupled with shortage of personnel and constant growth of registered dealers, resulted in accumulation of arrear in assessment from 11,313 in 2009-10 to 22,614 in 2013-14.

**(Paragraphs 2.3.8, 2.3.10.1 and 2.3.22.4)**

Though provision for survey to distinguish unregistered dealers existed in the Act, but modalities for such surveys have not been prescribed. The department did not utilise the TDS details available in the assessment records to detect 54 unregistered dealers which resulted in non-levy of tax of ₹ 3.82 crore including mandatory penalty of ₹ 1.91 crore.

**(Paragraphs 2.3.10.2 and 2.3.10.3)**

There was suppression of sales/purchase turnover of ₹ 1,404.19 crore in case of 70 dealers out of 1,062 dealers test checked from 45,732 dealers registered in 13 circles leading to under-assessment of tax of ₹ 192.75 crore including mandatory penalty of ₹ 128.51 crore.

**(Paragraph 2.3.11)**

There were irregularities in ITC claims like irregular/non admissible ITC claims, excess claims, non-reversal of ITC and non-charging of interest thereon of ₹ 8.35 crore in cases of 24 dealers out of 1,186 test checked from 35,129 dealers in nine circles.

**(Paragraph 2.3.13)**

There was short levy of tax of ₹ 6.27 crore due to misclassification of goods and application of incorrect rate of tax in case of 13 dealers out of 852 dealers test checked from 27,528 dealers in seven circles.

**(Paragraph 2.3.14)**

There was non-levy of interest of ₹ 38.43 crore on non/delayed payment of admitted tax/tax due, disallowed unsubstantiated claims, incorrect exemptions and concessions in case of 46 dealers out of 1,125 test checked from 43,000 dealers in 12 circles.

**(Paragraph 2.3.16)**

There was incorrect allowance of exemption against interstate and intrastate stock transfer, transit sale, misuse of declaration Forms and invalid Forms in case of 34 dealers out of 2,075 test checked from 40,911 dealers in 10 circles which resulted in under-assessment of tax of ₹ 49.36 crore.

**(Paragraph 2.3.20)**

838 and 906 dealers were selected out of 39,061 and 45,732 dealers for VAT audit during 2010-11 and 2011-12 but only 170 and two dealers were audited by the VAT Audit Wing leaving arrear of 668 and 904 dealers respectively.

**(Paragraph 2.3.22.1)**

Cross-verification of records/data obtained from seven Public Works Divisions and three Companies with the records of six Commercial Taxes Circles revealed suppression of turnover resulting in short realisation of tax of ₹ 11.78 crore including mandatory penalty of ₹ 7.85 crore in case of 16 contractors.

**(Paragraph 2.4.2)**

Irregularities in determination of sales/purchase turnover of 27 dealers registered in seven Commercial Taxes Circles by the assessing authorities resulted in under-assessment of tax and penalty of ₹ 144.96 crore during 2008-09 to 2011-12.

**(Paragraph 2.5)**

In four Commercial Taxes Circles, interest of ₹ 34.30 crore was not levied by the assessing authorities on the claims on account of exemptions not supported by documents in case of seven assesses during 2010-11.

**(Paragraph 2.6)**

In three Commercial Taxes Circles, tax and penalty of ₹ 4.63 crore was not levied by the assessing authority for misuse of declarations in Form 'C' and 'F' by four assesseees during 2009-10 to 2010-11.

**(Paragraph 2.7)**

In four Commercial Taxes Circles, in case of 15 assesseees, application of incorrect rate of tax resulted in short levy of tax of ₹ 1.91 crore.

**(Paragraph 2.9)**

### **III. State Excise**

There was non-settlement of 51 shops in four Excise Districts during 2013-14.

**(Paragraph 3.4)**

In seven Excise Districts there was short lifting of liquor by 542 shops during 2013-14 resulting in non-levy of excise duty of ₹ 4.67 crore.

**(Paragraph 3.5)**

### **IV. Taxes on Vehicles**

A performance audit of “**Working of Transport Department with emphasis on compliance with pollution standards**” revealed the following:

The disposal of certificate cases was very poor as the Department could only dispose of 669 certificate cases against 23,561 cases during 2009-10 to 2013-14, out of which 20,214 cases were prior to 2009-10.

**(Paragraph 4.3.9)**

One-time tax of ₹ 2.92 crore was not levied in case of 1,172 personalised vehicles out of 10,653 vehicles, whose tax validity expired between July 2005 and November 2014, in selected Offices, as the software had no provision for auto generation of demand notice to defaulters.

**(Paragraph 4.3.10.1)**

Categorisation of public service vehicles as express, semi-deluxe, deluxe, AC deluxe bus on the basis of age and passenger amenities and taxed accordingly so as to generate additional revenue was not prescribed by the

Department even after lapse of more than four years of enforcement of the JMVT (Amendment) Act 2011.

**(Paragraph 4.3.13)**

Tax and penalty of ₹ 26.51 crore was neither paid by the owners nor demanded by the Department for the period between June 2009 and June 2015 against 5,374 vehicle owners out of 26,121 vehicles in 11 transport offices.

**(Paragraphs 4.3.16 and 4.3.17)**

In eight Transport Offices, out of 11 selected districts and in the office of Transport Commissioner, Jharkhand, during 2012-13 and 2013-14, the collecting banks did not credit interest of ₹ 7.29 crore for delayed transfer of collected revenue into Government account.

**(Paragraph 4.3.19.1)**

The total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old but the Department had no policy for phasing out of old vehicles.

**(Paragraph 4.3.20.1)**

Pollution testing centers were authorised for 11 districts only out of the 24 districts in the State. During the period 2009-10 to 2013-14, PUC certificates were issued to 4.09 lakh vehicles against 8.84 lakh newly registered vehicles. The Department had no information of vehicles plying with or without PUC. Pollution checking equipments like smoke meter, gas analyser etc. were not provided to transport officials.

**(Paragraphs 4.3.20.2 and 4.3.20.3)**

Motor Vehicle Inspectors realised revenue of ₹ 27.67 crore including service tax on account of fitness of vehicles, but service tax amounting to ₹ 3.07 crore was not deposited under the head “0044-Service Tax”.

**(Paragraph 4.3.22)**

Tax and penalty of ₹ 5.49 crore due for the period between March 2010 and March 2015 from 1,803 vehicle owners pertaining to seven Transport Offices was neither paid by the owners nor demanded by the Department.

**(Paragraph 4.5)**

## **V. Other Tax Receipts**

### **Land Revenue**

Non-realisation of Government revenue of ₹ 2.24 crore on account of *salami*, penal rent and interest due to non-renewal of 22 leases which expired between 1960 and 1996 in an Anchal Office.

**(Paragraph 5.4)**

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

Misclassification of 11 deeds of conveyance as development agreements in a District Sub Registrar Office resulted in short levy of Stamp duty and Registration fees amounting to ₹ 19.46 lakh during 2012-13.

**(Paragraph 5.8)**

**Taxes and Duties on Electricity**

In three Commercial Taxes Circles, penalty of ₹ 7.35 crore was not levied by the assessing authorities in case of seven assesseees for non/short payment of electricity duty and surcharge during 2005-06 to 2012-13.

**(Paragraph 5.13)**

In three Commercial Taxes Circles, in case of five assesseees, application of incorrect rate of electricity duty and non-levy of surcharge resulted in non/short levy of electricity duty and surcharge of ₹ 3.83 crore.

**(Paragraph 5.14)**

**VI. Mining Receipts**

Application of incorrect rate of royalty by seven District Mining Officers on dispatch of 161.55 lakh MT of bauxite, coal and iron ore during 2009-10 to 2013-14 in case of 34 lesseees resulted in short levy of royalty of ₹ 338.59 crore.

**(Paragraph 6.4)**

Downgrading of dispatched coal of 50.55 lakh MT in four District Mining Offices by four collieries and failure of the District Mining Officers to detect the same through scrutiny of returns resulted in short levy of royalty of ₹ 27.60 crore during 2013-14.

**(Paragraph 6.5)**