



**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2017**



Government of Bihar
Report No. 2 of the year 2018

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Bihar under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major revenue earning departments under the Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

Total financial implication of this Report is ₹ 1,835.31 crore which constitutes 7.02 *per cent* of tax and non-tax revenue of the State during the year 2016-17. The Government/departments have accepted audit observations involving ₹ 1,244.35 crore, out of which ₹ 13.78 crore was recovered.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

The Report contains the following significant findings:

General

1. The primary reason for drop (6.71 *per cent*) in tax revenues in 2016-17 over the previous year and significant drop in the share of tax revenues to total revenues was due to total prohibition of liquor in Bihar since April 2016 and significant decrease in receipts under stamps and registration fees following demonetisation on 8 November 2016.
2. Significant increase in receipts from land revenue compared to estimates was due to non-inclusion of receipts from alienation of Government land and establishment charges in the budget estimates for 2015-16 and 2016-17.
3. The Mines and Geology Department failed to achieve the budget estimates during 2013-14, 2015-16 and 2016-17 due to non-settlement of stone quarries and non-realisation of expected royalty from brick kilns and works divisions.
4. None of the Revenue earning departments maintained a database of outstanding arrears, leading to failure in monitoring revenue arrears. Consequently, arrears of ₹ 6,327.12 crore remained uncollected, of which ₹ 801.75 crore remained uncollected for more than five years.
5. Revenue earning departments failed to address audit observations included in 2,426 Inspection Reports (IRs) involving potential revenue of as much as ₹ 17,563.67 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received for

1,173 IRs involving potential revenue of as much as ₹ 7,197.52 crore, issued from 2008-09 onwards.

6. Audit test-checked records of 299 units relating to commercial taxes, land revenue, taxes on vehicles, state excise, stamps and registration fees and mining receipts during local audit and observed underassessment/short levy/loss of revenue amounting to ₹ 4,550.08 crore in 3,960 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 1,320.17 crore involved in 557 cases and recovered ₹ 29.63 crore.
7. The Prohibition, Excise and Registration Department and Mines and Geology Department did not submit any Action Taken Notes (ATNs) on 19 recommendations, made by the Public Accounts Committee, relating to four Audit Reports of earlier years (2011-15).

Internal Audit

8. The Finance (Audit) Department audited 52 units of Revenue and Land Reforms Department, six units of Registration Department and one unit of Excise Department out of total 1,186 units of all major revenue earning departments during 2012-17. The Finance (Audit) Department did not conduct audit of any other major revenue earning departments viz., Commercial Taxes Department, Transport Department and Mines and Geology Department due to acute shortage of manpower in different cadres ranging between 16.33 per cent and 100 per cent as on 31 March 2018.

Commercial Taxes Department

9. The Assessing Authorities failed to exercise prescribed checks as per the BVAT Act, 2005 and therefore could not detect suppression of turnover of ₹ 24.31 crore in case of 12 dealers and incorrect availing of Input Tax Credit (ITC) of ₹ 2.09 crore in case of 14 dealers leading to underassessment of tax worth ₹ 20.17 crore including leviable penalty and interest.
10. The Assessing Authorities did not cross-verify details of purchase/sale leading to non-detection of purchase tax liability of ₹ 70.82 crore payable by a dealer including additional tax of ₹ 49.32 crore and interest of ₹ 15.06 crore.
11. The Department failed to recover revenue worth ₹ 12.45 crore including interest due to application of incorrect rates by the assessee and non-detection of the same by the Assessing Authorities.
12. Assessing Authorities failed to detect irregular claim of deduction by assessees on transit sales resulting in short levy of tax of ₹ 42.75 crore.

Revenue and Land Reforms Department

13. Five District Land Acquisition Officers (DLAOs) adopted incorrect market value of land leading to short payment of compensation of ₹ 873.46 crore to landowners.
14. Additional compensation of ₹ 132.44 crore was not paid to landowners whose land was acquired under emergency provisions.

15. Three DLAOs failed to remit establishment charge of ₹ 208.92 crore into Government Account from 2007 to 2017.
16. Affected families/landowners were deprived of one-time resettlement allowance and compensation in lieu of jobs amounting to ₹ 97.97 crore.
17. Three Additional Collectors transferred 44 acres of government land without realising *Salami* (market value of land) and accumulated value of rent worth ₹ 11.28 crore.

Transport Department

18. In 22 District Transport Offices (DTOs), 862 motor vehicle owners did not pay one-time tax and penalty of ₹ 4.44 crore.
19. Absence of a mechanism for periodic review of *VAHAN* software database by 25 DTOs to detect tax defaulter vehicles resulted in non-realisation of motor vehicle taxes of ₹ 6.68 crore.

Audit of “Mining receipts: levy and collection of royalty, fee and rent” (Mines and Geology Department)

20. Significant vacancies in all cadres, specifically, vacancies of 76 *per cent* and 81.58 *per cent* in critical posts of Mining officers and Mining Inspectors adversely affected the core operations of the Department. Further, due to shortage of manpower the Department, has delegated brick kiln inspections to Circle Officers of Revenue and Land Reforms Department, resulting in decrease of revenue of ₹ 3.40 crore from brick kilns during 2016-17 in comparison to 2015-16.
21. District Mining Officers (DMOs), Nawada and Rohtas neither stopped the illegal mining of limestone, mica and silica nor levied penalty of ₹ 18.38 crore despite being aware of mining operations without approved mining plan, environmental clearance and renewal of lease.
22. Twenty four DMOs failed to ensure non-payment of the works contractors’ bills submitted without forms M and N (containing details of the dealers of the minerals and the particulars of the minerals) and consequently, failed to levy penalty of ₹ 67.39 crore on works contractors for procurement of minerals from unauthorised sources.
23. The Department amended the Bihar Minor Mineral Concession Rules, 1972 in 2014 to provide for direct deposit of money collected under Mines and Minerals Development, Restoration and Rehabilitation Fund (MMDRRF) to the Public Account instead of through the Consolidated Fund, violating Article 266 (1) of the Constitution. Further, the Department has not established the MMDRRF and the balance of ₹ 19.50 crore is retained in bank accounts.
24. Failure of two DMOs to operate sand *ghats*, led to loss of ₹ 49.09 crore in 2016.

Overview

OVERVIEW

This Report includes the audit of “**Mining receipts: levy and collection of royalty, fee and rent**” and 35 paragraphs relating to Commercial taxes, land revenue, taxes on vehicles, state excise and stamps and registration fees. The total financial implication of the Report is ₹ 1,835.31 crore which constitutes 7.02 *per cent* of tax and non-tax revenue of the year 2016-17. The concerned departments accepted the audit observations of ₹ 1,244.35 crore (67.80 *per cent* of total financial implication of the audit observations) and recovered ₹ 13.78 crore. In addition, the concerned departments recovered ₹ 359.00 crore pertaining to audit findings covered in previous audit reports. Some of the major findings in this report are summarised below:

1. General

The total receipts of the Government of Bihar for the year 2016-17 were ₹ 1,05,584.98 crore, of which revenue raised by the State Government from its own sources was ₹ 26,145.37 crore (24.76 *per cent*). The share of receipts from the Government of India amounting to ₹ 79,439.61 crore (75.24 *per cent* of the total receipts) comprised of State’s share of divisible Union taxes of ₹ 58,880.59 crore (55.77 *per cent* of the total receipts) and grants-in-aid of ₹ 20,559.02 crore (19.47 *per cent* of the total receipts). Tax revenues, which showed an increasing trend till 2015-16 dropped significantly in 2016-17 due to total prohibition of liquor in Bihar from April 2016 and significant decrease in receipts under stamps and registration fees following demonetisation on 8 November 2016.

Revenue and Land Reforms Department did not consider receipts from alienation of Government land and establishment charges from acquisition of land while preparing budget estimates for the years 2015-16 and 2016-17.

The Mines and Geology Department could not achieve the budget estimates during 2013-14, 2015-16 and 2016-17 due to non-settlement of stone quarries and non-realisation of expected royalty from brick kilns and works divisions.

(Paragraph 1.2)

Revenue earning departments failed to monitor the progress of collection of arrears, since they do not have database of outstanding arrears.

Arrears of revenue as on 31 March 2017 on taxes on sales, trade etc., taxes on goods and passengers, taxes and duties on electricity, taxes on vehicles, other taxes and duties on commodities and services, land revenue, state excise and non-ferrous mining and metallurgical industries amounted to ₹ 6,327.12 crore, of which, ₹ 801.75 crore was outstanding for more than five years.

Audit recommends that the departments should create a database of outstanding arrears for periodic review and liquidation of arrears.

(Paragraph 1.3)

The Public Accounts Committee discussed 11 selected paragraphs pertaining to the Audit Reports for the years 2011-12 to 2015-16 and gave 19 recommendations on

nine paragraphs including 12 sub-paragraphs relating to Prohibition, Excise and Registration Department and Mines and Geology Department incorporated in the Report (2011-12, 2012-13, 2013-14 and 2014-15) on which no Action Taken Notes (ATNs) has been received from the departments.

(Paragraph 1.4)

Revenue earning departments have failed to address audit observations included in 2,426 Inspection Reports (IRs) involving potential revenue of as much as ₹ 17,563.67 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received for 1,173 IRs involving potential revenues of as much as ₹ 7,197.52 crore issued from 2008-09 onwards.

(Paragraph 1.5)

The Finance (Audit) Department audited 52 units of Revenue and Land Reforms Department, six units of Registration Department and one unit of Excise Department out of total 1,186 units of all major revenue earning departments during 2012-17. The Finance (Audit) Department did not conduct audit of any other major revenue earning departments *viz.*, Commercial Taxes Department, Transport Department and Mines and Geology Department due to acute shortage of manpower in different cadres ranging between 16.33 *per cent* and 100 *per cent* as on 31 March 2018.

Audit recommends that the State Government should ensure filling up vacancies in different cadres of the Finance (Audit) Department to ensure effective internal audit.

(Paragraphs 1.6)

Audit test-checked records of 299 units relating to commercial taxes, land revenue, taxes on vehicles, state excise, stamps and registration fees and mining receipts and observed underassessment/short levy/loss of revenue amounting to ₹ 4,550.08 crore in 3,960 cases. Of these, the departments concerned accepted underassessment and other deficiencies of ₹ 1,320.17 crore involved in 557 cases and recovered ₹ 29.63 crore.

(Paragraph 1.7)

2. Commercial Taxes

Assessing Authorities (AAs) did not detect suppression of turnover of ₹ 24.31 crore in 12 cases leading to underassessment of tax worth ₹ 11.17 crore including leviable penalty and interest.

Audit recommends that the Department should ensure cross-verification of turnover details in the returns with other related records of the dealers to detect suppression of turnover by periodical revision of scrutiny parameters.

(Paragraph 2.4)

AAs failed to detect application of incorrect rates of tax on sales of various commodities in cases of 44 dealers leading to short levy of tax of ₹ 12.45 crore including interest.

Audit recommends that the Department should evolve a mechanism whereby AAs invariably scrutinise returns to detect cases of incorrect application of rate of tax.

(Paragraph 2.5)

AAs did not detect incorrect availing of Input Tax Credit (ITC) of ₹ 2.09 crore by 14 dealers due to non-scrutiny of returns and non-verification of ITC ledger on the Value Added Tax Management Information System (VATMIS) leading to underassessment of tax of ₹ 9.00 crore including leviable interest and penalty.

Audit recommends that the Department should prescribe mandatory submission of evidence in support of ITC claims and ensure that AAs invariably check their admissibility. The Department should also ensure that ITC claims are verified by the AAs through the ITC ledger of dealers on VATMIS.

(Paragraph 2.6)

Failure of AAs to detect non-calculation of reverse credit by five dealers led to excess allowance of ITC of ₹ 6.25 crore including penalty and interest.

(Paragraph 2.7)

AAs failed to detect incorrect availing of deductions by works contractors which resulted in short levy of tax of ₹ 1.69 crore.

Audit recommends that the Department may consider mandatory assessment of returns of works contractors, as presently, the BVAT Act/Rules do not require works contractors to furnish evidence to substantiate claims of deductions.

(Paragraph 2.9)

AAs failed to detect non/short/delayed payment of admitted tax leading to non/short realisation of tax and interest of ₹ 6.27 crore.

Audit recommends that the Department should evolve a mechanism to detect cases of non/short/delayed payment of admitted taxes in the VATMIS.

(Paragraph 2.11)

Failure of the AA to cross-verify details of purchase/sale resulted in non-levy of purchase tax of ₹ 70.82 crore including interest on a dealer.

Audit recommends that the Department may ensure compliance to the rules pertaining to purchase tax by dealers and detection of its non-compliance.

(Paragraph 2.12)

Failure of AAs to comply with directives of the Commissioner, Commercial Tax (CCT) on inter-state sales resulted in short levy of tax of ₹ 42.75 crore from two dealers who made irregular claims.

Audit recommends that the Department should ensure compliance of the directives issued by the CCT from time to time and take action against

officials/officers who failed to follow such directions.

(Paragraph 2.15)

Failure of AAs to detect suppression of import of scheduled goods by dealers resulted in short levy of entry tax of ₹ 6.03 crore including penalty.

Audit recommends that the Department may prescribe a mechanism for cross-verification of turnover with other related records of the dealers to detect suppression of import/purchase in self-assessment cases.

(Paragraph 2.16.1)

3. Revenue and Land Reforms

Incorrect adoption of market value of land by five District Land Acquisition Officers (DLAOs)/Collectors led to short payment of compensation of ₹ 873.46 crore to landowners.

Audit recommends that the Department should ensure payment of compensation to landowners at appropriate market value of land.

(Paragraph 3.3)

Additional compensation of ₹ 132.44 crore was not paid to 2,238 landowners whose land was acquired under emergency provisions.

Audit recommends that the Department should ensure that in cases of emergency acquisition awarded after December 2013, landowners are paid compensation as per provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

(Paragraph 3.4.1)

DLAOs short calculated interest of ₹ 17.91 crore on balance compensation payable to the landowners.

Audit recommends that the Department may ensure proper estimation and payment of due interest to the landowners.

(Paragraph 3.7)

Initiation of land acquisition process without approval of the Department and subsequent delay resulted in cost escalation by ₹ 115.65 crore.

Audit recommends that the Department may ensure that the land acquisition process is initiated after approval of the estimate by the competent authority and is completed within the prescribed time to avoid cost escalation.

(Paragraph 3.8.2)

In five districts, 1,781 affected families/landowners were deprived of one-time resettlement allowance and compensation in lieu of jobs amounting to ₹ 97.97 crore.

(Paragraph 3.9.1)

Three DLAOs failed to remit establishment charge of ₹ 208.92 crore into Government Account and two DLAOs short levied establishment charge of ₹ 81.19 lakh.

Audit recommends that the Department should ensure that establishment charge is levied correctly from the requiring bodies and is deposited on time into Government account. The Department may also consider conducting an enquiry for appropriate action against the erring DLAOs.

(Paragraph 3.11)

Government land of 44 acres was transferred without realising *Salami* (market value of land) and accumulated value of rent amounting to ₹ 11.28 crore.

Audit recommends that the Department may realise cost of land before transfer/alienation of Government land.

(Paragraph 3.12)

Cost of land acquisition of ₹ 63.36 crore received from a requiring body was deposited by the DLAO Aurangabad in a private bank instead of PD account and compensation amount of ₹ three crore was withdrawn by the DLAO Gaya from PD Account for purposes not recorded in cash books and kept in bank account.

Audit recommends that the State Government may conduct an enquiry for appropriate action against the DLAO Aurangabad and DLAO Gaya for parking large amounts with commercial banks, especially private bank, in violation of orders of the Finance Department.

(Paragraph 3.14.1)

The DLAO, Buxar did not update the cash books after 31 December 2016. As a result payments of ₹ 51.76 crore and receipts of ₹ 52.17 crore made during January to March 2017 was not found recorded in cash books.

Audit recommends that the State Government may conduct an enquiry to examine whether there was any misappropriation of funds under the DLAO Buxar and also initiate appropriate action against him for not operating the Cash Book after December 2016.

(Paragraph 3.14.2)

4. Taxes on Vehicles

In 22 District Transport Offices, owners of 862 motor vehicles did not pay One-time tax (OTT) and penalty of ₹ 4.44 crore.

Audit recommends that the Department should ensure payment of OTT and penalty by vehicle owners and communicate their defaulter status to the enforcement wing for interception of defaulting vehicle plying on roads.

(Paragraph 4.3)

Absence of a mechanism for periodic review of *VAHAN* (An application developed for registration of vehicles and road tax clearance) database by the District Transport

Officers (DTOs) to detect tax defaulter vehicles resulted in non-realisation of motor vehicle taxes of ₹ 6.68 crore in 25 District Transport Offices.

Audit recommends that the Department should ensure that demand notice is issued on real-time basis to the tax defaulters as generated from the VAHAN database to ensure prompt payment of tax.

(Paragraph 4.4)

5. Other Tax Receipts

State excise

Non/delayed cancellation of 38 groups of excise shops by eight Superintendents of excise for non-payment of monthly licence fee, resulted in short realisation of ₹ 1.93 crore.

(Paragraph 5.3)

Stamps and Registration Fees

Failure of three Registering Authorities to detect undervaluation of properties in 18 cases led to short levy of stamp duty and registration fee of ₹ 63.33 lakh.

(Paragraph 5.4)

6. Mining Receipts

Audit of “Mining Receipts: levy and collection of royalty, fee and rent” revealed the following:

Limestone is the only known major mineral found in Bihar. Mining receipts are the fifth largest receipt of the State and contributed between 2.65 and 3.82 *per cent* of the total receipts during the last four years.

(Paragraph 6.2.1)

Due to shortage of manpower, the Department did not deploy any official at any of the six integrated check posts of the state situated on the interstate boundaries which were required to prevent and detect transportation of minerals excavated illegally. Further, the Department transferred (October 2016) the power of certificate officer from its own officer (Deputy Director of Mines) to the concerned district certificate officer of the General Administration Department. The Department also transferred (November 2016) the power of Mining Officer (MO) relating to verification and inspection of brick kilns and collection of royalty from owners of brick kiln to concerned circle officers of the Revenue and Land Reforms Department.

Audit recommends that the Department should take necessary steps to fill up critical posts urgently and execute its power through its own officers.

(Paragraph 6.2.10)

District Mining Officers (DMOs), Nawada and Rohtas neither stopped the illegal mining of limestone, mica and silica nor levied penalty of ₹ 18.38 crore

despite having knowledge of mining operations without approved mining plan, environmental clearance and renewal of lease.

Audit recommends that the Department should take appropriate action on erring departmental officers and criminal action against the mining operator for allowing/undertaking mining operations without approved mining plan, environmental clearance and renewal of lease.

(Paragraph 6.2.11.1 and 6.2.11.2)

Twenty four DMOs failed to ensure non-payment of the works contractors' bills submitted without form M which is an affidavit containing names and addresses of the dealers from whom the minerals were purchased and form N which contains particulars of minerals and its seller. The DMOs also failed to levy penalty of ₹ 67.39 crore on works contractors for procurement of minerals from unauthorised sources.

Audit recommends that the Department should ensure non-payment of the works contractors' bills submitted without forms M and N and levy of penalty on works contractors for procurement of minerals from unauthorised sources. The Department should also take appropriate departmental and other action against erring MOs.

(Paragraph 6.2.11.3)

District collectors did not give opportunity to the second highest bidder for operation of sand *ghats* in two districts after cancellation of earlier settlement. These sand *ghats* were not operated after resettlement as the Department did not approve the mining plan till March 2017 leading to loss of ₹ 49.09 crore to the Government in 2016.

(Paragraph 6.2.12.2)

Rule 54 of the Bihar Minor Mineral Concession (BMMC) Rules, 1972 (as amended in 2014) is contrary to the Constitution of India as it provides for direct credit of amounts collected for Mines and Mineral Development, Restoration and Rehabilitation Fund (MMDRRF) into the Public Account instead of the Consolidated Fund. Failure of the Department to establish MMDRRF and prescribe specific guidelines for utilisation of funds for restoration, reclamation and rehabilitation work in mining areas led to non-utilisation of ₹ 19.50 crore in 11 districts, which was kept in saving/current account instead of Consolidated Fund in violation of Article 266 (1) of the Constitution of India. Further, five DMOs did not realise ₹ 70.36 lakh towards the Fund from permit holders of brick/ordinary earth.

Audit recommends that the State Government should amend Rule 54 of BMMC Rules, 1972 to ensure that it does not violate Article 266 (1) of the Constitution of India. The Department should also ensure deduction of prescribed amounts from all mineral concession holders and credit these into Government Account for further transfer to the Fund.

(Paragraph 6.2.14)

The Department delegated the power of collection of royalty from brick kiln owners to the Circle Officers of the Revenue and Land Reforms Department without any such authority in BMMC Rules, 1972. Failure of the Circle Officers to inspect brick kilns, led to reduction in collection of revenue by ₹ 3.40 crore from brick kilns during 2016-17 in comparison to the previous year.

Audit recommends that the Department may ensure adequate inspection/verification of brick-kilns by the Circle Officers or re-consider its decision of transferring such revenue collection work to Circle Officers.

(Paragraph 6.2.15.3)

Chapter-1

General

CHAPTER-1: GENERAL

1.1 Introduction

This chapter presents an overview of trend of receipts raised by the Government of Bihar (GoB) and arrears of taxes pending collection against the backdrop of audit findings.

1.2 Trend of receipts

1.2.1 Details of tax and non-tax receipts of GoB for the past five years are depicted in Table - 1.1.

Table - 1.1
Trend of receipts

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
(₹ in crore)						
1.	Revenues raised by the State Government					
	• Tax revenues	16,253.08	19,960.68	20,750.23	25,449.18	23,742.26
	• Non-tax revenues	1,135.27	1,544.83	1,557.98	2,185.64	2,403.11
	Total	17,388.35	21,505.51	22,308.21	27,634.82	26,145.37
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	31,900.39	34,829.11	36,963.07	48,922.68	58,880.59 ¹
	• Grants-in-aid	10,277.92	12,584.03	19,146.26	19,565.60	20,559.02
	Total	42,178.31	47,413.14	56,109.33	68,488.28	79,439.61
3.	Total revenue receipts of the State Government (1 and 2)	59,566.66	68,918.65	78,417.54	96,123.10	1,05,584.98
4.	Percentage of 1 to 3	29	31	28	29	25
5.	Percentage of tax revenue to total revenue receipts	27	29	26	26	22

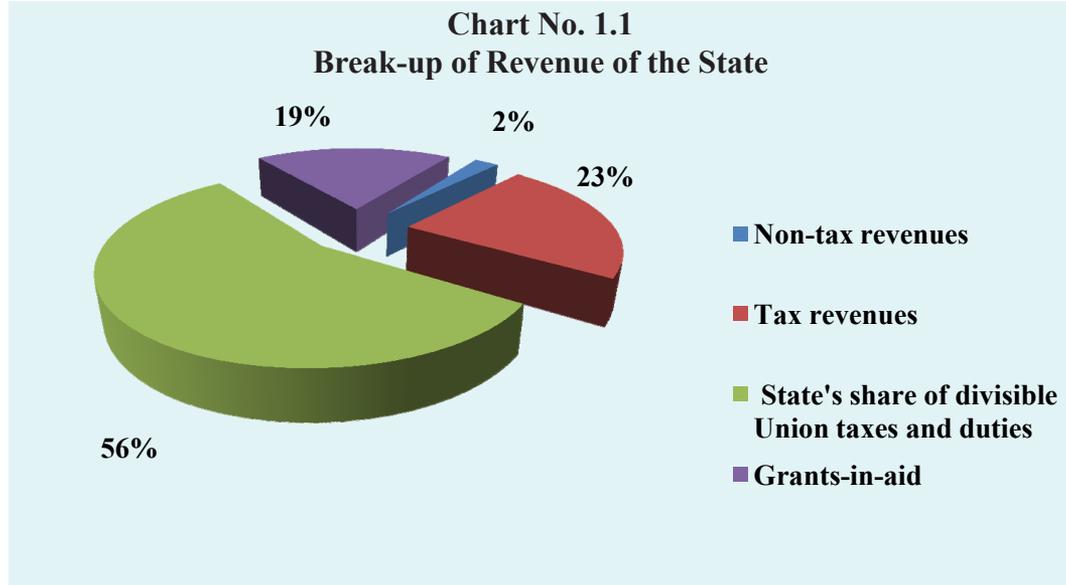
(Source: Finance Accounts, Government of Bihar)

The State's share in central taxes increased by 10 per cent (from 32 to 42 per cent) after the implementation (from 2015-16) of the recommendations of the 14th Finance Commission.

¹ For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2016-17. Figures under Minor Head – 901 - Share of net proceeds assigned to the State under the Major Heads 0020 - Corporation Tax (₹ 18,889.20 crore), 0021 - Taxes on income other than Corporation Tax (₹ 13,128.06 crore), 0032 - Taxes on Wealth (₹ 43.24 crore), 0037 - Customs (₹ 8,125.40 crore), 0038 - Union Excise Duties (₹ 9,278.51 crore) and 0044 - Service Tax (₹ 9,416.01 crore) and 0045 - Other taxes and duties on commodities and services (₹ 0.17 crore).

The primary reasons for drop in tax revenues in 2016-17 over the previous year and significant drop in the share of tax revenues to total revenues was total prohibition of liquor in Bihar from April 2016 and significant decrease in receipts under stamps and registration fees following demonetisation on 8 November 2016.

Breakup of revenue of the State is given in **Chart 1.1**:



1.2.2 Details of budget estimates (BEs) and tax revenues raised during the period 2012-13 to 2016-17 are given in **Table - 1.2**.

Table - 1.2
Details of Tax Revenues

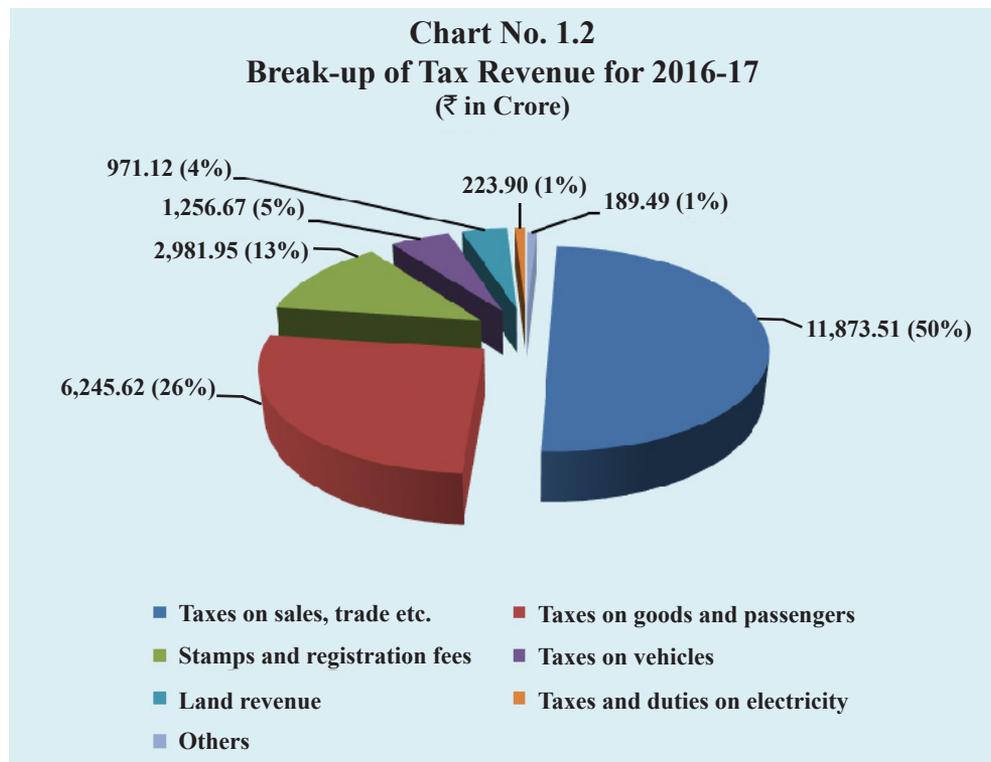
(₹ in crore)

Sl. No.	Head of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease (-) in actual of 2016-17 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 2016-17	Actual of 2015-16
1.	Taxes on sales, trade etc.	<u>8,071.00</u> 8,670.79	<u>12,324.04</u> 8,453.02	<u>12,820.15</u> 8,607.16	<u>16,025.18</u> 10,603.40	<u>14,021.33</u> 11,873.51	(-) 15.32	(+) 11.98
2.	Taxes on goods and passengers	<u>2,800.00</u> 1,932.12	<u>1,192.75</u> 4,349.00	<u>4,117.50</u> 4,451.25	<u>5,146.88</u> 6,087.12	<u>7,211.96</u> 6,245.62	(-) 13.40	(+) 2.60
3.	State excise	<u>2,715.00</u> 2,429.82	<u>3,300.00</u> 3,167.72	<u>3,700.00</u> 3,216.58	<u>4,000.00</u> 3,141.75	<u>2,100.00</u> 29.66	(-) 98.59	(-) 99.06
4.	Stamps and registration fees	<u>1,906.00</u> 2,173.02	<u>3,200.00</u> 2,712.41	<u>3,600.00</u> 2,699.49	<u>4,000.00</u> 3,408.57	<u>3,800.00</u> 2,981.95	(-) 21.53	(-) 12.52
5.	Taxes on vehicles	<u>644.40</u> 673.39	<u>800.00</u> 837.48	<u>1,000.00</u> 963.56	<u>1,200.00</u> 1,081.22	<u>1,500.00</u> 1,256.67	(-) 16.22	(+) 16.23
6.	Land revenue	<u>185.00</u> 205.45	<u>205.00</u> 201.71	<u>250.00</u> 277.13	<u>300.00</u> 695.15	<u>330.00</u> 971.12	(+) 194.28	(+) 39.70
7.	Taxes and duties on electricity	<u>60.70</u> 102.55	<u>66.17</u> 141.31	<u>82.70</u> 374.76	<u>102.50</u> 297.99	<u>590.04</u> 223.90	(-) 62.05	(-) 24.86

Sl. No.	Head of revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/ decrease (-) in actual of 2016-17 in comparison to	
		BE Actual	BE of 2016-17	Actual of 2015-16				
8.	Other taxes and duties on commodities and services	41.99 28.99	34.14 50.43	48.59 105.34	45.43 69.36	88.90 81.08	(-) 8.80	(+) 16.90
9.	Other taxes on income and expenditure- taxes on professions, trades, callings and employment	31.00 36.95	32.59 47.60	44.00 54.96	55.00 64.55	88.03 78.75	(-) 10.54	(+) 22.00
Total		16,455.09 16,253.08	21,154.69 19,960.68	25,662.94 20,750.23	30,874.99 25,449.11	29,730.26 23,742.26	(-) 20.14	(-) 6.71

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

Break-up of tax revenues of the State is given in **Chart 1.2**:



In the above connection, Audit observed the following:

Taxes on sales, trade etc.: Audit observed from the Value Added Tax Management Information System (VATMIS) that there was substantial growth of revenue in 2016-17 over 2015-16 ranging from 24.32 per cent to 277.89 per cent (amounting to ₹ 429.39 crore) in dry fruits, auto parts, *namkeen*, battery, sand and electrical goods, which can primarily be attributed to enhancement of tax rates for these items from five per cent in 2015-16 to 13.5 per cent in 2016-17.

Taxes on goods and passengers: Audit observed from VATMIS that there was substantial growth of revenue of 27.54 per cent (amounting to ₹ 205.52 crore) in electrical goods, where the rate of entry tax was enhanced from eight per cent to 12 per cent.

State excise: The decrease (98.59 per cent) over the BE was due to implementation of prohibition policy with effect from April 2016. Audit examination of files of the Administrative and Finance departments revealed that initially BE was fixed at ₹ 2,100.00 crore which was revised to ₹ 46.40 crore by the Finance Department despite request of Administrative Department to fix revised budget estimate as 'nil' in view of prohibition of liquor.

Land revenue: The increase over the actuals of 2015-16 (39.70 per cent) and over the BE for the year 2016-17 (194.28 per cent) was due to realisation of establishment charges from requisitioning authorities for whom land was acquired and cost of alienated government land realised from Electricity Board and other companies during the year.

Audit observed that the Revenue and Land Reforms Department did not consider receipts from alienation of government land and establishment charges from acquisition of land while preparing budget estimates for the years 2015-16 and 2016-17.

Stamps and registration fees: Audit examination of files of the Registration Department revealed that post-demonetisation (8 November 2016) actual receipts decreased by 36.67 per cent (₹ 663.65 crore) over targeted receipts due to decrease in the number of registered documents.

1.2.3 Details of budget estimates and non-tax revenues raised during the period 2012-13 to 2016-17 are indicated in **Table - 1.3**.

Table - 1.3
Details of non-tax revenues

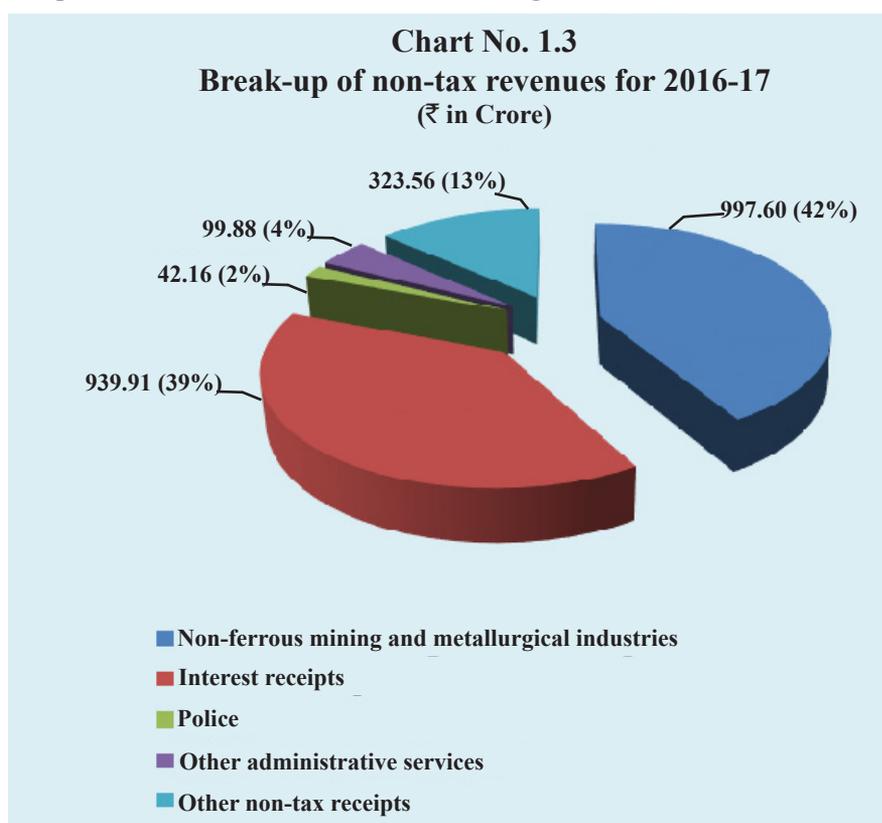
(₹ in crore)

Sl. No.	Head of Revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/decrease (-) in actual of 2016-17 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2016-17	Actual of 2015-16
1.	Non-ferrous mining and metallurgical industries	470.00 511.08	641.00 569.14	750.00 879.87	1,000.00 971.34	1,100.00 997.60	(-) 9.31	(+) 2.70
2.	Interest receipts	263.74 167.12	338.48 269.48	202.22 344.77	312.13 583.66	365.78 939.91	(+) 156.96	(+) 61.04
3.	Police	67.83 25.01	70.59 27.27	69.74 29.50	28.93 66.05	31.74 42.16	(+) 32.83	(-) 36.17
4.	Other administrative services	46.56 10.01	65.01 10.18	251.60 21.77	51.25 72.61	23.35 99.88	(+) 327.75	(+) 37.56

Sl. No.	Head of Revenue	2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+)/decrease (-) in actual of 2016-17 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2016-17	Actual of 2015-16
5.	Other non-tax ² receipts	2,268.24 422.05	2,279.76 668.26	1,797.93 282.07	1,988.80 491.98	819.87 323.56	(-) 60.54	(-) 34.23
Total receipts		1,135.27	1,544.83	1,557.98	2,185.64	2,403.11		(+) 9.95

(Source: Actual receipts as per Finance Accounts of the Government of Bihar and the budget estimates as per the Statement of Revenue and Capital Receipts (Detail) of Government of Bihar).

Break-up of non-tax revenues of the State is given in **Chart 1.3**:



Non-ferrous mining and metallurgical industries: Audit observed from the information provided by the Department that due to non-settlement of stone quarries

² Other non-tax receipts includes actual receipts during 2016-17 under the following heads: Road and bridges (₹ 41.93 crore), Medical and public health (₹ 39.94 crore), Other rural development programmes (₹ 35.66 crore), Forestry and wild life (₹ 27.69 crore), Education, sports, arts and culture (₹ 17.09 crore), Public service commission (₹ 16.31 crore), Other economic services (₹ 15.69 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 14.94 crore), Crop husbandry (₹ 14.38 crore), Major irrigation (₹ 13.69 crore), Medium irrigation (₹ 11.65 crore), Labour employment and skill development (₹ 1.41 crore), Jail (₹ 10.35 crore), Fisheries (₹ 10.42 crore), Miscellaneous general service (₹ 6.30 crore), Water supply and sanitation (₹ 3.46 crore), Housing (₹ 2.45 crore), Urban development (₹ 0.71 crore), Information and publicity (₹ 0.29 crore), Social security and welfare (₹ 0.21 crore), Animal husbandry (₹ 0.80 crore), Cooperation (₹ 6.80 crore), Land reforms (₹ 0.18 crore), Minor irrigation (₹ 2.89 crore), Civil aviation (₹ 4.03 crore), Road transport (₹ 0.19 crore), Tourism (₹ 1.57 crore), Village and small industries (₹ 0.04 crore), Industries (₹ 0.09 crore) and Civil supplies (₹ 0.07 crore).

and non-realisation of expected royalty from brick kilns and works divisions, the budget estimates could not be achieved during 2013-14, 2015-16 and 2016-17. The decrease of revenue from brick kilns is discussed in paragraph 6.2.15.3 of this Report.

Interest receipts: The estimates were not based on realistic assessments which is evident from the fact that despite actual receipts of interest of ₹ 583.66 crore during 2015-16, the estimate for 2016-17 was only ₹ 365.78 crore which led to wide variation (156.96 per cent) between budget estimates and actual receipts during 2016-17.

Other administrative services: The wide variation in budget estimates during 2012-17 indicates that the estimates were not based on realistic assessments. Moreover, the receipts on account of election during 2014-15 were received in 2015-16 and 2016-17 leading to variation in actual receipts.

Other non-tax receipts: The wide variation between budget estimates and receipts during 2012-17 was due to non-receipt of pension liabilities from Jharkhand as per the Bihar Reorganisation Act, 2000 though the Government of Bihar was making budget estimates every year.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 in respect of the principal heads of revenue amounted to ₹ 6,327.12 crore of which ₹ 801.75 crore was outstanding for more than five years as detailed in the **Table - 1.4**.

Table - 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Stages of pendency
1.	Taxes on sales, trade etc.	3,113.62	547.03	Out of ₹ 3,113.62 crore, demands for ₹ 307.77 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 672.95 crore and ₹ 61.55 crore were stayed by the courts and the Government respectively, ₹ 0.80 crore was held up due to assesses/dealers becoming insolvent, ₹ 7.01 crore was likely to be written off and ₹ 2,063.54 crore was pending at other stages.
2.	Taxes on goods and passengers	2,500.38	11.22	Out of ₹ 2,500.38 crore, demand for ₹ 0.62 crore was certified for recovery as arrears of land revenue, recovery of ₹ 2,168.40 crore was stayed by the courts and ₹ 331.36 crore was pending at other stages.
3.	Taxes and duties on electricity	61.91	2.23	Out of ₹ 61.91 crore, recovery of ₹ 20.73 crore was stayed by the courts and ₹ 41.18 crore was pending at other stages.

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Stages of pendency
4.	Taxes on vehicles	184.88	-	The Transport Department did not provide details of arrears outstanding for more than five years. The total arrears of ₹ 184.88 crore were certified for recovery as arrears of land revenue.
5.	Other taxes and duties on commodities and services	10.10	8.31	Demands for ₹ 8.36 crore were certified for recovery as arrears of land revenue, recovery of ₹ 0.02 crore was stayed by the courts and ₹ 1.72 crore was pending at other stages.
6.	Land revenue	117.73	34.15	₹ 34.15 crore was outstanding for more than five years. The Revenue and Land Reforms Department did not intimate details of stages at which the arrears were pending for collection.
7.	State excise	66.96	23.29	Demands for ₹ 50.90 crore were certified for recovery as arrears of land revenue, recovery of ₹ 4.86 crore and ₹ 0.40 crore was stayed by the courts and the Department respectively, ₹ 2.38 crore was held up due to assesseees/dealers becoming insolvent, ₹ 0.35 crore was likely to be written off and ₹ 8.07 crore was pending at other stages.
8.	Non-ferrous mining and metallurgical industries	271.54	175.52	Total arrears of ₹ 271.54 crore were certified for recovery as arrears of land revenue.
Total		6,327.12	801.75	

(Source: Information from the departments)

The departments intimated pendency at different stages after obtaining information from field units, but individual records relating to outstanding arrears were not produced to audit for examination. It was further observed that the departments failed to monitor the progress of collection of arrears, since they do not have database of outstanding arrears.

Recommendation:

The departments should create a database of outstanding arrears for periodic review and liquidation of arrears.

1.4 Follow up on Audit Reports – summarised position

In terms of the Manual of Instructions (1998) of the Finance Department, departments are required to initiate action on the audit paragraphs contained in the Report of the Comptroller and Auditor General of India (CAG) within two months of their laying in the Legislative Assembly, and Government shall submit explanatory notes thereon for consideration by the Public Accounts Committee (PAC). However, significant delays were observed in submission of explanatory notes (reply of the

departments) itself, with average delays of two months in respect of 204 paragraphs (including performance audits) appearing in the CAG's Revenue Audit reports for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 placed before the State Legislature between January 2013 and March 2017. Details of pending explanatory notes pertaining to various departments³ are given in **Table - 1.5**.

Table - 1.5
Pending explanatory notes

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1.	31 March 2012	08.01.2013	38	36	2
2.	31 March 2013	21.02.2014	41	38	3
3.	31 March 2014	24.12.2014	44	30	14
4.	31 March 2015	18.03.2016	39	29	10
5.	31 March 2016	27.03.2017	42	0	42
Total			204	133	71

It was observed that though the departments initiated action for recovery of revenue in the instances pointed out by Audit, corrective measures to prevent persistent irregularities were not addressed by the departments at any level.

The PAC discussed 11 selected paragraphs pertaining to the Audit Reports for the years 2011-12 to 2015-16 and gave 19 recommendations on nine paragraphs including 12 sub-paragraphs relating to Prohibition, Excise and Registration Department and Mines and Geology Department incorporated in the Report (2011-12, 2012-13, 2013-14 and 2014-15) on which no Action Taken Notes (ATNs) has been received from the departments (May 2018).

Recommendation:

The State Government may initiate action to address the shortcomings and system defects pointed out by Audit and to plug the leakage of revenue, and also ensure that all departments promptly prepare ATNs on recommendations of PAC.

1.5 Response of the departments/Government to Audit

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

Review of IRs issued during the period 2008-09 to 2016-17 revealed that 20,034 paragraphs relating to 2,426 IRs remained outstanding at the end of June 2017. The potential recoverable revenue in these IRs is as much as ₹ 17,563.67 crore whereas the total revenue collection of the State is ₹ 26,145.37 crore. Details of IRs relating to major revenue earning departments of the State Government are given in **Table - 1.6**.

³ Commercial Taxes (47 paragraphs); Prohibition, Excise and Registration (7 paragraphs); Transport (7 paragraphs); Revenue and Land Reforms (5 paragraphs) and Mines and Geology (5 paragraphs).

Table - 1.6
Department-wise details of Inspection Reports

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	377	8,648	10,290.72
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	338	1,549	1,119.99
3.	Revenue and Land Reforms	Land revenue	680	4,147	2,447.46
4.	Transport	Taxes on vehicles	365	2,665	1,390.31
5.	Registration	Stamps and registration fees	329	961	254.29
6.	Mines and Geology	Mining receipts	337	2,064	2,060.90
Total			2,426	20,034	17,563.67

Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received for 1,173 IRs involving potential revenue of as much as ₹ 7,197.52 crore, issued from 2008-09 onwards. Department-wise details are given in **Table - 1.7**.

Table - 1.7
Details of Inspection Reports pending first reply

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	116	3,692	3,384.22
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	82	465	224.76
3.	Revenue and Land Reforms	Land revenue	459	2,864	1,747.13
4.	Transport	Taxes on vehicles	251	1,754	851.90
5.	Registration	Stamps and registration fees	108	320	65.85
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	157	1,076	923.66
Total			1,173	10,171	7,197.52

Recommendation:

The State Government may introduce a mechanism to ensure that departmental officers respond to Audit Inspection Reports promptly, take corrective action, and work closely with Audit to bring about the early settlement of audit observations.

1.6 Internal Audit by Finance (Audit) Department

The Finance (Audit) Department, GoB headed by the Chief Controller of Accounts, undertakes internal audit of the state government departments/offices based on requisitions received from the concerned administrative departments and availability of audit teams.

The manpower position of the Finance (Audit) Department (as on 31 March 2018) is given in **Table - 1.8:**

**Table - 1.8
Manpower position in Finance (Audit) Department**

Name of post	Sanctioned strength	Persons in position	Shortfall (in per cent)
Auditor	289	41	248 (85.81)
Senior Auditor-II	144	79	65 (45.14)
Senior Auditor-I	49	41	8 (16.33)
Dy. Controller of Accounts	23	2	21 (91.30)
Controller of Accounts	7	0	7 (100)

Audit further observed that the Finance (Audit) Department audited 52 units of Revenue and Land Reforms Department, six units of Registration Department and one unit of Excise Department out of total 1,186 units⁴ of all major revenue earning departments during 2012-17. The Finance (Audit) Department did not conduct audit of any other major revenue earning departments viz., Commercial Taxes Department, Transport Department and Mines and Geology Department due to acute shortage of manpower in different cadres ranging between 16.33 per cent and 100 per cent as on 31 March 2018.

Recommendation:

The State Government should ensure filling up vacancies in different cadres of the Finance (Audit) Department to ensure effective internal audit.

1.7 Results of audit

Position of the local audit conducted during the year

The Accountant General covered six departments of the State Government and test checked records of 289 out of 1,186 auditable units (24 per cent) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees,

⁴ Commercial Taxes Department (63 units), Revenue and Land Reforms Department (839 units), Transport Department (49 units), Excise Department (39 units), Registration Department (140 units) and Mines and Geology Department (56 units).

land revenue and mining receipts during the year 2016-17. Besides, test audit of 10 offices of District Land Acquisition Officers was also undertaken between April and July 2017. In six departments revenue of ₹ 26,420.45 crore was collected during 2015-16, out of which 289 audited units collected ₹ 22,968.93 crore (87 per cent).

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 4,550.08 crore (20 per cent of revenue collected by audited units) in 3,960 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 1,599.62 crore in 1,080 cases, out of which 557 cases involving ₹ 1,320.17 crore were pointed out during April 2016 to July 2017 and the rest in earlier years. The departments reported (between April 2016 and April 2018) recovery of ₹ 42.20 crore, of which ₹ 29.63 crore pertained to cases pointed out after April 2016 and rest pertained to earlier years.

1.8 Coverage of this Report

This Report contains 35 paragraphs and one audit of “**Mining receipts - levy and collection of royalty, fee and rent**” with financial effect of ₹ 1,835.31 crore.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the State Government departments, but not covered in the test check. The departments/Government may therefore like to internally examine all the other units with a view to ensuring that they are functioning as per requirement and rules.

The departments/Government have accepted (up to April 2018) audit observations amounting to ₹ 1,244.35 crore, of which ₹ 13.78 crore was recovered. The recoveries in the remaining cases have not been intimated (June 2018). The audit observations are discussed in chapters 2 to 6 of this Report.

The concerned departments reported (between April 2016 and April 2018) recovery of ₹ 359.00 crore pertaining to audit findings covered in previous audit reports.

Chapter-2

Commercial Taxes

CHAPTER-2: COMMERCIAL TAXES

2.1 Tax administration

The levy and collection of commercial taxes¹ in the State is governed by the following Acts and Rules:

- Central Sales Tax (CST) Act, 1956;
- Bihar Value Added Tax (BVAT) Act, 2005;
- Bihar Tax on entry of goods into local areas (BTEG) Act, 1993;
- Bihar Entertainment Tax Act, 1948;
- Bihar Taxation on Luxuries in Hotels Act, 1988;
- Bihar Electricity Duties Act, 1948;
- Bihar Tax on Professions, Trades, Callings and Employments Act, 2011; and
- Bihar Tax on Advertisements Act, 2007.

The Commercial Taxes Department (CTD) is headed by the Commissioner of Commercial Taxes (CCT) assisted by five Additional Commissioners, three Joint Commissioners of Commercial Taxes (JCCT), 10 Deputy Commissioners of Commercial Taxes (DCCT)/Assistant Commissioners of Commercial Taxes (ACCT) and five Commercial Taxes Officers (CTOs) at the headquarters level including the Bureau of Investigation. At the field level, the State is divided into nine administrative divisions², nine appeals divisions³ and nine audit divisions⁴, each headed by a JCCT. The nine administrative divisions are further sub-divided into 50 circles, each headed by a DCCT/ACCT assisted by CTOs. The circle is the basic activity centre of the Department.

2.2 Internal Audit

The BVAT Act, 2005 and BVAT Rules empower the Commissioner to select, by 31 March of the following year, such number of dealers as may be deemed fit, for detailed audit by the Audit divisions headed by the JCCT (Audit) within thirty six months from the due date⁵. After audit the observations are sent to the circles for assessment/re-assessment and recovery of revenue.

The CTD has nine Audit divisions responsible for audit of returns/statements filed by the dealers. In 2016-17, the CCT selected 2,385 dealers to verify the correctness of their tax liabilities for the assessment year 2015-16. It was observed that during 2016-17, eight Audit divisions conducted audit of 17,382 dealers related to the period 2012-13 to 2014-15, which were selected by the CCT during 2013-14 to 2015-16, in which audit observations worth ₹ 476.01 crore (four Audit divisions) were made. The remaining four Audit divisions did not furnish money value of

¹ Commercial taxes include taxes on sales, trade etc., taxes on goods and passengers; taxes and duties on electricity; other taxes on income and expenditure-taxes on professions, trades, callings and employment and other taxes and duties on commodities and services.

² Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

³ Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

⁴ Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

⁵ 31 December in case of Company and dealers whose accounts are required to be audited under the Act or under any other law, and 31 July in case of other dealers.

audit observations and none of the Audit divisions furnished the amount of recovery against their audit observations.

2.3 Results of audit

During 2016-17, the Accountant General test checked 43 units (68 per cent) (41 circles⁶ out of 50 and two check-posts⁷ out of six) out of 63 units of CTD. The CTD collected ₹ 17,122.42 crore revenue during 2015-16 of which audited units collected ₹ 16,690.50 crore (97 per cent). Audit test checked records of 5,080 dealers out of total 2,36,032 dealers registered in test checked units and identified irregularities worth ₹ 1,198.87 crore in 2,409 cases as detailed in **Table - 2.1**.

Table - 2.1

			(₹ in crore)
Sl. No.	Categories	No. of cases	Amount
1.	Suppression of turnover	472	494.03
2.	Application of incorrect rates of tax	95	36.71
3.	Non/ short levy of taxes	456	67.47
4.	Incorrect/Excess allowance of ITC ⁸	284	83.75
5.	Irregular allowance of exemption	290	214.62
6.	Incorrect determination of turnover	67	44.38
7.	Suppression of import value	186	66.00
8.	Application of incorrect rates of entry tax	24	2.63
9.	Non/short levy of electricity duty	4	107.20
10.	Non/short levy of entertainment tax	4	1.98
11.	Other cases	527	80.10
Total		2,409	1,198.87

The Department accepted underassessment and other deficiencies of ₹ 212.83 crore in 559 cases between April 2016 and March 2018. Out of these, 204 cases involving ₹ 51.82 crore were pointed out during 2016-17 and the rest during earlier years. Further, the Department recovered (between April 2016 and March 2018) ₹ 22.57 crore in 105 cases, of which ₹ 13.63 crore pertained to cases pointed out during 2016-17 and the rest to earlier years. Replies in the remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

This Chapter contains 16 paragraphs involving 205 cases worth ₹ 178.41 crore. Most of these are persisting irregularities, despite similar cases being pointed out repeatedly in the Audit Reports during the last five years as detailed in **Table - 2.2**.

⁶ Aurangabad, Bagaha, Barh, Begusarai, Bhabhua, Bhagalpur, Chhapra, Biharsharif, Danapur, Darbhanga, Forbesganj, Gandhi Maidan, Gaya, Gopalganj, Hajipur, Kadamkuan, Katihar, Kishanganj Lakhisarai, Madhubani, Motihari, Munger, Muzaffarpur East, Muzaffarpur West, Nawada, Patliputra, Patna Central, Patna City East, Patna City West, Patna North, Patna South, Patna Special, Patna West, Purnea, Raxaul, Saharsa, Samastipur, Sasaram, Sitamarhi, Siwan and Toghra.

⁷ Dalkola and Rajauli.

⁸ Credit (set-off) of tax paid on inputs (purchase) at previous stage from the tax payable at subsequent stage of sale.

Table - 2.2

(₹ in crore)

Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount								
Suppression of turnover	43	55.37	9	18.08	12	76.26	64	452.39	23	12.41	151	614.51
Incorrect claim of ITC	19	102.86	17	31.06	7	33.80	55	40.06	21	4.89	119	212.67
Non-levy of purchase tax	-	-	-	-	1	0.10	8	13.86	3	0.86	12	14.82
Application of incorrect rate of tax	31	39.85	24	56.81	8	4.66	34	7.77	8	4.21	105	113.30
Non-levy of surcharge	-	-	-	-	-	-	6	0.29	9	0.60	15	0.89
Incorrect adjustment of entry tax towards payment of VAT/CST	12	10.91	23	12.34	38	20.48	40	40.38	12	5.80	125	89.91
Incorrect allowance of deductions	13	1.73	21	13.01	14	4.41	28	10.72	6	2.84	82	32.71
Irregular deduction on account of transit sales	-	-	-	-	2	4.02	3	7.73	-	-	5	11.75
Short levy of entry tax	-	-	-	-	-	-	-	-	9	838.97	9	838.97
Short levy of entry tax due to suppression of import value	4	23.67	12	86.88	45	272.61	-	-	9	2.00	70	385.16
Application of incorrect rate of entry tax	11	8.80	6	3.63	22	66.66	5	0.16	4	0.77	48	80.02
Short payment/non-realisation of admitted entry tax	2	0.84	4	1.51	19	135.60	3	2.11	6	5.80	34	145.86
Non/Short calculation of reverse credit	-	-	4	0.45	1	0.08	8	16.36	3	1.79	16	18.68
Short payment of admitted tax and non-levy of interest	11	1.34	9	1.19	14	1.85	89	21.26	54	48.88	177	74.52
Non-levy of entry tax and penalty due to non-registration	11	2.80	16	13.22	26	2.13	6	0.42	8	0.76	67	19.33

Recommendation:

The Department should initiate corrective/preventive measures to address the lapses/irregularities to avoid the recurrence of similar lapses/irregularities in future.

2.4 Suppression of turnover

Assessing Authorities (AAs) did not detect suppression of turnover of ₹ 24.31 crore leading to underassessment of tax worth ₹ 11.17 crore including leviable penalty and interest.

Under the BVAT Act, 2005, in case of concealment, omission or failure to disclose correct sale/purchase, the AAs are empowered to impose penalty at three times of the tax payable besides tax and interest on the escaped turnover. Further, as per section 25 (1) of the BVAT Act, the AAs are required to scrutinise every quarterly and annual return as per the six checklists provided therein under clause (a) to (f).

Audit test check of assessment records in 10 commercial taxes circles⁹ revealed that 12 dealers (two cases of scrutiny and 10 cases of self-assessment) reported their sales/purchase turnover of ₹ 1,102.69 crore only against their actual sales/purchase turnover of ₹ 1,127 crore during the year 2013-14 and 2014-15, as observed from cross-verification of related records¹⁰ submitted/filed by the dealers, leading to suppression of turnover of ₹ 24.31 crore. The AAs failed to scrutinise the 10 cases and could not detect the suppression of turnover from the records even in the two cases scrutinised by them, leading to underassessment of tax of ₹ 11.17 crore including penalty of ₹ 7.77 crore and interest of ₹ 78.91 lakh.

The AAs accepted audit observations in four cases and raised demand of ₹ 5.10 crore between June and August 2017. Recovery in the accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in the Audit Reports for the years 2011-12 to 2015-16 highlighting the system deficiencies and failure of AAs to effectively scrutinise dealers' returns to detect short collection of tax of ₹ 614.51 crore from 151 dealers. However, the lapses/irregularities continue to recur.

Recommendation:

The Department should ensure cross-verification of turnover details in the returns with other related records of the dealers to detect suppression of turnover by periodical revision of scrutiny parameters.

2.5 Application of incorrect rate of tax

AAs failed to detect application of incorrect rates of tax leading to short levy of tax of ₹ 12.45 crore including interest.

The BVAT Act, 2005, requires the AAs to scrutinise quarterly as well as annual returns to ensure application of correct rate of tax. The Act further provides for levy of interest at the rate of one and a half *per cent* per month on the amount of tax found payable subsequent to scrutiny.

Audit test check of assessment records in 16 commercial taxes circles¹¹ revealed that tax liabilities of 44 dealers¹² were assessed/self-assessed at the lower rates of zero to five *per cent* instead of correct applicable rates of one to 13.5 *per cent* on

⁹ Gaya, Kadamkuan, Munger, Muzaffarpur East, Muzaffarpur West, Patna Central, Patna north, Patna Special, Patna City East and Patna City West.

¹⁰ Tax Audit Report (TAR), trading and profit and loss account, quarterly and annual returns, utilisation statements of Simplified usage of vehicle information data harmonized application (Suvidha) and declarations in form 'C'.

¹¹ Bhagalpur, Darbhanga, Gandhi Maidan, Gopalganj, Kadamkuan, Madhubani, Muzaffarpur West, Patliputra, Patna Central, Patna City West, Patna North, Patna South, Patna Special, Raxaul, Saharsa and Samastipur.

¹² One case of assessment under section 31 of the BVAT Act, three cases of scrutiny and 40 cases of self-assessment.

the sale of various goods¹³ of ₹ 129.02 crore during the year 2012-13 to 2014-15. Out of these 44 dealers, in 40 cases, the AAs failed to scrutinise the returns and detect the application of incorrect rates. In the remaining four cases, the AAs failed to detect application of incorrect rate of tax even during scrutiny/assessment, leading to short levy of tax of ₹ 12.45 crore including interest of ₹ 2.68 crore.

The AAs accepted the audit observations in six cases, raised demand of ₹ 2.55 crore and recovered ₹ 1.24 crore in two cases. Recovery in the remaining accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

The Audit Reports for the year 2011-12 to 2015-16 had highlighted application of incorrect rates of tax and failure of AAs to effectively scrutinise dealers' returns to detect short collection of tax of ₹ 113.30 crore from 105 dealers. However, similar lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent recurring leakage of revenue.

Recommendation:

The Department should evolve a mechanism whereby AAs invariably scrutinise returns to detect cases of incorrect application of rate of tax.

2.6 Input Tax Credit (ITC)

AAs did not detect incorrect ITC claims of ₹ 2.09 crore by 14 dealers due to non-scrutiny of returns and non-verification of ITC ledger on the VATMIS leading to underassessment of tax of ₹ 9.00 crore including leviable interest and penalty.

The BVAT Act, 2005 provides that a dealer is entitled to claim ITC, if he purchases any input within the State from another registered dealer after paying him tax, and makes sales of such goods within the State or outside the State or consumes them in the manufacture of goods (except Schedule-IV goods¹⁴) for such sales. The AA is empowered to impose interest and penalty equivalent to three times of the tax in case of incorrect claim of ITC.

2.6.1 Irregular/excess claim of Input Tax Credit

Audit test check of assessment records in four commercial taxes circles¹⁵ revealed that during 2013-14 and 2014-15, seven dealers (one case of scrutiny and six cases of self-assessment) availed ITC of ₹ 11.74 crore on purchase of the goods worth ₹ 116.69 crore as against their admissible entitlement of ₹ 10.44 crore. However, the AAs did not scrutinise the returns and verify ITC claims to detect incorrect availing of ITC on various inadmissible items¹⁶ and even failed to detect incorrect

¹³ Stone chips, stone boulders and ballast, mobile phone battery charger, timber, stone dust, auto accessories, bitumin emulsion, articles made of rolled gold and imitation jewellery and besan sold by a dealer having GTO of ₹ 100 crore or more.

¹⁴ Non-VATable goods such as petrol, diesel, all type of liquor and tobacco products.

¹⁵ Bhagalpur, Muzaffarpur East, Patna city East and Patna Special.

¹⁶ Such as flour (on which tax was not admitted on its sale), goods consumed in manufacturing of schedule IV goods and consumables (spare parts, lubricants, electrical goods and fittings).

ITC in the one scrutinised case. As a result, tax of ₹ 5.60 crore including penalty of ₹ 3.91 crore and interest of ₹ 39.73 lakh could not be levied.

The matter was reported to the Department (July 2017) and reply is awaited (June 2018).

The Audit Reports for the years 2011-12 to 2015-16 had highlighted the incorrect claim/availing of ITC and failure of AAs to effectively scrutinise dealers' returns to detect short collection of tax of ₹ 212.67 crore from 119 dealers. However, the Department did not take appropriate measures to ensure verification and checking of admissibility of ITC claims by the AAs, despite assurance of the Principal Secretary in 2015 to develop ITC ledger for verification of ITC in the VATMIS, as a result the irregularities continued to recur.

Recommendation:

The Department should prescribe mandatory submission of evidence in support of ITC claims and ensure that AAs invariably check their admissibility.

2.6.2 Excess claim of ITC on inflated purchases

Audit test check of assessment records in six commercial taxes circles¹⁷ revealed that seven dealers (all cases of self-assessment) had disclosed purchase of goods worth ₹ 16.18 crore for the years 2013-14 and 2014-15, though their actual purchases were worth only ₹ 8.33 crore. Thus the dealers had claimed excess ITC of ₹ 79.27 lakh by inflating purchases worth ₹ 7.85 crore in the returns which was revealed on cross-verification of purchase disclosed by the purchasing dealers in their returns/TAR with the sales disclosed by the selling dealers in their returns/TAR. However, the AAs failed to scrutinise the returns and verify ITC ledger on VATMIS to detect the inflated purchase and incorrect/excess ITC claim of ₹ 79.27 lakh. As a result, the AAs did not levy tax of ₹ 3.40 crore including leviable penalty of ₹ 2.38 crore and interest of ₹ 22.50 lakh.

The AA accepted the audit observation in one case and raised demand of ₹ 1.05 crore. Recovery in the accepted case and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

The Audit Reports for the years 2011-12 to 2015-16 had highlighted the incorrect claim of ITC by dealers and failure of AAs to effectively scrutinise dealers' returns to detect incorrect ITC leading to short collection of tax of ₹ 212.67 crore from 119 dealers. However, the Department did not take appropriate measures to ensure verification of ITC despite assurance of the Principal Secretary in 2015 to develop ITC ledger for verification of ITC in the VATMIS. As a result the irregularities continued to recur.

Recommendation:

The Department should ensure that ITC claims are verified by the AAs through the ITC ledger of dealers on VATMIS.

¹⁷ Bagaha, Begusarai, Gopalganj, Muzaffarpur West, Patna Special and Sasaram.

2.7 Excess allowance of ITC due to non-calculation of reverse credit¹⁸

AAs failed to detect non-calculation of reverse credit by the dealers leading to excess allowance of ITC of ₹ 6.25 crore including penalty and interest.

The BVAT Rules, 2005 stipulate that a manufacturing dealer is required to reverse the ITC when he makes inter-state/intra-state stock transfer of the goods manufactured from the inputs on which he had claimed ITC. The BVAT Rules further provide for reversal of ITC in case purchased goods on which ITC was claimed are subsequently returned to their sellers by the purchasing dealers. The BVAT Act, 2005 empowers the AAs to impose interest and penalty equivalent to three times of the tax payable for incorrect claim of ITC.

Audit test check of assessment records in five commercial taxes circles¹⁹ indicated that five dealers (one assessed and four self-assessed) availed ITC of ₹ 42.10 crore on their purchases and either returned the purchased goods or made inter-state/intra-state stock transfer of goods manufactured by consuming such purchased goods without making reverse credit of ₹ 1.44 crore during the year 2013-14 and 2014-15. The AAs did not scrutinise the returns of four out of five dealers and therefore failed to detect non-reversal of ITC including one case which was assessed by him. As a result, tax of ₹ 6.25 crore including leviable penalty of ₹ 4.33 crore and interest of ₹ 47.03 lakh could not be levied by the AAs.

The AAs accepted the audit observations in three cases and raised demand of ₹ 4.33 crore and recovered ₹ 2.64 lakh in one case. The recovery in the remaining accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in Audit Reports for the year 2011-12 to 2015-16 highlighting failure of AAs to effectively scrutinise dealers' returns to detect short collection of tax of ₹ 18.68 crore from 16 dealers. However, similar lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent recurring leakage of revenue.

2.8 Short levy of tax due to incorrect adjustment of entry tax

AAs failed to detect incorrect adjustment of entry tax towards VAT/CST liability leading to short levy of VAT/CST of ₹ 2.97 crore including interest.

Under the provisions of BTEG Act, 1993 adjustment of entry tax paid by a dealer on purchase of scheduled goods²⁰ towards his VAT liability is not admissible in various circumstances such as (i) the goods imported were not re-sold, (ii) the rate of VAT was less than the rate of ET, and (iii) the manufacturer did not belong to small, medium or sick industries category. Further, the liability of CST is not adjustable from the entry tax.

¹⁸ Reversal of input tax credit already availed by the dealer due to circumstances given in Rule 14, 15 and 16 of the BVAT Rules, 2005, is reverse credit.

¹⁹ Patna City East, Patna City West, Patna North, Patna Special and Sitamarhi.

²⁰ Goods mentioned in the schedule attached to the BTEG Act, 1993 on which entry tax is leviable at different rates prescribed in the schedule.

Audit test check of assessment records in seven commercial taxes circles²¹ revealed that 10 self-assessed dealers, had adjusted their VAT/CST liability amounting to ₹ 240.35 crore from entry tax paid by them during the period 2013-14 and 2014-15. However, the dealers were eligible for entry tax adjustment of ₹ 238.07 crore only, as the remaining amount of ₹ 2.29 crore was not admissible as per the provision of the Act *ibid*. This led to incorrect adjustment of entry tax of ₹ 2.29 crore towards payment of VAT/CST. The AAs failed to scrutinise returns and detect incorrect adjustment of entry tax which resulted into short levy of VAT/CST of ₹ 2.97 crore including interest of ₹ 67.94 lakh.

The AA accepted the audit observation in one case and raised demand of ₹ 24.58 lakh. Recovery in the accepted case and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

The Audit Reports for the years 2012-13 to 2015-16 had highlighted non-observance of these provisions by dealers and failure of AAs to effectively scrutinise dealers' returns to detect those lapses/irregularities leading to short collection of tax of ₹ 89.91 crore from 125 dealers. However, the Department did not take appropriate measures, resulting in recurrence of similar lapses/ irregularities.

Recommendation:

The Department may ensure scrutiny of returns by the AAs to detect cases of irregular adjustment of entry tax.

2.9 Incorrect availing/allowance of deduction

AAs failed to detect incorrect availing of deductions by works contractors leading to short levy of tax of ₹ 1.69 crore.

The BVAT Act, 2005 and Rules, 2005 stipulate that a works contractor is liable for deduction on the items of labour/services and other charges enumerated therein.

Audit test check of assessment records in two commercial taxes circles (Bhagalpur and Munger) revealed that two works contractors (self-assessed) availed deductions of ₹ 372.86 crore towards labour and other charges during the period between 2013-14 and 2014-15. As observed from the records²² they availed deductions to the extent of ₹ 29.77 crore towards inadmissible items²³ and were eligible for deduction of ₹ 343.09 crore only. The AAs had not scrutinised returns and as such, could not detect the incorrect deductions. Moreover, it was observed that evidence to substantiate claims of deductions by works contractors to be submitted with the returns was not prescribed under BVAT Act/Rules. This led to incorrect deductions of ₹ 29.77 crore which resulted in short levy of tax of ₹ 1.69 crore.

²¹ Hajipur, Kadamkuan, Patna Central, Patna City West, Patna Special, Patna West and Shahabad (Ara).

²² Returns, profit and loss accounts and TAR.

²³ Purchase of goods in the course of interstate trade and commerce, TDS, other petty administrative expenses and profit other than on labour and services.

The matter was reported to the Department (July 2017) and reply is awaited (June 2018).

The Audit Reports for the years 2012-13 to 2015-16 had highlighted non-observance of these provisions by dealers/works contractors and failure of the AAs to effectively scrutinise dealers' returns to detect short collection of tax of ₹ 32.71 crore from 82 dealers. However, similar lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence.

Recommendation:

The Department may consider mandatory assessment of returns of works contractors, as presently, the BVAT Act/Rules do not require works contractors to furnish evidence to substantiate claims of deductions.

2.10 Short levy of tax on rental charges of electric meters

AAs underassessed VAT of ₹ 2.80 crore including interest on the rental charges of electric meters.

The BVAT Act, 2005 provides that "sale" includes a transfer of the right to use any goods for any purpose.

Audit test check of assessment records in Patna special commercial taxes circle revealed that two dealers had not admitted any VAT on the proceeds of electric meter rent of ₹ 148.51 crore received during 2013-14 and 2014-15. The AA, under the impression that the meter rent receipts was inclusive of VAT, excluded the amount of VAT while doing assessment and determined the taxable turnover at ₹ 130.84 crore only, without actually examining the schedules of annual accounts. However, Audit examination of annual accounts and schedules revealed that the meter rent receipt of ₹ 148.51 crore was absolute and not inclusive of any tax. Thus due to lack of due diligence by the AAs, VAT of ₹ 20.90 crore (including interest) was levied instead of ₹ 23.70 crore (including interest), leading to short levy of tax and interest of ₹ 2.80 crore.

The AA accepted the audit observation in one case and rectified the assessment order by raising additional demand of ₹ 1.52 crore. The recovery in the accepted case and reply in the remaining case are awaited (June 2018) though the matter was reported to the Department in July 2017.

2.11 Non/Short payment of admitted tax and interest

AAs failed to detect non/short/delayed payment of admitted tax leading to non/short realisation of tax and interest of ₹ 6.27 crore.

The BVAT Act, 2005 stipulates payment of tax by every dealer on or before 15th of the following month failing which, he is required to pay interest at the rate of one and a-half *per cent* per month. AAs are required to scrutinise quarterly as well as annual returns to ensure payment of tax and interest.

- Audit test check of assessment records in 28 commercial taxes circles²⁴ revealed that 52 self-assessed dealers, had paid only ₹ 29.66 crore against the payable admitted tax of ₹ 33.50 crore during the years 2013-14 and 2014-15. Thus, they made short payment of tax of ₹ 3.85 crore. The AAs failed to detect short/non-payment of taxes of ₹ 4.88 crore including interest of ₹ 1.03 crore due to non-scrutiny of returns. Audit also observed absence of a system of raising alerts in the VATMIS to red flag non/short payment of admitted tax.

The AAs accepted the audit observations in 16 cases and raised demand for ₹ 1.29 crore and recovered ₹ 11.43 lakh in three²⁵ cases. Recovery in the accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

- Audit test check of assessment records in 17 commercial taxes circles²⁶ revealed that 23 self-assessed dealers had paid their admitted tax with delays ranging from two to 823 days during 2013-14 and 2014-15. The AAs failed to levy interest of ₹ 1.39 crore for such default due to non-scrutiny of returns. Audit also observed the absence of a system of raising alerts in the VATMIS to red flag the delayed payment of admitted tax.

The AAs accepted the audit observations in five cases and raised demand for ₹ 64.90 lakh and recovered ₹ 2.14 lakh in one case. Recovery in the accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

The Audit Reports for the years 2011-12 to 2015-16 had highlighted similar non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect short payment of admitted tax and interest thereon of ₹ 74.52 crore in 177 cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

Recommendation:

The Department should evolve a mechanism to detect cases of non/short/delayed payment of admitted tax in the VATMIS.

2.12 Non-levy of purchase tax

AA failed to cross-verify details of purchase/sale and did not levy purchase tax of ₹ 70.82 crore including interest in case of a dealer.

²⁴ Bagaha, Begusarai, Bhabhua, Bhagalpur, Darbhanga, Forbesganj, Gopalganj, Kadamkuan, Lakhisarai, Madhubani, Motihari, Munger, Muzaffarpur East, Muzaffarpur West, Nawada, Patliputra, Patna Central, Patna City East, Patna City West, Patna North, Patna South, Patna Special, Patna West, Saharsa, Sasaram, Sitamarhi, Siwan and Teghra.

²⁵ These cases relate to Bhabhua, Motihari and Sitamarhi.

²⁶ Aurangabad, Begusarai, Bhagalpur, Darbhanga, Gandhi Maidan, Gopalganj, Kadamkuan, Motihari, Muzaffarpur West, Patliputra, Patna Central, Patna city East, Patna South, Patna West, Purnea, Sitamarhi and Siwan.

Under the BVAT Act, 2005, purchase tax is leviable in circumstances where no tax is payable at the time of purchase of goods and subsequently the goods is transferred (other than sales) to another dealer.

Audit test check of assessment records in Patliputra commercial taxes circle revealed that a dealer, Bihar State Food and Civil Supplies Limited (BSFCSL) had procured food grains worth ₹ 1,644.12 crore from various unregistered farmers without requirement of payment of tax²⁷ and transferred the food grains to Food Corporation of India (FCI). However, the fact of transfer to FCI was not disclosed in returns by BSFCSL. The returns filed by FCI however disclosed receipt of food grains of ₹ 1,644.12 crore from BSFCSL during 2013-14. As such, purchase tax was leviable as per provisions of the Act *ibid*. The AA failed to cross-verify details of purchase/sale and did not levy purchase tax of ₹ 70.82 crore including additional tax of ₹ 49.32 crore and interest of ₹ 15.06 crore.

In response to the audit observation, the AA assessed the case and raised (August 2016) demand of ₹ 70.82 crore. Details of recovery are awaited (June 2018) though the matter was reported to the Department in July 2017.

The Audit Report for the year 2014-15 had highlighted underassessment of tax of ₹ 72.88 crore (including penalty and interest) by the same dealer. However, the AAs failed to prevent their recurrence and safeguard revenue.

Recommendation:

The Department may ensure compliance to the rules pertaining to purchase tax by dealers and detection of its non-compliance.

2.13 Non/short levy of surcharge

AAs failed to levy surcharge of ₹ 43.45 lakh on the sales of tobacco products.

As per the notification issued in May 2013 under the BVAT Act, 2005, every dealer selling tobacco products was required to pay surcharge of 15 per cent.

Audit test check of assessment records in seven commercial taxes circles²⁸ revealed that seven dealers (self-assessed) had paid tax of ₹ 4.16 crore on sales of tobacco products worth ₹ 15.25 crore during the period 2013-14 and 2014-15. However, surcharge of ₹ 19.00 lakh only was paid by one out of these seven dealers against the payable amount of ₹ 62.45 lakh. The AAs failed to scrutinise the returns of the dealers, leading to short levy of surcharge of ₹ 43.45 lakh. Audit also observed absence of commodity linked mapping in the VATMIS to ensure payment of surcharge by the dealers of tobacco products.

Following the audit observation, the AA recovered ₹ 2.81 lakh in one case. Replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

²⁷ As per Section 43(1) of the BVAT Act, no un-registered person can collect tax on sales of goods.

²⁸ Bhagalpur, Forbesganj, Hajipur, Kishanganj, Muzaffarpur West, Patna South and Patna Special.

The Audit Reports for the years 2014-15 and 2015-16 had highlighted similar observations. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

Recommendation:

The Department should ensure levy and collection of surcharge on tobacco products.

2.14 Non-levy of tax on closing stock of discontinued business

AA failed to detect tax liability of ₹ 3.20 crore on closing stock of goods held by the dealer who discontinued his business.

As per the BVAT Act, 2005, a registered dealer is required to pay tax on the stock of the goods remaining with him when he closes or discontinues his business.

Audit test check of assessment records in Patna North commercial taxes circle revealed that a dealer (self-assessed) had disclosed closing stock of goods of ₹ 52.28 crore in his annual return for the period 2013-14. The dealer had neither filed any return since December 2014 nor paid any tax for the subsequent years as he had discontinued his business and therefore he was liable to pay tax on the stock of goods held by him along with the leviable interest as per the provision of the Act *ibid*. The AA failed to detect the discontinuance of business by the dealer and levy tax on the closing stock which resulted into non-levy of tax of ₹ 3.20 crore²⁹ including interest of ₹ 58.81 lakh.

The AA accepted the audit observation and raised demand of ₹ 3.36 crore. However, recovery is awaited (June 2018) though the matter was reported to the Department in July 2017.

2.15 Irregular claim of deduction towards transit sales

AAs did not detect the irregular claim of transit sale leading to short levy of tax of ₹ 42.75 crore.

The Central Sales Tax (CST) Act, 1956 and CST Rules, 1957 provide for exemption for transit sale of goods made during the movement of goods for inter-state trade and commerce subject to submission of form 'C' and certificate 'E-I' by dealer claiming such exemption. The CCT issued instructions in 2006, 2011 and 2013 to all the AAs to disallow claims of exemption/concessions towards inter-state sales not supported by the prescribed documents within the prescribed time and levy tax along-with applicable interest on such disallowed claims.

²⁹ Calculation: Tax at the rate of five *per cent* on ₹ 52,27,65,586 = ₹ 2,61,38,279
Interest at the rate of 1.5 *per cent* for 15 months = ₹ 58,81,112
Total = ₹ 3,20,19,391

Audit test check of assessment records in two commercial taxes circles (Patna Central and Patna Special) revealed that two dealers³⁰ (self-assessed) claimed exemption for transit sale of goods worth ₹ 245.11 crore during the period 2013-14 and 2014-15. However, the dealers did not submit certificates in form 'E-1' and declaration in form 'C' and proof of movement of goods (utilisation of Road permit generated in *Suvidha*³¹) in support of their claims. The AAs failed to detect the incorrect claims of exemption towards transit sales leading to short levy of tax of ₹ 42.75 crore including interest of ₹ 9.66 crore.

Accepting the audit observation, the AA raised demand of ₹ 16.44 crore in one case. Recovery in the accepted case and reply in the remaining case are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in Audit reports for the years 2013-14 and 2014-15 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect incorrect exemption leading to underassessment of tax of ₹ 11.75 crore in five cases. However, the lapses/irregularities are still persisting despite issuance of directives by the CCT in 2006, 2011 and 2013 to scrutinise such cases within the prescribed time and disallow such claims not supported by the prescribed documentary evidence.

Recommendation:

The Department should ensure compliance of the directives issued by the CCT from time to time and take action against officials/officers who failed to follow such directions.

Entry Tax

2.16 Under assessment of entry tax

The BVAT Act, 2005, and the BTEG Act, 1993, empower the AAs to levy tax on turnover escaping tax for any reason *viz.*, concealment, omission, non-disclosure etc., besides interest and penalty equivalent to three times the tax payable on escaped turnover. The Acts *ibid* further requires the AA to scrutinise quarterly and annual returns as per the six checklists provided under Section 25 (1) (a) to (f) of the BVAT Act, 2005.

³⁰ Calculation:

(₹ in crore)						
Sl. No.	Name of the dealer/TIN	Period	Amount of transit sale	Tax leviable	Interest	Total
1.	A 2 Z Infra Engineering Ltd. 10010652007	2013-14	87.60	11.83	3.55	15.38
2.	Sri Gopi Krishna Infrastructure Pvt. Ltd 10157633047	2013-14	15.34	2.07	0.93	3.00
		2014-15	142.17	19.19	5.18	24.37
Total			245.11	33.09	9.66	42.75

³¹ *SUVIDHA* (Simplified Usage of Vehicle Information Data Harmonised Application) is an application which captures details of transportation of goods and generates 16 digit unique number to identify different consignments.

2.16.1 Suppression of import³² value

AAs failed to detect suppression of import of scheduled goods by the dealers leading to short levy of entry tax of ₹ 6.03 crore including penalty.

Audit test check of assessment records in five commercial taxes circles³³ revealed that eight dealers (one assessed and seven self-assessed) had disclosed import value of scheduled goods of ₹ 365.69 crore in their returns. However, their actual import value was of ₹ 392.87 crore as observed during the cross-verification of the related records³⁴. Thus the dealers suppressed the imports by ₹ 27.18 crore in their returns during 2013-14 and 2014-15. The AAs did not scrutinise the returns in seven cases and failed to detect suppression of turnover even in one case assessed by them leading to underassessment of tax of ₹ 6.03 crore including penalty of ₹ 4.53 crore.

The AA accepted audit observation in one case and raised demand of ₹ 4.88 lakh (April 2018). Recovery in the accepted case and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in the Audit reports for the years 2011-12 to 2015-16 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect underassessment of tax of ₹ 385.16 crore in 70 cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

Recommendation:

The Department may prescribe a mechanism for cross-verification of turnover with other related records of the dealers to detect suppression of import/purchase in self-assessment cases.

2.16.2 Short levy of Entry Tax

AAs failed to detect actual entry tax liability of eight dealers, leading to short levy of entry tax of ₹ 92.27 lakh.

Audit test check of assessment records in eight commercial taxes circles³⁵ revealed that eight dealers (two cases of assessment and six cases of self-assessment) had imported scheduled goods worth ₹ 21.71 crore during the years 2012-13 to 2014-15 on which they had entry tax liability of ₹ 1.13 crore but admitted and paid entry tax

³² Purchase/receipts of goods from outside the State as well as outside the country.

³³ Aurangabad, Hajipur, Muzaffarpur East, Saharsa and Samastipur.

³⁴ Utilisation statements of *SUVIDHA* and declarations in form 'C' with the returns filed by the dealers under entry tax.

³⁵ Bhabhua, Danapur, Hajipur, Katihar, Patliputra, Patna Central, Patna Special and Sasaram.

of ₹ 20.35 lakh only, as observed on the cross-verification of related records³⁶. The AAs failed to detect the underassessment of tax from the records even in the two cases assessed by them leading to short levy of entry tax of ₹ 92.27 lakh.

The AAs accepted the audit observation in three cases and raised demand of ₹ 25.41 lakh (April 2018). The recovery in the accepted cases and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in the Audit report for the year 2015-16 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect underassessment of tax of ₹ 838.97 crore in nine cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

2.17 Application of incorrect rate of entry tax

AAs failed to detect application of incorrect rate of entry tax due to non/deficient scrutiny/assessment leading to short levy of entry tax of ₹ 36.11 lakh including interest.

The BTEG Act, 1993 provides for payment of entry tax at the rates specified in the Schedule. The BVAT Act and the BTEG Act requires the AAs to scrutinise quarterly as well as annual returns to ensure correct application of rates of tax.

Audit test check of assessment records in four commercial taxes circles³⁷ revealed that four dealers (one case of assessment and three cases of self-assessment) had imported various scheduled goods³⁸ of ₹ 7.53 crore during 2013-14 and 2014-15, but had admitted their entry tax liability at rates lower than those prescribed under the schedule of the Act. The AA of Patna South circle failed to detect the application of incorrect rate even while doing assessment in September 2015, though the commodity-wise purchase statement was placed on record which indicates lack of due diligence by him while doing assessment. In the remaining three cases the AAs failed to scrutinise the returns and detect incorrect application of rates of tax leading to short levy of entry tax of ₹ 36.11 lakh including interest of ₹ 1.08 lakh. Audit further observed that there was absence of mapping of the applicable rates of tax with the commodities given in the schedule, so that the rates could be auto applied while uploading the returns on VATMIS.

The AA accepted the audit observation in one case and raised demand of ₹ 6.62 lakh (April 2018). Recovery in accepted case and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

³⁶ Suvidha, purchase statements and returns and TAR filed under VAT and payment made under entry tax.

³⁷ Aurangabad, Motihari, Patna Central and Patna South.

³⁸ Batteries, electrical goods, iron and steel and plastic goods.

Similar observations were pointed out in Audit reports for the years 2011-12 to 2015-16 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect underassessment of tax of ₹ 80.02 crore in 48 cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

Recommendation:

The Department should ensure detection of cases of incorrect application of rate of tax through scrutiny.

2.18 Short/non-payment of entry tax and interest

AAs failed to detect the short/delayed payment of entry tax and non-levy of interest of ₹ 94.91 lakh.

The BVAT Act, 2005 and the BTEG Act, 1993, stipulates payment of tax, by every dealer on or before 15th of the following month failing which he is required to pay interest at the rate of one and a-half *per cent* per month. The AAs are required to scrutinise quarterly as well as annual returns to ensure payment of tax and interest.

Audit test check of assessment records in five commercial taxes circles³⁹ revealed that three self-assessed dealers had admitted entry tax liability of ₹ 2.27 crore in their returns during 2014-15, though they had actually paid entry tax of ₹ 2.01 crore only. Thus, these dealers had made short payment of entry tax of ₹ 26.08 lakh. Further, three other dealers paid their entry tax liability of ₹ 5.07 crore with delays ranging from 153 to 325 days during the period 2014-15. But no interest was paid by them though there was liability of interest of ₹ 68.83 lakh. These remained undetected by the AAs due to their failure to scrutinise the returns, leading to short realisation of admitted entry tax of ₹ 26.08 lakh and interest of ₹ 68.83 lakh. Audit also observed absence of a system of generating automatic alerts in VATMIS for issue of demand notice through e-mail and mobile phone messages in case of short/non-payment and delayed payment of taxes by the dealers.

The AA accepted the audit observation in one case and raised demand of ₹ 2.11 lakh (April 2018). Recovery in the accepted case and replies in the remaining cases are awaited (June 2018) though the matter was reported to the Department in July 2017.

Similar observations were pointed out in Audit reports for the years 2011-12 to 2015-16 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect short/non-payment of tax and interest of ₹ 145.86 crore in 34 cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

³⁹ Aurangabad, Biharsharif, Kadamkuan, Patna City East and Patna Special.

Recommendation:

The Department should ensure detection of cases of short/delayed payment of taxes through scrutiny.

2.19 Non-levy of entry tax and penalty

AAs failed to detect the import of scheduled goods by dealers not registered under entry tax Act leading to non-levy of entry tax of ₹ 34.30 lakh including penalty.

The BTEG Act, 1993 and Rules requires every dealer to apply for registration within seven days of becoming liable to pay entry tax. In case of willful failure by dealers to apply for registration, the AAs are empowered to assess to the best of their judgment, the amount of tax due, and penalty of ₹ 100 for every day of default or an amount equal to tax assessed, whichever is higher.

Audit test check of assessment records in four commercial taxes circles⁴⁰ revealed that four dealers (all cases of self-assessment) registered under the BVAT Act, had imported various scheduled goods⁴¹ of ₹ 3.85 crore during 2014-15. However, they did not get themselves registered under the BTEG Act. The AAs failed to scrutinise VAT records and detect those un-registered dealers, though the information of their liability for registration under entry tax was available on the records⁴². Audit further observed that the Department has not put a system in place to ensure detection and prevention of import of scheduled goods by dealers unregistered under entry tax. The AAs therefore failed to levy entry tax of ₹ 34.30 lakh including penalty of ₹ 30.18 lakh.

The matter was reported to the Department (July 2017) and reply is awaited (June 2018).

Similar observations were pointed out in Audit reports for the years 2011-12 to 2015-16 highlighting non-observance of these provisions by dealers and failure of the AAs to effectively scrutinise the dealers' returns to detect non-registration of dealers and underassessment of tax of ₹ 19.33 crore in 67 cases. However, the lapses/irregularities continue to persist, indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

⁴⁰ Bhagalpur, Patna Central, Patna West and Saharsa.

⁴¹ Battery, D.G. set, Iron & Steel, Plastic sheets and fabrics, PVC pipe and sanitary goods.

⁴² Returns filed under VAT, TAR, *savidha* utilised by the dealers and their profile up-loaded on VATMIS.

Chapter-3

Revenue and Land Reforms

CHAPTER-3: REVENUE AND LAND REFORMS

3.1 Tax administration

The Revenue and Land Reforms Department is entrusted with the work of acquisition and alienation of land and levy and collection of land revenue in Bihar.

The Principal Secretary-cum-Commissioner is the administrative head and assisted by three Directors and Special Secretary, Joint Secretary, Deputy Secretary at the Headquarters level. The Divisional Commissioners, Collectors, Additional Collectors, District Land Acquisition officer (DLAO), Deputy Collectors and Circle Officers are responsible to carry out the work at the field level. Circle officers are responsible for maintenance of land records and collection of land revenue.

The Collector is responsible for the land acquisition process under the Land Acquisition Act (LA), 1894, Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013 and Bihar Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Rules, 2014. The DLAO has been specially designated by the State Government to assist the Collector in the land acquisition process.

On receiving requisitions from requiring bodies, the Collector/DLAO examines the case of land acquisition. Thereafter, notification/declaration is published in local newspaper and land acquisition process is initiated by Collector/DLAO at district level. Acquisition process involving monetary limit up to ₹ 10 crore is approved by the Collector, above ₹ 10 crore and up to ₹ 25 crore by the Commissioner and above ₹ 25 crore at the level of Department. Further, all land acquisition under emergency provisions are finalised at the Department level.

3.2 Results of audit

During the year 2016-17, the Accountant General test checked 100¹ out of 839 units of the Revenue and Land Reforms Department. The Department collected revenue of ₹ 695.15 crore during 2015-16 of which, the audited units generated revenue of ₹ 97.94 crore.

Ten units of DLAOs undertaking 102 projects of land acquisitions worth ₹ 12,811.82 crore during 2012-17, were selected for audit, of which, 57 projects worth ₹ 7,366.26 crore were test checked between April and July 2017.

Audit scrutiny revealed short/non-payment of compensation and short realisation of revenue and other irregularities involving ₹ 2,290.50 crore in 559 cases as indicated in **Table - 3.1**.

¹ Eight Additional Collector Offices, 13 Deputy Collectors Land Reforms, eight DLAOs, 68 circle offices, two District settlement offices, one District *chakbandi* office.

Table - 3.1

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Application of incorrect market value of land	5	873.46
2.	Short/non-levy of additional compensation	4	137.24
3.	Excess levy of additional compensation	1	4.65
4.	Short levy of solatium	1	1.59
5.	Short payment of compensation to landowners	1	2.11
6.	Undue delay in land acquisition resulted in cost escalation and de-notification	1	8.19
7.	Rehabilitation and resettlement for affected families	7	114.58
8.	Short levy of interest	3	18.14
9.	Short levy of establishment charges	12	349.47
10.	Non-remittance of revenue and interest into Government Account	101	32.91
11.	Alienation/transfer of Government land	3	11.28
12.	Incorrect deduction of income tax at source	8	96.50
13.	Non-realisation of <i>salami</i> and rent due to non-execution of fresh lease	4	236.59
14.	Creation of <i>jamabandi</i> without obtaining proper document from the tenants	2	81.84
15.	Others	406	321.95
Total		559	2,290.50

The Department accepted underassessment and other deficiencies involving ₹ 1,232.77 crore in 158 cases. Of these, 100 cases involving ₹ 1,159.81 crore were pointed out during April 2016 to July 2017 and the rest in earlier years. The Department recovered ₹ 12.43 crore in four cases between April 2016 and March 2018. Of these, one case involving ₹ 12.35 crore pointed out after April 2016 and the rest in earlier years. Replies in remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

Irregularities involving 12 paragraphs worth ₹ 1,488.76 crore have been illustrated in this chapter. Some of these irregularities continue to persist, despite similar cases being pointed out in the Audit Reports during the last two years as detailed in **Table - 3.2**.

Table - 3.2

(₹ in crore)

Nature of observation	2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount	Cases	Amount
Non/short realisation of establishment charges	1	97.17	2	111.72	3	208.89
Excess realisation of contingency charges	1	0.83	2	0.60	3	1.43
Avoidable payment of interest due to delayed announcement of award	1	14.61	0	0	1	14.61
Revenue on transfer of Government land not realised	0	0	1	11.68	1	11.68

Compensation on land acquisition

3.3 Application of incorrect market value of land

Incorrect adoption of market value of land leading to short payment of compensation of ₹ 873.46 crore to landowners.

The RFCTLARR Act, 2013 (Act 2013) and circulars/instructions² issued by the Department provide that in cases where land acquisition was initiated under the LA Act, 1894 but award could not be made till December 2013, then compensation value shall be determined as per the provisions of the Act, 2013 by considering the market value of the land applicable as on 1 January 2014.

Audit observed that five DLAOs, in nine out of 25 projects of land acquisition, involving 216 *maujas* (revenue village) in five districts³ (out of 10 districts) for 2,875.64 acres land, adopted market value of land prevailing prior to the effective date without adhering to the instructions issued by the Department. As a result, the DLAOs prepared revised estimates (between March 2014 and January 2017) for compensation worth ₹ 729 crore only instead of ₹ 1,602.46 crore. These defective estimates were approved (March 2014-January 2017) by various competent authorities⁴ without detection of the above defect in the estimates. Thus due to adoption of market value of land prevailing prior to the effective date (1 January 2014), these DLAOs short-estimated the proposed compensation by ₹ 873.46 crore leading to short payment of compensation to that extent to the landowners.

The Department stated in the exit conference (March 2018) that suitable guidelines in this regard had already been issued (December 2015) for implementation, on the advice (October 2015) of the Department of Land Resources, Government of India. However, the fact remains that the revision of estimates and payment of compensation at the revised rates are yet to be made in the cases pointed out by audit.

Recommendation:

The Department should ensure payment of compensation to landowners at appropriate market value of land.

3.4 Levy and payment of additional compensation

3.4.1 Non-payment of additional compensation

Additional compensation of ₹132.44 crore was not paid to landowners whose land was acquired under emergency provision.

The RFCTLARR Act, 2013 stipulates that in case of land acquisition initiated under the LA Act, 1894 but award not made till December 2013, then compensation value shall be determined as per the provisions of the Act, 2013. The Act *ibid* further

² In February 2014, December 2015 and May 2016.

³ Buxar, Gaya, Muzaffarpur, Nalanda and Sitamarhi.

⁴ DLAO, Collector, Commissioner and the Department.

stipulates for payment of additional compensation at the rate of 75 per cent of the total compensation value of land and assets acquired under emergency provision. Further, Social Impact Assessment (SIA) study is not required for land acquired under emergency provision.

Audit observed in two districts (Nalanda and Muzaffarpur) that land acquisition process for 460.68 acres of land in seven *maujas* was initiated between October 2012 and July 2013 by invoking emergency provision under the LA Act, 1894. Since no award was made up to December 2013, revised estimate was prepared (between December 2014 to June 2015) by the DLAOs as per the Act, 2013. However, they did not include the additional compensation as provided in the Act *ibid* in the revised estimates which could not be detected by other approving authorities⁵ also. As a result 2,238 landowners were deprived of the benefits of additional compensation worth ₹ 132.44 crore.

The Department in the exit conference replied (March 2018) that the provision contained in Act, 2013 for acquisition of land under emergency situations cannot be squarely applied for calculation of compensation in cases initiated under emergency provision of the LA Act, 1894 because the Act, 2013 has clearly prescribed the circumstances in which the urgency provision can be invoked.

The reply of the Department is not acceptable as the land was finally acquired under the Act, 2013. Therefore, additional compensation was payable in all cases where land was acquired under emergency provision. It is also to be mentioned that except for additional compensation, all other components of compensation was paid as per the Act, 2013.

Recommendation:

The Department should ensure that in cases of emergency acquisition awarded after December 2013 landowners are paid compensation as per provisions of the Act, 2013.

3.4.2 Incorrect calculation of additional compensation

3.4.2.1 Short payment of additional compensation

DLAOs short collected additional compensation of ₹ 4.80 crore from the requiring bodies leading to short payment to the landowners.

The Act, 2013 provides for payment of additional compensation to landowners at the rate of 12 per cent per annum of market value of land from date of notification till the date of award or date of possession of land whichever is earlier.

In two districts (Aurangabad and Patna), Audit observed that the DLAOs prepared the estimates of compensation for 160.40 acre land in 24 out of 67 *maujas* pertaining to two projects, by computing additional compensation of ₹ 5.47 crore for the period from date of notification to probable date of possession, though they were

⁵ Collector and Deputy Secretary, Revenue and land reforms Department.

required to calculate additional compensation of ₹ 10.27 crore for the period from the date of notification to the actual date of possession. There was a gap of 22 days to 18 months between the probable date of possession and the actual date of possession⁶. Thus incorrect preparation of estimates by the DLAOs resulted in short payment of additional compensation of ₹ 4.80 crore to 523 landowners which could not be detected by the competent approving authorities also.

3.4.2.2 Excess levy of additional compensation

The DCLR levied excess additional compensation of ₹ 4.65 crore on the requiring bodies.

In Aurangabad district, Audit observed that additional compensation of ₹ 4.71 crore pertaining to 17 *maujas* in two projects was estimated (between February 2015 and May 2015) by the Deputy Collector Land Reforms (DCLR) on value of land including multiplying factor⁷ and as sets⁸ situated on the land. However additional compensation of ₹ 5.76 lakh only was payable on market value of land only. This resulted in excess levy of additional compensation of ₹ 4.65 crore on the requiring bodies thus putting undue burden on them.

The Department accepted the audit observation in the exit conference (March 2018) and assured necessary rectification.

3.5 Short levy of Solatium

Application of incorrect calculation method resulted in short levy of solatium of ₹ 1.59 crore from the requiring body leading to their short payment to landowners.

As per first Schedule of the Act, 2013, solatium⁹ equivalent to the market value of land multiplied by the factors plus value of assets attached to the land is payable to the landowners.

Audit observed in Sitamarhi district, in 32 out of 36 *maujas* pertaining to a project, that estimates of compensation of land were prepared between April 2015 and September 2016 by the DLAO, including solatium. However, the solatium was calculated without including value of assets attached to the land. Thus incorrect calculation by the DLAO resulted in short levy of solatium of ₹ 1.59 crore leading to their short payment to landowners.

In the exit conference, the Department accepted (March 2018) the audit observation and assured that the matter shall be rectified.

⁶ The award was made between February 2015 and June 2015 in case of Aurangabad and no award was made in case of Patna till the date of audit (July 2017).

⁷ Multiplying factor is a factor by which the market value of land to be multiplied.

⁸ Buildings, trees, crops, well, tube wells, etc.

⁹ It is a component of compensation payable to the landowners.

3.6 Short payment of compensation to landowners

Compensation of ₹ 2.11 crore was not paid to landowners despite availability of funds and lapse of over 10 years.

The Act, 2013 provides that landowners should be paid 80 *per cent* of compensation before possession of the land in case of emergency and rest amount of 20 *per cent* should be paid before award.

Audit observed in Patna district that a notification for acquisition of 96.71 acre of land in one *mauja* (Kopakala) was published in December 2007 invoking emergency provision. Against the estimated cost of ₹ 7.57 crore, 80 *per cent* cost (₹ 6.06 crore) was made available by the requiring body in May 2008. Possession of 42 acres of land was handed over to the requiring body (Infrastructure Development Authority) in October 2008. However, compensation of ₹ 1.18 crore only was paid to 57 landowners against payable amount of ₹ 3.29 crore¹⁰ as of December 2017. The landowners were not paid the remaining amount of compensation of ₹ 2.11 crore by the DLAO/Collector despite availability of funds and lapse of over 10 years.

In the exit conference, the Department replied (March 2018) that the *raiyyats* (farmers/landowners) of *mauja* Kopakala did not turn up to take compensation. The reply is not acceptable. In case of non-payment of compensation, the Department should have deposited the money with the Land Acquisition, Rehabilitation and Resettlement Authority as per section 77 of the Act, 2013.

Recommendation:

The Department may ensure that the compensation amount, which remains unpaid to landowners, is deposited with the Land Acquisition, Rehabilitation and Resettlement Authority.

3.7 Short calculation of interest

There was short calculation of interest of ₹ 17.91 crore by the DLAOs on balance compensation payable to the landowners.

The LA Act, 1894 and the Act, 2013, provide that in case the compensation is not paid or deposited on or before taking possession of the land, the Collector shall pay the amount with interest at the prescribed rates¹¹ from the time of taking possession till it has been so paid or deposited. The Departmental circular of February 2009 provides that the land acquisition process can only be started after receipt of full cost of compensation from requiring body.

In three districts¹², Audit observed that the acquisition of land for 10 projects involving 142 *maujas* was initiated under emergency clause after receiving

¹⁰ Calculation: ₹ 7,57,16,774 / 96.71 acre X 42 acre = ₹ 3,28,82,892 (as per policy of one project one rate).

¹¹ Nine *per cent* per annum if the amount of compensation is paid within one year and thereafter at the rate of 15 *per cent*.

¹² Muzaffarpur, Nalanda and Patna.

80 *per cent* of the compensation cost from the requiring bodies. However, the requiring bodies did not pay the balance 20 *per cent* of cost of acquisition leading to their non-payment to landowners. The DLAOs calculated (between September 2011 and September 2016) interest of ₹ 27.73 crore only on balance payable amount of ₹ 215.68 crore (20 *per cent*) for the period from the date of possession to the anticipated date of payment. However, Audit calculated that the interest worked out to ₹ 45.65 crore upto the date of award, as the balance payments were not made up to the date of audit. This resulted in short calculation of interest of ₹ 17.91 crore by the DLAOs.

Audit further observed that initiation of land acquisition process by the DLAOs without receipt of full compensation cost from the requiring bodies resulted in overall non-payment of compensation amount and interest of ₹ 276.59 crore to the landowners.

The Department in the exit conference (March 2018) accepted the audit observation.

Recommendation:

The Department may ensure proper estimation and payment of due interest to the landowners.

3.8 Delay in land acquisition

The Department of Revenue and Land Reforms prescribed (February 2007) a timeline of 280 days for completion of land acquisition process.

3.8.1 Delay in land acquisition despite invoking of emergency provision

Despite making availability of funds and lapse of over 10 years the land acquisition process could not be completed.

In Patna district, Audit observed that consequent to an order of the Patna High Court, the Municipal Commissioner, Patna made requisition (April 2007) for acquisition of 10 acre land for construction of residence to slum-dwellers under emergency provision. Notifications/ declarations were issued in July and August 2007 and estimated amount of ₹ 7.31 crore was provided by the requiring body in April 2007 and September 2008. However, the possession of land was not taken by requiring body till the date of audit (July 2017), despite several reminders by the DLAO/Collector between January 2009 and October 2014. In the meantime, the estimate was revised to ₹ 11.63 crore in August 2014 as per Act, 2013. Thus, despite an expenditure ₹ 7.31 crore by the requiring body and lapse of over 10 years, the land acquisition could not be completed in disobedience of High Court order which rendered the rehabilitation of slum-dwellers incomplete.

The Department in the exit conference (March 2018) replied that such condition arose only in cases where the concerned *raiyats* (farmers/landowners) did not turn up to take their compensation.

The reply of the Department was not specific to the project. However, in case of non-payment of compensation, the Department should have deposited the money with the Rehabilitation and Resettlement Authority as per section 77 of the Act, 2013, which was not done.

3.8.2 Undue delay in land acquisition leading to cost escalation

Initiation of land acquisition process without approval of the Department and subsequent delay in approval of estimates resulted in cost escalation by ₹ 115.65 crore.

In Bhagalpur district, Audit observed that land acquisition process for 223.22 acre land in one *mauja* was initiated by the DLAO in October 2006 under emergency provision at an initial estimated cost of ₹ 14.97 crore without approval of the Department. The notification/declaration was published in October 2006 and award was made in November 2008. However, the final estimate of this land acquisition was approved for ₹ 130.62 crore by the Department on 29 September 2011. In the meantime, 80 *per cent* of the compensation worth ₹ 8.19 crore was disbursed by the DLAO to 187 out of 239 landowners in anticipation of approval by the Department and possession of the land was also given on 6 December 2010. However, due to abnormal increase in the cost of acquisition, the requiring body proposed in October 2011 to de-notify the land. In view of the proposal of the requiring body, the Director, Land Acquisition directed (March 2017) to submit proposal for de-notification under section 93 of the Act, 2013. However, the DLAO did not comply with the direction till September 2017.

Thus, initiation of acquisition process without approval of the Department and delay in approval of estimates resulted in cost escalation by ₹ 115.65 crore which forced the requiring body to withdraw. The landowners didn't get their due compensation/cost of damage despite their land rights remaining suspended since October 2006. The requiring body (Bihar Industrial Area Development Authority) which is a Government of Bihar enterprise did not get the required land despite expense of ₹ 8.19 crore.

Moreover, the decision of the Department to de-notify the said land under section 93 of the Act, 2013 was not lawful as section 93 was applicable in cases where possession of the land is not taken.

The Department in the exit conference (March 2018) accepted the fact of delay resulting in escalation of cost of compensation.

Recommendation:

The Department may ensure that the land acquisition process is initiated after approval of the estimate by the competent authority and is completed within the prescribed time to avoid cost escalation.

3.9 Payment of compensation towards rehabilitation and resettlement of affected families

The Bihar Land Acquisition, Resettlement and Rehabilitation Policy, 2007 and instructions issued by the Department in May 2008 provide that if the residential land or residence of any land owner is acquired, then, equal land upto a maximum of five decimal¹³ shall be provided to the landowners for residential purpose, besides payment of ₹ 10,000 for temporary residence and ₹ 5,000 for transportation assistance. Further, the Act 2013 requires the Collector to award resettlement allowance of ₹ 50,000 and in addition, either provide jobs to at least one member per affected family or one-time payment of ₹ five lakh or annuity policy that shall pay not less than ₹ two thousand per month per family for twenty years.

3.9.1 Non-payment of one-time resettlement allowance and compensation in lieu of jobs

Affected families/landowners were deprived of one-time resettlement allowance of ₹ 8.92 crore and compensation of ₹ 89.05 crore in lieu of jobs.

Audit observed in six out of 15 projects in five districts¹⁴ that residential land of 1,781 families was acquired by the DLAOs. These landowners were entitled to get one-time resettlement allowance of ₹ 8.92 crore, and in lieu of jobs, receive compensation of ₹ 89.05 crore. However, no provision was made in the estimates prepared (between March 2015 and April 2017) by the DLAOs/Collectors for the aforesaid payments. Thus, the affected families were deprived of the compensation of ₹ 97.97 crore as given in **Table - 3.3**.

Table - 3.3

(₹ in crore)

Name of District	Number of affected families	Resettlement allowance	Additional compensation	Total
Kishanganj	294	1.47	14.70	16.17
Buxar	833	4.17	41.65	45.82
Aurangabad	12	0.06	0.60	0.66
Muzaffarpur	173	0.87	8.65	9.52
Sitamarhi	469	2.35	23.45	25.80
Total	1,781	8.92	89.05	97.97

(Source: Information collated from records of concerned DLAOs)

The Department in exit conference (March 2018) sought details of such projects for scrutiny and comments, and the same was provided. Further progress in this regard would be awaited in Audit (June 2018).

3.9.2 Payment of rehabilitation and resettlement benefits at old rates

One hundred and seventy one affected families were provided temporary benefits of rehabilitation and resettlement at old rates leading to short payment of ₹ 9.15 crore.

¹³ One acre is equal to 100 decimal.

¹⁴ Aurangabad, Buxar, Kishanganj, Muzaffarpur and Sitamarhi.

Audit observed in six projects of Patna district that residential land of 171 families was acquired by the DLAO. Though the families were entitled for payment of ₹ 9.41 crore at the rate of ₹ 5.50 lakh¹⁵ each family as per Act, 2013, compensation towards temporary residence and transportation assistance of ₹ 25.65 lakh only (at the rate of ₹ 15,000 each) was provided to these affected families as per the estimates prepared between November 2014 and September 2016 by the DLAO. Thus the affected families were deprived of compensation of ₹ 9.15 crore due to application of old rates by the DLAO/Collector.

The Department in the exit conference (March 2018) sought details which were provided. Further progress in this regard is awaited in Audit (June 2018).

3.9.3 Non-providing of residential land

One hundred forty affected families were not provided with compensatory 6.17 acres of residential land worth ₹ 6.61 crore.

Audit observed in Buxar district that 21.61 acre residential land was acquired from 140 families for which estimates of ₹ 288.50 crore were prepared during 2009 to 2011. Though the families were entitled to receive residential land as compensation, no provision was made by the DLAO/Collector for providing such land. Thus, affected landowners were deprived of 6.17 acre (617 decimal) land worth ₹ 6.61 crore.

The Department in the exit conference (March 2018) sought details which were provided. Further progress in this regard is awaited in Audit (June 2018).

Recommendation:

The Department may ensure payment of prescribed compensation towards rehabilitation and resettlement of displaced families whose residential land is acquired.

3.10 Incorrect deduction of income tax at source

Incorrect deduction of income tax at source of ₹ 96.50 crore by the DLAOs led to payment of reduced compensation.

Section 96 of the Act, 2013 provides for exemption from income tax to the landowners getting compensation of their acquired land.

Audit observed in eight districts¹⁶ that ₹ 96.50 crore of income tax was deducted at source by the DLAOs/DCLR while making payment of compensation to the 5,201 landowners between January 2014 and March 2017. Thus due to incorrect deduction of income tax by the DLAOs, landowners got reduced compensation to the extent of ₹ 96.50 crore.

The Department stated (March 2018) in the exit conference, that action would be taken after scrutiny of the matter. Further action is awaited (June 2018).

¹⁵ Resettlement allowance of ₹ 50,000 and one-time payment of ₹ five lakh in lieu of jobs.

¹⁶ Aurangabad, Bhagalpur, Buxar, Gaya, Kishanganj, Nalanda, Patna and Sitamarhi.

Recommendation:

The Department may ensure that exemptions from income tax are allowed as per the applicable law.

3.11 Short levy/remittance of establishment charge

Three DLAOs failed to remit establishment charge of ₹ 208.92 crore in Government Account and two DLAOs short levied establishment charge of ₹ 81.19 lakh.

The BRFCTLARR Rules, 2014 (Rules, 2014) provides for collection of establishment charge at the prescribed rates in four slabs¹⁷ from the land requiring body and to deposit it in Government Account under land revenue head.

- Audit observed in three districts¹⁸ that establishment charge of ₹ 205.42 crore was collected between June 2007 to March 2017 in 145 out of 158 *maujas* in nine projects. However, the DLAOs concerned did not deposit this in Government Account as required under the Rules, 2014, and the money was lying in the PD Accounts/bank account as on the date of audit (September 2017).
- Audit observed in DLAO Gaya, that establishment charge of ₹ 3.50 crore related to a project was deposited by the DLAO in Bandhan bank in August 2016 instead of Government Account as required under the Rules. Audit further observed that the account was opened by the DLAO in a private bank without approval of the Finance Department.

In response to the audit observation the DLAO, Gaya replied (May 2018) that account in Bandhan bank has been closed but there is no information on whether the balance (including interest) has been remitted to Government Account (May 2018).

- Audit observed in two districts (Kishanganj and Sitamarhi) from the estimates of 55 out of 160 *maujas* pertaining to nine Projects that establishment charge of ₹ 71.30 lakh only was realised from requiring bodies instead of ₹ 1.52 crore due to application of lower slab of rates and non-inclusion of value of assets while preparing estimates by the DLAOs/Collectors during March 2012 to June 2017. Thus due to short levy of establishment charge, the Government was deprived of revenue of ₹ 81.19 lakh.

The Department accepted the audit observations during the exit conference (March 2018) and assured necessary action. Progress in this regard is awaited in Audit (June 2018).

Recommendation:

The Department should ensure that establishment charge is levied correctly from the requiring bodies and deposited on time into Government account. The Department may also consider conducting an enquiry for appropriate action against the erring DLAOs.

¹⁷ The rate of establishment charge 20 per cent, 25 per cent, 30 per cent and 35 per cent.

¹⁸ Gaya, Kishanganj and Patna.

3.12 Alienation/transfer of Government land

Government land of 44 acres was transferred without realising *Salami* and accumulated value of rent amounting to ₹ 11.28 crore.

The Bihar Government Estates (*Khasmahal*) Manual, 1953 and instructions issued (12 March 1991) by the Department, stipulates that the transferee Department/Public Sector Undertakings (PSUs¹⁹) is liable to pay the *Salami*²⁰ along-with accumulated value of annual rent at the rate of two to five *per cent* of *Salami* for 25 years on transfer/alienation of Government land.

In three districts²¹, Audit observed that 44 acres of Government land was transferred between December 2008 and December 2016 by the Additional Collector/Circle Officer to PSUs without realising *Salami* and rent on accumulated value of land amounting to ₹ 11.28 crore. As a result, the Government was deprived of revenue of ₹ 11.28 crore as given in the **Table - 3.4**.

Table - 3.4

(₹ in crore)

Name of District	Number of Projects	Area of land (in acres)	Total of <i>salami</i> and rent	Remarks
Nalanda	2	1.10	2.89	Government land transferred to PSUs without realisation of <i>Salami</i> and accumulated value of rent of land.
Aurangabad	1	41.63	7.44	
Lakhisarai	2	1.27	0.95	Lands were transferred to PSUs by the order of Collector in anticipation of the Government's approval. However, neither the approval of Government was obtained nor amount of <i>Salami</i> and rent were realised.
Total		44.00	11.28	

(Source: Information collated from records of concerned Additional Collectors)

The Circle Officer concerned issued notices and reminders for realisation of the dues in two cases of Nalanda district but in the remaining cases, the Circle Officers and Additional Collectors did not take any action.

The Department in the exit conference (March 2018), sought details which were provided. Further progress in this regard is awaited in Audit (June 2018).

Recommendation:

The Department may realise cost of land before transfer/alienation of Government land.

3.13 Remittance of interest into Government Account

Remittance of interest of ₹ 12.35 crore was made in Government Account at the instance of Audit.

¹⁹ Navinagar Power Generation Co. Pvt. Ltd., South Bihar Power Generation Co. Ltd., Bihar State Power Holding Co. Ltd., Bihar State Electricity Board.

²⁰ *Salami* denotes market value of land.

²¹ Aurangabad, Lakhisarai and Nalanda.

The Principal Secretary, Finance directed (June 2015) all Drawing and Disbursing Officers (DDOs) that interest earned in bank accounts, must be remitted into Government Account.

Audit observed in Sitamarhi district that interest of ₹ 12.35 crore earned in nine bank accounts up to May 2017 was not remitted into Government Account by the DLAO.

Following the audit observation, the DLAO Sitamarhi remitted up to date interest of ₹ 15.31 crore on 4 September 2017 into Government Account.

The Department in the exit conference replied (March 2018) that proper instructions/guidance shall be issued for financial management.

3.14 Irregular fund management

3.14.1 Irregular deposit of fund in bank account instead of PD account

Cost of land acquisition of ₹ 66.36 crore received from requiring bodies was deposited in the bank accounts instead of PD account.

The BRFLARR Rules, 2014 (Rules, 2014) stipulate that the cost of acquisition received from requiring body²² should be deposited in Personal Deposit Accounts (PDA). In May 2012 the Finance Department issued instructions to keep the funds related to land acquisition in the PDA only and not in bank accounts.

In Aurangabad district, Audit observed that ₹ 63.36 crore received in January 2017 by the DLAO from a requiring body related to a project was deposited in HDFC bank account instead of PD Account without the permission of Finance Department. Further, in Gaya district, an amount of ₹ three crore was withdrawn from PD Account on 30 June 2015 for purposes not recorded in cashbook. This money was kept in bank account of Union Bank of India without making further payment to any beneficiary/landowner till August 2017. Thus, the DLAOs kept the money in bank account in violation of the Rules, 2014 and instruction of Finance Department.

The Department in the exit conference replied (March 2018) that proper instructions/guidance shall be issued for financial management. However, no information on why the amount was deposited with commercial banks, especially private bank, or action taken to remit the balance, with upto date interest to Government Account, was furnished to Audit (June 2018).

Recommendation:

The State Government may consider conducting an enquiry for appropriate action against the DLAO Aurangabad and DLAO Gaya for parking large amounts with commercial banks, especially private bank in violation of orders of the Finance Department.

²² Requiring body means a company, a body corporate, an institution, or any other organisation or person for whom land is to be acquired by the appropriate Government.

3.14.2 Payment of compensation after diversion of fund and non-updation of Cashbook

Since the DLAO, Buxar did not update the cashbooks after 31 December 2016, payments of ₹ 51.76 crore and receipts of ₹ 52.17 crore made during January to March 2017 were not found recorded in cash books.

The Bihar Treasury code, 2011 stipulates that all money received for deposit in the custody of the Government shall without undue delay be paid in full into the Bank and shall be included in the Government Account.

Audit observed in DLAO, Buxar, that two banker's cheques valued at ₹ 2.95 crore received from requiring body during August to September 2015 for acquisition of land for a project was neither entered in cheque receipt register nor in cashbooks. These two cheques were revalidated and deposited in bank account of the DLAO on 12 September 2017 i.e., after lapse of two years. Consequently, the DLAO disbursed (during January to May 2017) ₹ 82.91 lakh to landowners of these project from funds available for other projects. Audit further observed that the DLAO did not update the cash books after 31 December 2016, as a result of which, payments of ₹ 51.76 crore and receipts of ₹ 52.17 crore made during January to March 2017 were not found recorded in the cash books.

The Department in the exit conference replied (March 2018) that proper instructions/guidance shall be issued for financial management. However, no information on why these cheques were not deposited in bank account and why the payment of compensation to landowners was made from fund of other projects was furnished to Audit (June 2018).

Recommendation:

The State Government may conduct an enquiry to examine whether there was any misappropriation of funds under the DLAO, Buxar and also initiate appropriate action against him for not operating the Cash Book after December 2016.

Chapter-4

Taxes on Vehicles

CHAPTER 4: TAXES ON VEHICLES

4.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicle Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary, Transport Department at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities¹ (RTAs) and 38 District Transport Offices. They are assisted by Motor Vehicle Inspectors (MVIs). The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of fees and taxes and grant of driving licences are assigned to the District Transport Officers (DTOs) in the State.

4.2 Results of audit

During 2016-17, the Accountant General test checked records of 34² out of 49 units of the Transport Department. Revenue collected by the Department during 2015-16 was ₹ 1,181.22 crore of which, the audited units collected ₹ 888.87 crore. Audit scrutiny revealed non/short levy of taxes, leviable taxes not realised from transport vehicles, and other irregularities involving ₹ 147.10 crore in 362 cases as shown in Table - 4.1.

Table - 4.1

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/short realisation of motor vehicle taxes	31	7.25
2.	Non-realisation of One Time Tax (OTT)	90	10.20
3.	Non-realisation of trade certificate fee	19	1.70
4.	Non-realisation of OTT due to pending registration of tractors (commercial)	22	3.15
5.	Short realisation of motor vehicle taxes due to wrong assessment of seating capacity	14	1.46
6.	Non-levy of penalty for belated payment of OTT	31	1.08
7.	Non-imposition of road safety cess on personalised vehicles	23	1.11
8.	Others	132	121.15
Total		362	147.10

The Department accepted short levy, short realisation and other deficiencies of ₹ 22.11 crore in 199 cases. Out of these 199 cases, ₹ 12.49 crore involved in 109 cases were pointed out during 2016-17 and the rest during earlier years. Further, the

¹ Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

² **State Transport Commissioner**, Patna; **Regional Transport Authority**: Darbhanga, Muzaffarpur, Purnea and Saharsa; **District Transport Offices**: Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, East Champaran, Gaya, Gopalganj, Jamui, Kaimur, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhubani, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran, Sitamarhi, Siwan, Vaishali and West Champaran.

Department recovered ₹ 27.36 lakh in 19 cases. Of which, ₹ 3.72 lakh related to cases pointed out during 2016-17 and rest related to earlier years. The replies in the remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

Irregularities involving four paragraphs worth ₹ 13.28 crore have been illustrated in this chapter. Most of these irregularities have been repeatedly highlighted in the Audit Reports during the last five years as detailed in **Table - 4.2**.

Table - 4.2

(₹ in crore)

Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Non-realisation of taxes on vehicles	517	5.67	671	3.48	1,608	5.84	981	3.19	3,662	2.82	7,439	21.00
Short/non realisation of OTT and penalty	5,943	1.42	2,112	2.20	2,749	4.78	5,295	8.92	8,001	8.62	24,100	25.94
Delivery of vehicles without temporary registration	-	-	39,476	0.36	8,947	0.08	1,15,574	1.06	36,999	4.40	2,00,996	5.90

The recurrence of irregularities indicates that the State Government/Transport Department are not taking corrective measures despite repeated audit observations on similar issues.

4.3 Non-realisation of one-time tax (OTT)

In 22 DTOs, owners of 862 motor vehicles did not pay OTT of ₹ 4.44 crore including penalty.

The BMVT Act, 1994 provides for different rates of one-time tax (OTT) on personalised vehicles, tractors, maxi/cabs, three-wheelers and light goods vehicles. The BMVT Rules, 1994, further provide that the due date of payment of tax in cases of new vehicles shall be the date of acquisition of the vehicles and where the tax is not paid within due dates, the taxing officer may impose penalty from 25 per cent to twice the amount of tax due.

Audit examined records of 29 DTOs and observed in 22 DTOs³ that out of 64,253 test checked motor vehicles, the owners of 862 motor vehicles⁴, who had applied for registration, were assigned registration numbers in VAHAN between January 2013 and January 2017 but no registration certificate was issued to them due to non-payment of applicable OTT. Audit observed that the application for registration is accepted and processed to generate a registration mark in VAHAN without ensuring payment of OTT, due to absence of provision for registration of vehicle and payment of tax simultaneously. Audit further observed that though the information of non-payment of OTT was available with the DTOs in VAHAN database, they neither corresponded with the vehicle-owners nor initiated any action for levy of penalty and institution of certificate case to recover the OTT. This resulted in

³ Araria, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Jamui, Kaimur, Katihar, Khagaria, Lakhisarai, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran and West Champaran.

⁴ Tractor (commercial)- 503. Tractor (agricultural)- 101, Three-wheelers- 176, Taxi-cab-40 and Light Goods Vehicle-42.

non-realisation of OTT of ₹ 4.44 crore including leviable penalty. Moreover, the plying of unregistered vehicles is fraught with the risk that they can be misused for subversive activities.

In response to the audit observation, the Department replied in April 2018 that in 13 out of 38 DTOs VAHAN-2 was converted to VAHAN-4. Under VAHAN-4, E-notice to the tax defaulters is issued by the software itself and therefore it is not correct to say that DTOs have not issued demand notices. At present VAHAN-4 software has now been installed and implemented in all 38 DTOs.

The reply of the Department is not relevant as VAHAN-4 was installed after March 2017 in all DTOs except DTO, Lakhisarai, and the findings are limited up to March 2017. Moreover, the Department's reply does not explain why the DTOs failed to pursue the tax defaulters and take action to recover the tax dues.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 25.94 crore from 24,100 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent their recurrence leading to leakage of revenue.

Recommendation:

The Department should ensure payment of OTT and penalty by vehicle owners and communicate their defaulter status to the enforcement wing for interception of defaulting vehicles plying on roads.

4.4 Motor vehicle taxes not realised

Absence of a mechanism for periodic review of VAHAN database by the DTOs to detect tax defaulter vehicles resulted in non-realisation of motor vehicle taxes of ₹ 6.68 crore in 25 District Transport Offices.

As per the BMVT Act, 1994, every owner of a registered motor vehicle shall pay motor vehicle tax to the taxing officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax. The BMVT Rules, 1994 provide that where the tax of a vehicle remains unpaid, the taxing officer may impose penalty at the rate of twice the taxes due, if delayed for more than 90 days.

Audit examined records of 25 DTOs⁵ for the period 2014-15 and 2015-16 and observed that out of test checked 16,376 transport vehicles (non-OTT), the owners of 1,695 vehicles (10 per cent of test checked vehicles) did not pay tax of ₹ 6.68 crore pertaining to the period between January 2012 and January 2017. In none of the

⁵ Araria, Bhagalpur, Bhojpur, Buxar, Darbhanga, East Champaran, Gopalganj, Jamui, Katihar, Khagaria, Kishanganj, Lakhisarai, Munger, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Saran, Sitamarhi, Siwan, Vaishali and West Champaran.

cases, evidence⁶ of non-plying of vehicles in the jurisdiction of DTOs concerned was found on record. However, the DTOs concerned did not generate the defaulters list from the *VAHAN* software or correspond with vehicle owners or initiate any action for levy of penalty and institution of certificate case⁷ to recover the tax arrears despite the information of non-payment of tax by defaulters was available with them in *VAHAN* database. As a result, tax of ₹ 6.68 crore (Road tax: ₹ 2.23 crore; Green tax: ₹ 2.49 lakh and Road safety cess: ₹ 1.16 lakh) including penalty of ₹ 4.41 crore remained unrealised.

In response to the audit observation, the Department replied in April 2018 that in 13 out of 38 DTOs *VAHAN-2* was converted to *VAHAN-4*. Under *VAHAN-4*, E-notice to the tax defaulters is issued by the software itself and therefore this is not correct to say that DTOs have not issued demand notices. At present *VAHAN-4* software has now been installed and implemented in all 38 DTOs.

The reply of the Department is irrelevant as except DTO Lakhisarai, *VAHAN-4* was installed after March 2017 in all other DTOs and the audit findings are limited up to March 2017. Further, the claim of the Department that E-notices to the tax defaulters were being issued by the software itself was not found correct as in DTO, Patna demand notices generated by *VAHAN-4* was being sent manually. Moreover, the Department's reply does not explain why the DTOs failed to pursue the tax defaulters and ensure further action to recover the tax dues.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 21.00 crore from 7,439 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent recurring leakage of revenue.

Recommendation:

The Department should ensure that demand notice is issued on real-time basis to the tax defaulters as generated from the *VAHAN* database to ensure prompt payment of tax.

4.5 Non-realisation of road safety cess and differential tax

Registering Authorities in 14 District transport offices did not ensure levy of road safety cess and differential tax of ₹ 1.11 crore.

As per the BMVT Act, 1994, the Transport Department revised OTT on commercial tractors from two *per cent* to 4.5 *per cent* with effect from 19 September 2014.

⁶ Such as change of addresses of the owners or surrender of documents for securing exemption from payment of tax as prescribed in Section 9 read with Section 17 of the Act *ibid*.

⁷ Institution of certificate case: when the certificate officer is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating that the demand is due and shall cause the certificate to be filed in his office.

The Act *ibid* further stipulates levy of road safety cess from every driving licence holder as well as motor vehicle owners at the prescribed⁸ rates from 16 August 2016.

Audit examined records of 14 DTOs⁹ and observed that 5,560 personalised vehicles were registered and 22,245 driving licences were issued between August and September 2016 without levy of road safety cess due to delay of 20 days in mapping (5 September 2016) of road safety cess in *VAHAN* database and delay of 15 days in mapping (1 September 2016) in *SARATHI* database by NIC, though the Department had instructed (12 August 2016) the NIC in advance to make necessary changes in the *VAHAN* to give effect to the said notification. Similar delay of 27 days was observed in mapping of *VAHAN* to change the rate of tax of commercial tractor according to the notification dated 19 September 2014. As a result, Audit observed in seven DTOs¹⁰ that OTT was realised from the owners of 181 tractors registered between 19 September and 4 October 2014 at pre-revised rate.

The DTOs concerned did not ensure payment of road safety cess and differential tax by manually calculating and collecting it by raising demand notice, though the information of non-payments of road safety cess and OTT at revised rates was available with them in *VAHAN* database. Thus due to delay in mapping and non-realisation of difference amount by the DTOs concerned revenue of ₹ 1.11 crore (road safety cess: ₹ 0.89 crore and differential tax: ₹ 0.22 crore) could not be realised.

In response to the audit observation, the Department replied (April 2018) that provision of the notification was mapped by the NIC after its issuance and therefore the process naturally takes time. However, the Department's reply was silent on the inaction of DTOs to levy the differential tax manually to comply with the said notification even after it was brought to their notice by Audit.

Recommendation:

The Department may ensure timely mapping of any change in rate of motor vehicle tax or introduction of new measures in *VAHAN* and *SARATHI* database.

8

Sl. No.	Class of licensee/vehicle	Amount of Cess in ₹
1.	Learner's Licence	50
2.	Licence for Two wheeler, whether with or without gear	100
3.	Licence for Light Motor Vehicle License-Non-transport	150
4.	Licence for Light Motor Vehicle License-transport	200
5.	Licence for Medium and Heavy Motor Vehicles	500
6.	OTT paying Vehicles	one <i>per cent</i> of value of vehicles
7.	Other than OTT paying Vehicles	one <i>per cent</i> of the annual tax

⁹ Aurangabad, Bhojpur, Darbhanga, East Champaran, Gaya, Katihar, Kishanganj, Madhubani, Muzaffarpur, Patna, Purnea, Rohtas, Samastipur and Saran.

¹⁰ Araria, East Champaran, Jamui, Kaimur, Khagaria, Lakhisarai and Nawada.

4.6 Loss of revenue due to delivery of vehicles without temporary registration

Delivery of vehicles to the purchasers without temporary registration resulted in loss of ₹ 1.05 crore.

As per the MV Act, 1988 read with the CMV Rules, 1989, no trade certificate holder shall deliver a motor vehicle to a purchaser without registration, whether temporary or permanent. The prescribed charges for temporary certificate of registration for two wheelers and four wheelers were ₹ 90 and ₹ 140 respectively.

Audit examined records of nine DTOs¹¹ and observed that the holders of trade certificates delivered 1,16,144 vehicles (light motor vehicles: 1,827 and two wheelers: 1,14,317) without assigning even temporary registration mark during the period between January 2011 and January 2017. The DTOs too permanently registered those vehicles after their delivery without ensuring temporary registration in contravention to the aforesaid provisions. Thus absence of a monitoring mechanism related to delivery and registration of vehicles and non-prescribing of deterrent measures for the dealers, resulted in delivery of 1,16,144 vehicles without temporary registration and subsequent loss of ₹ 1.05 crore in shape of temporary registration fees.

In response to the audit observation, the Department replied in April 2018 that all the DTOs had been instructed in July 2009 to ensure that no vehicle could be delivered by the dealers without registration and all the DTOs are complying the said instruction at present. Penalty is levied in case any motor vehicle is caught plying without registration. At present VAHAN-4 software has been installed and implemented in all DTOs and therefore no vehicle can ply without registration.

The Department's reply was silent on the issue of loss of revenue of ₹ 1.05 crore already incurred and action against erring DTOs.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting non-realisation of tax and penalty of ₹ 5.90 crore from 2,00,996 owners of vehicles. However, similar nature of lapses/irregularities are still persisting, indicating that the Department did not take corrective measures to prevent their recurrence leading to leakage of revenue.

Recommendation:

The Department may prescribe a monitoring mechanism related to delivery and registration of vehicles to ensure compliance of these Rules besides providing for deterrent measures against errant dealers.

¹¹ Araria, Bhojpur, Darbhanga, Katihar, Kishanganj, Purnea, Rohtas, Saharsa and Saran.

Chapter-5

Other Tax Receipts

CHAPTER-5: OTHER TAX RECEIPTS

5.1 Tax administration

State excise:

The assessment, levy and collection of excise revenue in the State is governed by the Bihar Excise (BE) Act, 1915 and Bihar Excise (Settlement of licences for retail sale of country/spiced country liquor, foreign liquor, beer and composite liquor Shop) Rules, 2007. The GoB issued notifications for prohibition on sale and consumption of country liquor and foreign liquor from 1 April 2016 and 5 April 2016 respectively. The GoB further amended the BE Act, 1915 in October 2016 to enforce, implement and promote complete prohibition of liquor and intoxicants in the State.

The Principal Secretary, Department of Prohibition, Excise and Registration (Excise) is head at the Government level and the Commissioner of Excise (CE) is head at the apex level of the Department. The CE is assisted by one Joint Commissioner of Excise (JCE), one Deputy Commissioner of Excise (DCE) and one Assistant Commissioner of Excise (ACE) at the headquarters level. Further, there is one DCE at each of the four¹ divisional headquarters. At the district level, the Collector of the district is in-charge of the excise administration, assisted by ACE or Superintendent of Excise (SE).

Stamps and Registration fees:

The levy and collection of Stamps and Registration fees in the State is governed by the provisions of the Indian Stamp Act, 1899, the Registration Act, 1908, the Bihar Stamp Rules, 1991 and the Bihar Stamp (Prevention of Undervaluation of Instruments) Rules, 1995.

The Registration, Excise and Prohibition (Registration) Department is headed by the Inspector General, Registration (IGR). The Department functions under the administrative control of the Secretary of the Registration Department. The IGR is assisted by an Additional Secretary, two Deputy Inspectors General (DIGs) and four Assistant Inspectors General (AIGs) at the Headquarters level. Further, there are nine Assistant Inspectors General at the divisional level. Thirty eight District Registrars (DRs), 38 District Sub-Registrars (DSRs), 83 Sub-Registrars (SRs) and 26 Joint Sub-Registrars (JSRs) at the districts/primary units are responsible for levy and collection of stamp duty and registration fees.

¹ Bhagalpur-cum-Munger, Darbhanga-cum-Kosi-cum-Purnea, Patna-cum-Magadh and Tirhut-cum-Saran.

5.2 Results of audit

During the year 2016-17, the Accountant General test checked the records of 38² out of 39 units of the Excise Department and 39³ out of 140 units of the Registration Department. Revenue collected by the Excise Department and Registration Department during the year 2015-16 was ₹ 3,141.75 crore and ₹ 3,408.57 crore respectively of which, the audited units collected ₹ 3,074.05 crore and ₹ 1,131.46 crore respectively. Audit observed short realisation, loss of revenue and other irregularities involving ₹ 74.84 crore in 370 cases out of 3,169 test checked cases⁴ (Number of total cases: 4,31,621) in both the departments which fall under the following categories as detailed in **Table - 5.1**.

Table - 5.1

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
A: State Excise			
1.	Non/delayed settlement of excise shops	62	7.08
2.	Non-realisation of licence fees	96	23.01
3.	Other cases	58	1.65
Total		216	31.74
B: Stamps and Registration fees			
1.	Blockage of Government revenue due to non-disposal of referred cases	31	7.05
2.	Blockage of Government revenue due to non-disposal of impounded cases	33	6.37
3.	Loss of revenue due to undervaluation of property	11	17.31
4.	Others	79	12.37
Total		154	43.10
Grand total		370	74.84

A. The Excise Department accepted underassessment and other deficiencies *etc.* involving ₹ 8.44 crore in 61 cases, out of which, 44 cases involving ₹ 2.75 crore were pointed out during 2016-17 and the rest during earlier years. Further, the Department recovered ₹ 5.02 crore in 34 cases, out of which ₹ 2.19 crore was pointed out during 2016-17 and remaining in earlier years. Replies in remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

B. During 2016-17, the Registration, Excise and Prohibition (Registration) Department accepted underassessment and other deficiencies *etc.* involving

² **Commissioner of Excise, Patna: Deputy Commissioner of Excise:** Bhagalpur, Patna and Purnea; **Assistant Commissioner of Excise:** Bhojpur, Gaya, Patna and Rohtas; **Superintendent of Excise:** Araria, Arwal, Aurangabad, Begusarai, Bhagalpur, Buxar, Darbhanga, East Champaran, Gopalganj, Jehanabad, Kaimur, Katihar, Khagaria, Kishanganj, Madhepura, Madhubani, Muzaffarpur, Nalanda, Nawada, Purnea, Saharsa, Samastipur, Saran, Sheohar, Sitamarhi, Siwan, Supaul, United Spirit Limited Hathidah (Patna), Vaishali and West Champaran.

³ **District Sub Registrar:** Aurangabad, Bhagalpur, Buxar, East Champaran, Gaya, Jehanabad, Jamui, Kaimur, Katihar, Khagaria, Kishanganj, Madhepura, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Sitamarhi, Siwan, Supaul, Vaishali and West Champaran; **Sub Registrar:** Danapur, Barh, Nalanda, Dalsinghsarai, Tekari, Bihpur, Kahalgaon, Areraj, Khagaria, Jokihat, Bhutahi, Benipatti, Jhanjharpur, Madhaura, Babubarahi and Nirmali.

⁴ Stamps and registration fees: 2,537 executed deeds; State excise: 632 groups/licenses.

₹ 9.61 crore in 92 cases, out of which 54 cases involving ₹ 4.34 crore were pointed out during 2016-17 and the rest during earlier years. Further, the Department recovered ₹ 51.90 lakh in 16 cases, out of which ₹ 13.77 lakh was pointed out during 2016-17 and remaining in earlier years. Replies in remaining cases of 2016-17 and those of earlier years are awaited (June 2018).

Irregularities involving three Paragraphs worth ₹ 2.99 crore have been illustrated in this chapter. Most of these irregularities have been repeatedly highlighted in the Audit Reports during the last five years as detailed in **Table - 5.2**.

Table - 5.2

(₹ in crore)

Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
A:	State excise											
Short realisation of licence fee of excise shops after cancellation	0	0	12	0.57	31	1.83	144	9.47	95	6.95	282	18.82
B:	Stamps and Registration fees											
Non-realisation of Government revenue from finalised referred cases	22	0.47	0	0	73	0.51	688	0.74	229	1.23	1012	2.95
Short realisation of stamp duty and registration fee	0	0	77	4.44	1	0.13	10	0.11	16	18.58	104	23.26

The recurrence of irregularities is indicative of the fact that the State Government and the Prohibition, Excise and Registration Department did not take corrective measures to address the persistent irregularities pointed out year after year by Audit.

A: State Excise

5.3 Short realisation of licence fee

Non/delayed cancellation of 38 groups of excise shops by eight Superintendents of Excise for non-payment of monthly licence fee, resulted in short realisation of ₹ 1.93 crore.

As per Bihar Excise Rules, 2007 read with clause 14 (b) of condition of sale notification of excise shops, one twelfth part of annual licence fee of each shop was to be deposited by the licensees in the treasury of the district by the first day of the month, which in any event must be deposited by the 20th of the concerned month, failing which the licence of the shop shall be cancelled and all deposited security money shall be forfeited.

Audit scrutinised the records⁵ in eight District Excise offices⁶ and observed that licensees of 38 out of total 632 groups of excise shops had not paid monthly licence fee pertaining to the period between December 2014 and February 2016. The

⁵ Settlement files, Demands, Collections and Balances Register and Security Deposit Register

⁶ Aurangabad, Begusarai, East Champaran (Motihari), Gopalganj, Nalanda (Biharsharif), Saran (Chhapra), Sitamarhi and Siwan.

concerned SEs had to cancel these excise shops due to failure to deposit the licence fees by 20th day of the month. Of this, the seven SEs had cancelled licences of 32 groups of excise shops but with a delay of nine days to more than nine months during the period between January 2015 and March 2016. Further, in the case of six groups of excise shops of Begusarai district where licensees had stopped paying monthly licence fee, the SE Begusarai did not cancel licences even till the end of the financial year. Thus, due to delay/non-cancellation of excise shops by SEs concerned a sum of ₹ 1.93 crore remained unrealised.

The reply of Government/Department is awaited (June 2018) though the matter was reported in May 2017.

Similar observations were pointed out repeatedly in Audit Reports for the period 2012-13 to 2015-16 highlighting failure of the excise authorities in realisation of licence fee of ₹ 18.82 crore from 282 cases. However, similar nature of lapses/irregularities was still persisting indicating that the Department did not take corrective measures to prevent their recurrence and leakage of revenue.

B: Stamps and Registration fees

5.4 Short realisation of stamp duty and registration fee

Three Registering Authorities failed to detect under valuation of properties which resulted in short levy of stamp duty and registration fee of ₹ 63.33 lakh.

As per the Indian Stamp Act, 1899, the consideration/market value of the property and all other facts and circumstances affecting the chargeability of duty is to be fully and truly disclosed in the instrument.

Audit of three Registering Authorities (RAs)⁷ indicated under valuation of properties in 18 lease⁸/sale deeds registered between August 2013 and September 2016 out of 516 test checked deeds (total deeds executed: 71,298). In one case of Bhagalpur, the dimension of the constructed structure and land area adjoining thereto was not disclosed correctly in the registered document. In response to the audit observation, RA, Bhagalpur conducted (October 2016) spot verification and found that the actual area of land was 101.16 decimal and dimension of structure was 17,248 square feet though an area of 13.8 decimal only and dimension of structure of 12,000 square feet only was disclosed in the document resulting in under valuation of the property. In 17 cases of two RAs (Patna and Mashrakh), there was under valuation of property, as in one case, land situated on principal road was disclosed as on main road, and in the remaining 16 cases, the land was not disclosed as situated on *pakki* road.

The actual market value of the properties in these cases as per minimum valuation register (MVR) was ₹ 23.48 crore, which attract stamp duty and registration fee of ₹ 85.05 lakh against which RAs levied ₹ 21.72 lakh only. Thus, due to

⁷ District Sub Registrar, Bhagalpur; District Sub Registrar, Patna; and Sub Registrar, Mashrakh (Saran).

⁸ Leased out for periods ranging between 29 and 40 years.

non-conducting of physical verification before registering the document, the RAs failed to detect undervaluation of properties which resulted in short realisation of stamp duty and registration fee of ₹ 63.33 lakh.

The reply of Government/Department is awaited (June 2018) though the matter was reported in May 2017.

Similar observations were pointed out repeatedly in Audit Reports for the period 2011-12 to 2015-16 highlighting short realisation of stamp duty and registration fee of ₹ 23.26 crore from 104 cases. However, similar nature of lapses/irregularities were still persisting, which indicates that the Department did not take corrective measures to prevent recurrence and leakage of revenue.

5.5 Government revenue not realised from finalised referred cases

Failure of the District Sub-Registrar, Supaul to institute revenue recovery certificate cases in 18 cases for recovery of differential stamp duty led to non-realisation of Government revenue amounting to ₹ 43.15 lakh.

As per Departmental instruction (January 2007), DSR are required to serve notice to persons who do not pay the stamp duty in finalised referred cases, and after 30 days, Revenue Recovery Certificate cases were to be instituted under the PDR Act, 1914.

Audit of the DSR, Supaul in February 2017, indicated that Assistant Inspector General (AIG), Saharsa finalised 94 cases, referred by the DSR, Supaul for determination of market value of property under Section 47(A) of the Indian Stamp Act, 1899 and returned them to the DSR for realisation of the differential stamp duty involved therein. Of these, the DSR did not realise differential stamp duty in 18 cases (finalised between November 2012 and September 2016) involving ₹ 43.15 lakh till the date of audit. The DSR issued last notices of demand between July 2015 and October 2016 but did not institute Revenue Recovery Certificate Cases even after lapse of periods ranging from three to 18 months. Due to absence of monitoring mechanism at the level of AIG, realisation of revenue in these finalised referred cases could not be ensured.

The reply of Government/Department is awaited (June 2018) though the matter was reported in May 2017.

Similar observations were pointed out repeatedly in Audit Reports for the period 2012-13 to 2015-16 highlighting non-realisation of revenue of ₹ 2.95 crore from 1,012 finalised referred cases. However, similar nature of lapses/irregularities were still persisting which indicates that the Department did not take corrective measures to prevent recurrence of leakage of revenue.

Recommendation:

The Department may prescribe monitoring mechanism at the level of AIG for realisation of revenue in finalised referred cases in prescribed timeline.

Chapter-6

Mining Receipts

Chapter-6: Mining Receipts

6.1 Results of audit

The Accountant General test checked the records of 35¹ out of 56 auditable units of the Mines and Geology Department during 2016-17. The Department collected ₹ 971.34 crore during 2015-16 of which audited units collected ₹ 882.65 crore. Besides, audit of “**Mining Receipts: levy and collection of royalty, fee and rent**” was also undertaken between April and June 2017. Audit noticed irregularities amounting to ₹ 990.61 crore in 261 cases due to various deficiencies as detailed in **Table - 6.1**:

Table - 6.1

Sl. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Audit of “Mining Receipts: levy and collection of royalty, fee and rent”	1	151.86
2.	Non/Short realisation of royalty and cesses	8	9.92
3.	Non-levy of penalty for irregular removal of brick earth /sand	44	26.56
4.	Non-levy of penalty against works contractors	30	130.52
5.	Non/short levy of stamp duty and registration fees	14	119.56
6.	Non-initiation/disposal of certificate proceedings	16	84.72
7.	Non-submission of environmental clearance certificate	16	114.25
8.	Non-realisation of settlement amounts	3	264.12
9.	Others	129	89.10
Total		261	990.61

The Department accepted (March 2018) audit observations in 92 cases amounting to ₹ 214.37 crore for 2016-17 and earlier years. The Department recovered (between April 2016 and April 2018) ₹ 1.38 crore, of which ₹ 5.84 lakh pertained to cases pointed out after April 2016 and rest pertained to earlier years.

This chapter discusses 123 cases including an audit on “**Mining Receipts: levy and collection of royalty, fee and rent**” having financial implication of ₹ 151.86 crore. Some of these irregularities continue to persist, despite similar cases being pointed out repeatedly in the Audit Reports during the last five years as detailed in **Table - 6.2**.

¹ **Deputy Director of Mines:** Darbhanga and Munger; **Assistant Director of Mines:** Ara, Gaya, Nalanda, Nawada, Patna, Purnea and Sasaram, **Mineral Development Officer:** Aurangabad, Bhagalpur, Jamui, Lakhisarai, Muzaffarpur, Sheikhpura and West Champaran; **Mining Inspector:** Araria, Banka, Begusarai, Bhabhua, Darbhanga, East Champaran, Gopalganj, Katihar, Khagaria, Kishanganj, Madhubani, Purnea, Samastipur, Saran, Sasaram, Sheohar, Sitamarhi, Supaul and Vaishali.

Table - 6.2

(₹ in crore)

Nature of observation	2011-12		2012-13		2013-14		2014-15		2015-16		Total	
	Cases	Amount	Cases	Amount								
Non-levy of penalty for illegal procurement of minerals by works contractors	0	0	11	12.26	6	5.47	20	40.76	20	44.69	57	103.18
Loss of revenue and undue benefit to lessees due to non-registration of deeds of settlement of sand <i>ghat</i>	0	0	4	3.71	6	2.94	10	11.49	9	47.88	29	66.02
Non-levy of penalty for illegal use of ordinary earth	3	0.60	3	1.21	2	0.61	10	6.64	8	7.80	26	16.86
Short realisation of settlement amount from settlee of sand <i>ghats</i>	2	0.78	0	0	3	1.84	0	0	2	0.12	7	2.74

Recommendation:

The Department may initiate systemic measures to ensure that the persisting irregularities that are routinely found during audit do not recur.

6.2 Audit of “Mining Receipts: levy and collection of royalty, fee and rent”

6.2.1 Introduction

Management of mineral resources is the responsibility of both the Central and State Government². Minerals are divided into two categories, *viz.*, major and minor minerals. Minor minerals include building stone, gravel, ordinary clay, ordinary earth, brick earth, sand and any other mineral notified by the Government of India (GOI). All other minerals such as limestone, coal, bauxite, iron ore *etc.*, are termed as major minerals.

Limestone is the only known major mineral found in Bihar. Mining receipts are the fifth largest receipt of the State and contributed between 2.65 and 3.82 *per cent* of the total receipts during the last four years.

6.2.2 Organisational set up

The regulation and development of mines and minerals are administered by the Mines and Geology Department with the Commissioner-cum-Principal Secretary as its head at the Government level. The Director of Mines is the head of the Department and is assisted by one Additional Director of Mines and three Deputy Directors of Mines (DDMs). Further there are nine Deputy Directors of Mines at Divisional offices, at the district level 14 district mining offices are headed by Assistant Director of Mines/Mineral Development Officers whereas Mining Inspectors (MIs) are in-charge of the remaining 24 district mining offices who are under the control of the Collector and are responsible for levy and collection of royalty and other mining receipts.

² Entry 54 of the Union List (List-I) and entry 23 of the State List (List-II) of the Seventh Schedule of the Constitution of India.

6.2.3 Audit Objectives

The audit was conducted with a view to ascertain whether:

- the system for levy and collection of mining receipts were efficient and adequate;
- action taken in the cases of default or illegal excavation of minerals was effective;
- an effective internal control and monitoring mechanism was in place in the Department to prevent leakage of revenue; and
- provisions governing environmental aspects were adhered to in operation of mining leases.

6.2.4 Audit Criteria

The audit criteria for the Audit was derived from the following sources:

- Mines and Minerals (Development and Regulations) (MMDR) Act, 1957;
- Mineral Concession (MC) Rules, 1960;
- Mineral Conservation and Development (MCD) Rules, 1988;
- Bihar Minor Mineral Concession (BMMC) Rules, 1972 (as amended in 2014);
- Bihar Financial Rules;
- Bihar Budget Procedure;
- The Bihar and Orissa Public Demands Recovery (PDR) Act, 1914;
- Environment (Protection) Act, 1986, Environment Impact Assessment-2006 and 2016; and
- Notifications and circulars, executive and Departmental orders and instructions issued by the Department from time to time.

6.2.5 Scope and Methodology

Twelve out of 34 revenue districts were selected for detailed audit scrutiny. Eight districts³ were selected randomly through Interactive Data Extraction Analysis (IDEA) software. Four districts⁴ were selected on the request of Principal Secretary, Mines and Geology Department. Besides, office of the Director of Mines being controlling office at the headquarter level was also selected. The audit was conducted between April and June 2017. The records of the office of the Director, Mines and Geology and 12 District Mining Offices (DMOs) were examined for the period from April 2013 to March 2017. The objectives of the audit were discussed in the entry conference held on 11 April 2017 with the Principal Secretary, Mines and Geology Department. An exit conference was held on 17 October 2017 with the Special Secretary, Mines and Geology Department in which the audit findings were discussed. Replies/comments have suitably been incorporated in the relevant paragraphs. Similar audit observations noticed during compliance audit of other than selected units⁵ have been included in the concerned paragraphs.

³ Aurangabad, Bhojpur, Gaya, Lakhisarai, Nawada, Purnea, Rohtas and Sheikhpura

⁴ Banka, Jamui, Patna and Saran

⁵ Araria, Bhabhua, Bhagalpur, East Champaran, Gopalganj, Kishanganj, Muzaffarpur, Nalanda, Saharsa, Sitamarhi, Vaishali and West Champaran.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Mines and Geology Department in providing necessary information and records.

6.2.7 Trend of revenue

Receipts under the Major Head "0853-Non-ferrous Mining and Metallurgical Industries" mainly consist of royalty. Other receipts under this head include application fees, licence fees, dead rent, surface rent, penalties for illegal mining and interest for delayed payment of dues *etc.*

According to the provisions of the Bihar Financial Rules, the responsibility for preparation of budget estimates of revenue receipts is vested in the Finance Department, who will obtain information from the concerned Administrative Department. The Secretary, Mines and Geology Department is responsible for compilation of the correct estimates and sending it to the Finance Department. In case of fluctuating revenue, the estimates should be based on a comparison of the last three years' receipts.

Actual receipts under the Major Head "0853– Non-ferrous Mining and Metallurgical Industries" (Mining Receipts) against the budget estimates (BEs) during the period 2013-14 to 2016-17 along with the total non-tax revenue and total revenue during the same period is in **Table - 6.3**.

Table - 6.3

(₹ in crore)

Year	Budget estimates	Actual mining receipts as per Finance Account	Receipts as per Department	Total non-tax revenue	Total revenue of the State	Percentage of variation (col. 2 to 3)	Percentage contribution by the mining sector to total non-tax revenue of the State (Col. 3 to 5)	Percentage contribution by the mining sector to total revenue of the State (Col. 3 to 6)
1	2	3	4	5	6	7	8	9
2013-14	641.08	569.14	550.12	1,544.83	21,505.51	(-) 11.22	36.84	2.65
2014-15	750.00	879.87	859.35	1,557.98	22,308.21	(+) 17.32	56.48	3.94
2015-16	1,000.00	971.34	944.54	2,185.64	27,634.82	(-) 2.87	44.44	3.51
2016-17	1,100.00	997.60	994.10	2,403.11	26,145.37	(-) 9.31	41.51	3.82

(Source: Finance Accounts and budget documents of Government of Bihar)

Audit examined the budget files in the Mines and Geology Department and the Finance Department and observed that there was marginal variation between budget estimates and the receipts during 2015-16 and 2016-17. Audit further observed that the Mines and Geology Department did not reconcile Accounts with the Accountant General (Accounts and Entitlement), as required under the Bihar Financial Rules.

6.2.8 Cost of collection

The gross collections from mining receipts, expenditure incurred on the collection and the percentage of such expenditure to gross collection during 2013-14 to 2016-17 are mentioned in **Table - 6.4**.

Table - 6.4

Year	Total mining receipts (₹ in crore)	Total expenditure on collection of revenue (₹ in crore)	Percentage of expenditure on collection in neighbouring States			Percentage of expenditure on collection in Bihar
			Jharkhand	Odisha	West Bengal	
2013-14	569.14	13.97	0.29	0.66	10.38	2.45
2014-15	879.87	13.96	0.31	0.88	9.63	1.59
2015-16	971.34	12.42	0.30	0.63	1.47	1.28
2016-17	997.60	11.85	0.32	0.66	1.27	1.19

(Source: Finance Accounts and budget documents of Government of Bihar and other states)

Audit findings

Test check of 80 out of 159 mining leases in selected mining offices revealed major irregularities in 14 cases having financial implication of ₹ 71.76 crore pertaining to the period 2013-14 to 2016-17. Mineral-wise number of leases and revenue collected thereon versus number of leases test checked and audit findings during the period is mentioned in **Table - 6.5**.

Table - 6.5

Name of Minerals	Total no. of leases in selected districts	No. of leases test checked	Percentage of leases test checked	Total collection of revenue in selected units during 2013-17 (₹ in crore)	Financial impact of audit observations (₹ in crore)
Limestone	10	5	50	3.03	9.69
Mica	4	2	50	0.48	8.67
Silica sand	1	1	100	0.01	0.01
Stone	123	65	52.85	309.55	4.30
Sand	21	7	33.33	1,444.99	49.09
Total	159	80	50.31	1,758.06	71.76

Irregularities observed in audit are discussed in succeeding paragraphs:

6.2.9 Position of Certificate Cases

The BMMC Rules provides for recovery of the amount of rent, royalty, penalty as a public demand under the Bihar and Orissa Public Demands Recovery (PDR) Act, 1914. Further, as per Certificate Manual, the requiring officer (RO) and the certificate officer (CO) are jointly responsible for the speedy disposal of certificate cases⁶.

Audit observed in July 2017 in the office of the Director of Mines that 41,438 cases involving ₹ 271.54 crore were pending in the State as on 31 March 2017. Of this, 16,608 certificate cases involving ₹ 152.34 crore were pending as on 31 March 2017 in the 12 selected DMOs as given in the **Table - 6.6**:

⁶ **Certificate case:** When the certificate officer is satisfied that any public demand payable to the Collector is due, he may sign a certificate in the prescribed form, stating that the demand is due and shall cause the certificate to be filed in his office.

Table - 6.6

(₹ in crore)

Year	Opening Balance		Certificate cases filed during the year		Certificate cases disposed off		Closing Balance	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2013-14	14,495	98.07	504	37.79	72	6.66	14,927	129.21
2014-15	14,927	129.21	230	4.07	16	0.97	15,141	132.31
2015-16	15,141	132.31	1408	25.42	144	8.22	16,405	149.52
2016-17	16,405	149.52	245	4.24	42	1.41	16,608	152.34
Total			2,387	71.52	274	17.26		

Audit observed that for speedy disposal of certificate cases the power of certificate officer was transferred (October 2016) to the concerned District Certificate Officer. However, the records of certificate cases were transferred to District Certificate Officers during the period December 2016 to October 2017 with a delay of two months to one year. Audit further observed that the Principal Secretary directed (February 2017) District Collectors to ensure quick disposal of certificate cases which includes holding of weekly meeting with district mining officers in which reconciliation of register 'IX'⁷ and register 'X'⁸ could be done and to intensively monitor the cases of big defaulters by preparing a list of defaulters having arrears of more than ₹ 10 lakh separately. However, Audit observed that weekly meetings to reconcile register 'IX' and 'X' were not held in any of the test checked DMOs and in five⁹ DMOs, list of defaulters having arrears of more than ₹ 10 lakh was not prepared.

In response to the audit observations, the Department stated (August and October 2017) the same fact that the power of disposal of certificate case was transferred (October 2016) to the Sr. Deputy Collector of the concerned district for speedy disposal of cases. However, the Department did not explain as to why it took two months to one year in transferring the certificate cases to concerned Sr. Deputy Collectors. Further, reasons for non-conducting of weekly meeting by the District Collectors with the District Mining Officers to reconcile register 'IX' and register 'X' and monitor the cases of big defaulters having arrears of more than ₹ 10 lakh separately were not furnished to Audit.

Recommendation:

The Government/Department should put in place a monitoring mechanism to ensure holding of weekly meetings of district certificate officer with concerned district mining officers, reconciliation of register 'IX' and register 'X' and following up of cases for their speedy disposal.

6.2.10 Manpower management

The cadre-wise sanctioned strength and men-in-position of the Department (during 2013-14 to 2016-17) is given in the **Table - 6.7:**

⁷ Register 'IX' is a register of requisitions and is maintained by the requiring officer.

⁸ Register 'X' is a register of certificate and is kept up by the certificate officer.

⁹ Banka, Bhojpur, Rohtas, Saran and Sheikhpura.

Table - 6.7

Name of the posts	2013-14			2014-15			2015-16			2016-17		
	Sanctioned strength	Working strength	Shortage (percentage)	Sanctioned strength	Working strength	Shortage (percentage)	Sanctioned strength	Working strength	Shortage (percentage)	Sanctioned strength	Working strength	Shortage (percentage)
DDM	8	4	4 (50)	8	4	4 (50)	8	2	6 (75)	8	1	7 (87.5)
ADM	11	4	7 (63.64)	11	4	7 (63.64)	11	3	8 (72.72)	11	3	8 (72.72)
MO	25	11	14 (56)	25	8	17 (68)	25	7	18 (72)	25	6	19 (76)
MI	38	13	25 (65.79)	38	13	25 (65.79)	38	9	29 (76.32)	38	7	31 (81.58)
Head clerk	23	1	22 (95.65)	23	1	22 (95.65)	23	1	22 (95.65)	23	0	23 (100)
Clerk	76	60	16 (21.05)	76	60	16 (21.05)	76	54	22 (28.95)	76	53	23 (30.26)

(Source: Administrative Reports of the Mines and Geology Department)

As is evident, the shortages in all cadres increased over the years. The vacancies in Mines Inspector (MI) and Mining Officer (MO), who are mainly responsible for operational efficiency of the Department was notably high. The huge vacancies in the cadres of MI and MO are adversely affecting the collection of the revenue and checking of illegal mining in the state as given in succeeding paragraphs.

Due to shortage of manpower, the Department did not deploy any official at any of the six integrated check posts of the State situated on the interstate boundaries which were required to prevent and detect transportation of minerals excavated illegally. The Department transferred (October 2016) the power of certificate officer from its own officer (Deputy Director of Mines) to the concerned district certificate officer of the General Administration Department. Similarly, the Department also transferred (November 2016) the power of MO relating to verification, inspection of brick kilns and collection of royalty therefrom to concerned circle officers of the Revenue and Land Reforms Department. However, the Mining Department does not have any authority under the BMMC Rules to delegate its power of collection of revenues from brick kiln owners to officers of any other Department.

In response to the audit observation, the Department stated (July and August 2017) that Bihar Staff Selection Commission (BSSC) was requested (February 2014) for recruitment of 23 MIs and Bihar Public Service Commission (BPSC) was requested (May 2014) for recruitment for 12 MOs. However, it was observed that the Department failed to address the queries of the BSSC and BPSC in time. Thus, the Department is also responsible for the failure to recruit MIs and MOs even after lapse of four years since requisitions were made.

Recommendation:

The Department should take necessary steps to fill up the critical posts urgently and execute its power through its own officers.

6.2.11 Irregular removal of mineral

As per the MC Rules read with the MCD Rules and the MMDR Act, mining operations of major minerals are to be undertaken in accordance with the Mining

Plan (MP) duly approved by Indian Bureau of Mines (IBM). Notification of Ministry of Environment and Forest (MoEF) (14 September 2006) read with judgement¹⁰ of the Supreme Court (February 2012) stipulate environmental clearance for new or existing projects impacting environment. The MCD Rules further provide for submission of MP to IBM for the next five years at least 120 days before expiry of the current plan and intimation of approval or rejection by IBM within 90 days of the receipt of the MP. The MMDR Act further provide that the State Government may recover from any person raising any mineral without lawful authority, the mineral so raised or the price thereof, along with royalty. As per the notification issued by the Government of India in February 2015, all leases of minerals are required to be settled through auction.

6.2.11.1 Excavation of limestone without approved Mining Plan, Environmental Clearance and renewal of lease

The District Mining Officer, Rohtas neither stopped the illegal mining of limestone nor levied penalty of ₹ 9.69 crore despite having knowledge of mining operation without approved mining plan, environmental clearance and renewal of lease.

Audit observed in DMO, Rohtas that one lease of limestone (area 30.05 acre) expired in December 2012. The lessee had applied (November 2011) to the Department for renewal of lease without mining plan and environmental clearance. Further, the NOC to carry out mining operation was also refused (April 2012) by the Divisional Forest Officer as the lease area was situated near Kaimur Wildlife Sanctuary. The Mines Commissioner rejected (3 October 2017) the application for renewal of lease after the case was disposed of (May 2016) against the lessee in the Bihar High Court. However, the Commissioner took 18 months after the disposal of the Court case to reject the renewal application. In the meantime, the lessee continued to excavate the limestone illegally till March 2017 without approved mining plan, environmental clearance and renewal of lease as evident from the returns furnished by the lessee in the DMO, Rohtas. The concerned MOs, despite having knowledge of the illegal mining being carried out, neither stopped the mining nor levied the penalty of ₹ 9.69 crore¹¹ (equivalent to price of mineral excavated) during period from December 2013 to March 2017.

In response to the audit observation, the Department stated in the exit conference (17 October 2017), that application of mining plan for excavation of limestone was pending with IBM since 14 February 2017 and further stated that the lease of limestone would be cancelled. The Department's reply does not explain as to why the concerned MOs allowed the illegal mining operation for more than four years and also did not levy penalty.

¹⁰ Deepak Kumar vs. State of Haryana (2012)

¹¹

Name of Districts	Name of Mineral	Name of lessee	Quantity of mineral	Cost of mineral (Amount in ₹)
Rohtas (Sasaram)	Limestone	Kalyanpur Cements Ltd.	12,95,368.39 MT (from 2013 to 2017)	9,69,09,194.00

Recommendation:

The Department should take appropriate action on erring departmental officers and criminal action against the mining operator for allowing/undertaking mining operations without approved mining plan, environmental clearance and renewal of lease.

6.2.11.2 Excavation of mica and silica without approved mining plan, environment clearance and renewal of leases

MOs did not levy penalty of ₹ 8.69 crore and allowed mining of mica and silica for four to 13 years without approved mining plan, environmental clearance and renewal of the leases.

Audit observed in two DMOs (Nawada and Rohtas) that two mining leases of mica (Nawada) having area of 41.81 acres and 501 acres expired in March 2003 and September 2006 respectively and one mining lease of silica (Rohtas) having area of 850 acres expired in December 2013. Lessees of these mines applied for renewal of leases (Mica: 2002 and March 2005; Silica: March 2013) to the concerned MOs. These applications were forwarded by the concerned MOs to the Department in March 2003, September 2005 and May 2016 respectively. The lessees failed to submit Mining Plan approved by Indian Bureau of Mines (IBM) and no objection certificate (NOC) under the Forest Conservation Act, 1980 was not issued to the lessee by the Ministry of Environment and Forest (MoEF), Government of India as the leased mines fell under the forest area. Therefore, the applications for renewal of these leases were rejected by the Director of Mines in March 2017, November 2016 and September 2017 respectively on the recommendation (May 2014) of the Collectors concerned. However, these lessees were allowed to continue with mining operations till June 2016, November 2016 and December 2016 respectively as is evident from their monthly returns and payment of royalty. The concerned MOs did not levy penalty amounting to ₹ 8.69 crore¹² and allowed the mining operations for four to 13 years without approved mining plan (from IBM), environmental clearance and renewal of the leases.

In response to the audit observation, the Department replied in the exit conference (October 2017), that application for renewal of leases of mica and silica were rejected (Mica: November 2016 and March 2017; Silica: September 2017) and further stated that action would be taken for auction of lease as per provision of new Bihar Minor Mineral (BMM) Rules, 2017.

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(Amount in ₹)

Name of District	Name of Mineral	Name of lessee	Quantity of mineral (in kilo gram)	Cost of mineral
Nawada	Mica	M/s Chhaturam	1,57,41,780	3,55,42,951
Nawada	Mica	M/s Sharda Mica	92,92,000	5,11,94,000
Rohtas (Sasaram)	Silica Sand	M/s Dehri-On-Sone Labourers Co-operative Society	2,90,70,000	1,13,290
Total				8,68,50,241

However, the Department did not provide reasons for non-levy of penalty and allowing mining operation for four to 13 years without approved mining plan, environmental clearance and renewal of the leases. The Department did not explain also the reason for inordinate delay in rejecting the applications for renewal of leases.

Recommendation:

The Department should take appropriate action on erring departmental officers and criminal action against the mining operator for allowing/undertaking mining operations without approved mining plan, environmental clearance and renewal of lease.

6.2.11.3 Non-levy of penalty for irregular procurement of minerals by works contractors

MOs failed to ensure non-payment of the works contractors' bills submitted without forms M and N and they also failed to levy penalty of ₹ 67.39 crore on works contractors for procurement of minerals from unauthorised sources.

The BMMC Rules read with the MMDR Act require works contractors to procure minerals from authorised lessee/dealer/permit holders and in case of violation a minimum penalty equivalent to royalty is leviable apart from price of the mineral. For verification of procurement of mineral from authorised source, the BMMC Rules further prescribe for submission of affidavit in form 'M' which contains names and addresses of the dealers from whom the minerals were purchased and particulars of minerals in form 'N' to be accompanied with bills submitted by the works contractors. The Department also directed (January 2006) that no payment of bills shall be made by the works departments without the production of forms 'M' and 'N' by the works contractors.

Audit observed in 12¹³ test checked DMOs that during the year 2015-16 and 2016-17 royalty amounting to ₹ 30.72 crore was deducted by the works divisions from bills of works contractors who had not submitted required forms M and N and deposited into government account through concerned MOs. The challans through which the deducted royalty was deposited, contained the name of contractors. Thus the MOs had information about contractors who used the minerals procured from unauthorised sources. Despite this, the concerned MOs did not levy minimum penalty equivalent to royalty of ₹ 30.72 crore from these works contractors.

Similar irregularity was also noticed in the records of other 12 District Mining Offices¹⁴, where Audit found that a sum of ₹ 36.67 crore was deducted from bills of works contractors who did not submit required forms M and N during 2014-15 and 2015-16 but the penalty of ₹ 36.67 crore was not levied.

¹³ Aurangabad, Banka, Bhojpur, Gaya, Jamui, Lakhisarai, Nawada, Patna, Purnea, Rohtas, Saran and Sheikhpura.

¹⁴ Araria, Bhabhua, Bhagalpur, East Champaran, Gopalganj, Kishanganj, Muzaffarpur, Nalanda, Saharsa, Sitamarhi, Vaishali and West Champaran.

In response to the audit observation, the Department stated (August 2017) that if the contractors paid the royalty voluntarily, then, as per proviso to Rule 40 (10) of the Rules *ibid* the concerned MOs might not impose penalty.

The reply of the Department was incorrect and is an after thought. Proviso of Rule 40 (10) of the Rules *ibid* would be applicable only if the works contractor submits affidavits in form M and in the instant case the works contractors did not submit such affidavits. There is also no record of the MOs deciding on the basis of affidavits not to impose penalty.

The Audit Reports for the years 2012-13 to 2015-16 had reported non-levy of penalty by the MOs amounting to ₹ 103.18 crore in 57 cases where royalty was deducted from bills of works contractors without ensuring form M and N. However, this irregularity still persist indicating that adequate measure was not taken in this regard by the Department.

Recommendation:

The Department should ensure non-payment of the works contractors' bills submitted without forms M and N and levy of penalty on works contractors for procurement of minerals from unauthorised sources. The Department should also take appropriate departmental and other action against erring MOs.

6.2.11.4 Irregular removal of brick earth without valid permit

The BMMC Rules provide that no person shall undertake any mining operation in any area without valid permit and whoever removes minor minerals without valid permit shall be presumed to be a party to the illegal removal of the minor mineral and shall be liable to pay penalty.

Audit observed in nine¹⁵ out of 12 test checked DMOs that out of 1,947 brick kilns, 1,830 brick kilns were operated without valid permit during the period between 2015 and 2017. However, the operators paid royalty including application fee. Though the concerned MOs were aware of operation of brick kilns without valid permit, they failed to take required action to stop the illegal operation.

In response to the audit observation, the Department replied in the exit conference (October 2017), that permit could not be issued, since the brick kiln owners failed to obtain the Consent to Establish (CTE) and Consent to Operate (CTO) from Pollution Control Board. It was further stated that environmental clearance was pending due to non-establishment of DEIAA (District Environment Impact Assessment Authority) at district level. However, permit would be issued before commencement of operation of brick kilns. The reply is not acceptable. The reason for non-establishment of DEIAA was delay by the concerned district collectors to nominate expert person for DEIAA as required under notification of State Government. Further, it was the responsibility of the brick kiln operators to secure the necessary pollution and other clearances, without which, the MOs should not have permitted the operation of brick kilns.

¹⁵ Aurangabad, Gaya, Jamui, Nawada, Patna, Purnea, Rohtas, Saran and Sheikhpura.

Recommendation:

The Department should stop operations of brick kiln without valid permit till issue of consent to operate and consent to establish required for valid permit.

6.2.11.5 Prevention of illegal mining

Required number of meetings of task force intended for prevention of illegal mining was not held in six out of 12 selected districts and in the remaining six districts meeting of task force was not held at all.

As per circular (September 2005) of the Mines and Geology Department, a task force was to be constituted in each district for prevention of illegal mining and overloading. The Department issued (January 2010) further instructions to each district collector to hold meeting of the Task Force at least once a month and to send action taken report to the Department in first week of every month. The task force was mandated to prevent illegal mining, to check mining areas, to inspect brick kilns and to inspect sand settlement areas.

Audit observed in six¹⁶ out of 12 test checked DMOs that during 2016-17, only 18 against the required 72 meetings of task force were held. Audit further observed that the task force did not meet in the remaining six districts and security personnel were made available to only one out of 12 test checked districts which too was subsequently withdrawn due to non-payment of their charges as required funds were not provided by the Department to the DMO. It is pertinent to mention here that in those districts where meetings of task force were held, there were 12,110 instances of inspections/search and seizure for action against illegal mining wherein ₹ 3.65 crore was recovered.

In response to the audit observation, the Department stated (August 2017) that in light of decision taken in a meeting headed by the Chief Secretary in May 2017, necessary instructions for holding of weekly meeting were issued to all District Magistrate/Superintendents of Police.

The Department in the exit conference (October 2017) accepted the audit observation and stated that an exclusive chapter has been incorporated in the new BMM Rules, 2017 for prevention of illegal mining and further action would be taken accordingly.

Recommendation:

The Department should ensure that meetings of task force are held as prescribed to monitor and prevent illegal mining.

¹⁶ Gaya, Jamui, Patna, Rohtas, Saran and Sheikhpura.

6.2.12 Non/short realisation of revenue

6.2.12.1 Non-forfeiture of security deposit

Concerned District Collectors failed to cancel the mining lease of stone quarries and forfeit the security deposit of ₹ 4.30 crore in cases where the lessees did not submit required documents within stipulated time.

As per the BMMC Rules, 1972 read with notification (August 2014) of Mines and Geology Department the formal lease of stone mining is to be executed by the Collector after submission of required documents¹⁷ and due instalment of settlement amount by the settlee within 120 days from the theoretical sanction¹⁸. In case of failure, the order sanctioning the lease shall be deemed to have been revoked and in that event, the application fee and the security deposit shall be forfeited.

Audit of four¹⁹ out of 12 DMOs indicated that 15 stone leases were settled (February 2015) and theoretical sanction orders were issued (between February 2015 and February 2016). Out of 15 lessees, two lessees of DMO Nawada had not submitted the required documents (mining plan and environmental clearance) till April 2018 to the concerned MO though their mining plan was approved in May 2015 and the EC was issued in June 2017. Thus, against the prescribed time-limit of 120 days (four months) the lessees did not submit the said documents even after a lapse of 27 months. However, the Collector did not cancel theoretical sanctions issued to these mining leases and forfeit the security deposit of ₹ 4.30 crore for their failure to submit the required documents and execute lease agreement.

In response to the audit observation, the Department stated (August 2017) that the environmental clearance certificate is issued by SEIAA (State Environment Impact Assessment Authority), which is an independent agency working under MoEF, Government of India and the Department had no legal right to issue any guidelines for issuance of environmental clearance.

The reply of the Department does not provide the specific reason for non-cancellation of mining leases and non-forfeiture of security deposit despite non-submission of required documents by the lessees within the stipulated time-frame of 120 days.

6.2.12.2 Non-operation of sand *ghat* after cancellation of earlier settlement

Non-operation of sand *ghat* led to loss of ₹ 49.09 crore in 2016.

Notification (22 July 2014) of the Mines and Geology Department stipulates settlement of sand *ghats* for five years (2015-19) through tender-cum-auction basis to highest bidder. It further provides for cancellation of lease and realisation of full settlement amount besides forfeiture of security deposit in case the settlee

¹⁷ Mining plan, environmental clearance, consent to operate and consent to establish.

¹⁸ Theoretical sanction is provisional sanction which is subject to fulfilment of prescribed conditions.

¹⁹ Banka, Gaya, Nawada and Sheikhpura.

of sand *ghat* withdraws from settlement. It also requires the Collector, to give an opportunity to the second highest bidder and if the second highest bidder also fails to comply, his security deposit shall also be forfeited and fresh settlement process is to be initiated. Further, the Department had issued instructions (October 2015) not to return the earnest money to the second highest bidder till formalities for settlement of the sand *ghats* with highest bidder is completed.

Audit observed in two DMOs (Lakhisarai and Jamui) that sand *ghats* were settled (December 2014) as single unit (for the period year 2015-19) for an amount of ₹ 40.91 crore during first year and ₹ 49.09 crore (by enhancing the rate by 20 per cent) in the second year and likewise in subsequent years. The settlee had paid settlement amount and other dues for the year 2015, but did not submit the environment clearance certificate and as a result, deed of settlement of sand *ghats* could not be executed even after lapse of one year. Further, the settlee failed to deposit the royalty for the calendar year 2016 and consequently the Collector cancelled (January 2016) the settlement of sand *ghat* and directed the MOs to recover settlement amount of ₹ 263.53 crore for the entire period. Though MOs issued demand notices, they did not file certificate cases to recover the settlement amount.

In the meantime, the concerned MOs returned the security money of the second highest bidder in January 2015. The District Collector instead of giving opportunity to the second highest bidder sent (January 2016) proposal to the Department for resettlement of sand *ghat* through fresh bid which was accepted by the Department. Accordingly, a fresh bid was made and sand *ghats* were settled. However, mining operations could not be undertaken as the Department did not approve the mining plan till March 2017, though, it had been submitted by the lessee in October 2016. Consequently the lessee did not deposit the settlement amount which resulted in loss of revenue of ₹ 49.09 crore to the Government in 2016²⁰.

The Department accepted (October 2017) the audit observation and stated that demand notice was issued (January 2016) to settlee by the MO concerned. The Department further stated that these sand *ghats* were resettled to other settlees and work order would be issued after submission of environmental clearance. However, the fact remains that the Collector/MO neither recovered settlement amount of ₹ 263.53 crore from the defaulter lessee as no certificate case was filed nor ensured operation of sand *ghats* during 2016 and thus sustained loss of ₹ 49.09 crore.

6.2.13 Non-levy of interest in case of delayed payment of royalty

Five DMOs failed to levy interest of ₹ three crore for delayed payment of instalment amount by settlee of sand *ghats*.

As per the BMMC Rules, simple interest at the rate of 24 per cent per annum is leviable on outstanding royalty.

Audit of five²¹ out of 12 test checked DMOs indicated that five sand *ghats* were settled for the period 2015-19. The settlee had deposited the instalment amount with

²⁰ Loss of revenue after December 2016 has not been estimated.

²¹ Aurangabad, Bhojpur, Gaya, Rohtas and Saran.

delay from one to 152 days. However, the concerned MOs did not levy interest of ₹ three crore for delayed payment of instalment.

The Department accepted the audit observation and stated (August 2017) that instructions have been issued to the concerned MOs for realisation of interest from the settlee of sand *ghat*. Recovery will be watched in Audit.

6.2.14 Operation of Mines and Mineral Development, Restoration and Rehabilitation Fund

6.2.14.1 Non-establishment of Fund²² and non-utilisation of money realised for the fund

Rule 54 of the Bihar Minor Mineral Concession Rules, 1972 (as amended in 2014) is contrary to Constitution of India as it provides for direct credit of amounts collected for Mines and Mineral Development, Restoration and Rehabilitation Fund (MMDRRF) into the Public Account instead of the Consolidated Fund. Failure of the Department to establish MMDRRF and prescribe specific guidelines for utilisation of funds for restoration, reclamation and rehabilitation work in mining areas led to non-utilisation of ₹ 19.50 crore, which was kept in saving/current account instead of Consolidated Fund in violation of Article 266 (1) of the Constitution of India.

Article 266 of Constitution of India provides that all revenues received by the Government of a State shall be credited into the Consolidated Fund of the State.

However, Rule 54 of the BMMC Rules, 1972 (as amended in 2014) provides for establishment of Mines and Mineral Development, Restoration and Rehabilitation Fund (Fund) under Public Account wherein an amount equal to two *per cent* of the settlement amount collected from the mineral concession holder is to be credited. Thus, this rule is contrary to Constitution of India as it provides for direct credit of amounts into the Public Account instead of Consolidated Fund.

Audit of 11²³ out of 12 test checked DMOs indicated that the Department did not establish the Fund and as such, collection of ₹ 19.50 crore at the rate of two *per cent* of settlement amount every year, since 2015 towards separate corpus by the lessees of sand and stone was deposited in the current/saving account of the concerned District Collector instead of Consolidated Fund of the State. This is a further violation of Article 266 (1) of the Constitution of India.

Further, the Department failed to issue separate notification for utilisation of the fund/separate corpus till date of audit. Hence, the amount of ₹ 19.50 crore accumulated towards Fund between January 2015 and March 2017 remained not only unutilised till June 2017 but also outside the Government Account and thus the very purpose for its creation could not be fulfilled.

²² Mines and Mineral Development, Restoration and Rehabilitation Fund.

²³ Aurangabad, Banka, Bhojpur, Gaya, Jamui, Lakhisarai, Nawada, Patna, Rohtas, Saran and Sheikhpura.

In response to the audit observation, the Department replied in exit conference (October 2017), that rules had been amended in new Bihar Minor Mineral Rules, 2017 and accordingly District Minerals Foundation was notified (October 2017), and balances would be transferred to the District Mineral Foundation for its utilisation. The Department's reply does not explain as to why the amounts accumulated up-to March 2017 could not be utilised or why the constitutional provisions were not adhered to.

Recommendation:

The State Government should amend Rule 54 of BMMC Rules, 1972 to ensure that it does not violate Article 266 (1) of the Constitution of India.

6.2.14.2 Non-levy of contribution money towards Fund

Five DMOs did not realise ₹ 70.36 lakh towards separate corpus/Fund from permit holders for extraction of brick earth and ordinary earth.

Audit of the office of Director of Mines and Geology and five²⁴ out of 12 test checked DMOs indicated that during the period 2015-16 and 2016-17 ₹ 27.90 crore and ₹ 7.27 crore was realised as royalty from concession holders for extraction of brick earth and ordinary earth. However, the MOs concerned did not realise two *per cent* of the settlement/auctioned amount towards separate corpus/Fund as they failed to incorporate the condition of levy towards separate corpus/Fund in permit conditions. This resulted into non-realisation of ₹ 70.36 lakh.

In response to the audit observation, the Department stated (October 2017) that rules were amended in October 2017 for formation of District Mineral Foundation and action would be taken accordingly. The reply of the Department does not explain as to why the MOs did not make any deduction from permit holders of brick earth and ordinary earth towards Fund.

Recommendation:

The Department should ensure deduction of prescribed amounts from all mineral concession holders and credit these into Government Account for further transfer to the Fund.

²⁴ Aurangabad, Bhojpur, Patna, Rohtas and Saran.

6.2.15 Miscellaneous points

6.2.15.1 Delay in approval of Mining plan

The Committee headed by the Director delayed approval of the mining plan by 30 to 207 days, as a result of which, the four out of five lessees could not submit the mining plan within the prescribed time-limit of 90 days.

As per notifications (August 2013 and July 2014) of the Department and the BMMC Rules, successful bidders for sand *ghats* and stone quarries are required to submit approved mining plan within 90 days and 120 days respectively, of sanction of lease. As per notification (February 2014) of the Mines and Geology Department, the mining plan shall be approved by the committee headed by Director of the Department within 30 days of its submission.

- Audit of the office of the Director of Mines indicated that the settlees of sand *ghats* submitted 24 mining plans (between December 2014 and October 2015) for the settlement period 2015-19. Out of these, 22 mining plans were approved by the Department (between March 2015 and February 2016), of which, five mining plans of five lessees pertaining to nine²⁵ selected districts were approved with delays ranging between 60 and 237 days. Thus it was evident that the Committee headed by the Director took 30 to 207 more days to approve the mining plan as the committee took inordinate time in scrutiny of mining plan and communicating deficiencies in the mining plan to the lessee. As a result, four out of five lessees could not submit the approved mining plan within the prescribed time-limit of 90 days.
- Audit observed in two cases of DMO Sheikhpura that theoretical sanction in case of two leases of stone quarries was accorded by the Collector in February 2016. However, the lessees could not submit the mining plan within the stipulated time of 120 days as the Department approved (December 2017) the mining plan with delay of 18 month though the lessees had applied in May 2016. The Department was responsible for the delay in approval of the mining plans. This led to non-execution of mining leases and subsequently mining operation could not be commenced resulting in non-realisation of revenue from stone quarry.

In response to the audit observation, the Department stated (August 2017) that the mining plans submitted by the settlee were incomplete and not up to the mark. The reply of the Department is not acceptable as the Department took inordinate time to scrutinise mining plans and communicate deficiencies to the lessee. Moreover, the Department was entirely responsible for delay in approval of mining plans in two cases of DMO Sheikhpura.

²⁵ Aurangabad, Banka, Bhojpur, Gaya, Jamui, Lakhisarai, Nawada, Rohtas and Saran.

6.2.15.2 Non-issuing of transit passes/challans and non-submission of monthly return

The Department did not issue transit passes/challans to permit holders of ordinary earth and ensure submission of monthly returns by them.

The BMMC Rules, 1972 provides that, every lease or permit holder who intends to despatch minerals shall issue challan to the carriers who shall produce the same on demand by any competent officer. The Rules further provides for permit holders to maintain register exhibiting information *viz.* name and address of lessee/permit-holder, details of quarry lease/permit, area, mineral and location of quarry site.

Audit of three²⁶ out of 12 test checked DMOs indicated that 120 permits were issued to concerned persons/permit holders for excavation of 3,000 cubic meters of ordinary earth per permit during the period 2014-15 and 2015-16, but transit passes/challans were not issued by the concerned MOs to the permit holders as the MOs did not make requisitions to the Department to issue these. Audit further observed that the permit holders did not submit the required monthly return for excavation of ordinary earth. In the absence of monthly returns and use of transit pass by permit holders, there was no means to verify that the permit holders excavated only authorised quantity of earth. This is fraught with the risk of illegal mining of ordinary earth and loss of royalty thereon.

The Department accepted the facts in the exit conference (October 2017).

6.2.15.3 Inspections of brick kilns not done by Circle Officers

Circle Officers of the Revenue and Land Reforms Department, who were authorised for verification and inspection of brick kilns, did not inspect the brick kilns or submit inspection reports to the concerned MOs.

The BMMC Rules requires the brick kilns owner to pay the consolidated amount of royalty in two equal instalments along with application fee of ₹ two thousand. Further, due to shortage of man-power the Department transferred (November 2016) the power of MO relating to verification and inspection of brick kilns and collection of royalty from owners of brick kiln to concerned Circle Officers of the Revenue and Land Reforms Department.

Audit observed in 12 test checked DMOs that the concerned Circle Officers did not conduct any inspection of brick kilns and did not submit inspection reports to concerned MOs. Thus, Circle Officers did not detect any brick kiln operating without permit. It was further observed that number of brick kilns operated during

²⁶ Bhojpur, Patna and Saran.

2016-17 decreased to 2,274 from 2,463 in 2015-16 which led to reduction of revenue of ₹ 3.40 crore (from ₹ 15.70 crore to ₹ 12.30 crore) from the brick-kilns. Thus, delegation of powers of Mining Officer to Circle Officer of the Revenue and Land Reforms Department negatively impacted the revenues realised from brick kilns. Moreover, the BMMC Rules do not authorise the Mining Department to delegate its power of collecting royalty from brick kiln owners to officers of any other Department.

In the exit conference (October 2017), the Department accepted the facts of decrease in revenue.

Recommendation:

The Department may ensure adequate inspection/verification of brick-kilns by the Circle Officers or re-consider its decision of transferring such revenue collection work to Circle Officers.

Other observations of compliance audit

6.2.15.4 Penalty for irregular extraction of ordinary earth not levied

Penalty of ₹ 8.05 crore was not levied on works contractors for extraction of ordinary earth without obtaining requisite quarrying permits.

Ordinary earth is a minor mineral on which royalty at the rate of ₹ 22 per cubic metre is leviable. The BMMC Rules requires sanction of the competent authority for any quarrying activity. The BMMC Rules further provides for initiation of criminal proceedings and levy of penalty for illegal mining which includes recovery of the price of the mineral, rent, royalty or taxes as the case may be.

Audit observed from lease files/Bank Draft Register in five DMOs²⁷ that royalty of ₹ 8.05 crore pertaining to 11 works contractors was deposited during the period from March 2015 and July 2016 for mining of ordinary earth but without obtaining the requisite quarrying permit. The royalty was deposited either by the contractors themselves or by the MOs (in cases where the royalty was deducted by the NHAI and forwarded to the mining offices). However, in either case, the challans through which the royalty was deposited were endorsed by the MOs contained the name of contractors. Thus, despite being aware of the contractor's quarrying activities without valid permit, the MOs failed to levy penalty of ₹ 8.05 crore equivalent to the amount of royalty.

In reply to the audit observation, the Department stated (October 2017) that royalty for the ordinary earth (minor mineral) had been paid by the contractors voluntarily and hence penalty was not imposed under the provision of Rule 40

²⁷ Bhabhua, Bhagalpur, Muzaffarpur, Supaul and Vaishali.

(10) of the BMMC Rules. The reply of the Department is not in consonance with the provision of Rule 40 (1) of the Rules *ibid* which stipulates that mining of ordinary earth without obtaining requisite quarrying permit is irregular and hence penalty was leviable under Rule 40 (8) of the Rules *ibid*. Further, the PAC also recommended (December 2016) on a similar para that had featured in Audit Report 2013-14 to file certificate case for realisation of penalty from concerned works contractors.

The Audit Reports for the years 2011-12 to 2015-16 had reported similar observations involving amount of ₹ 16.86 crore. But, the nature of lapses/irregularities are still persisting which indicates that the Department did not take corrective measures to prevent recurring leakage of revenue.

6.2.15.5 Short realisation of stamp duty and registration fees on settlement of sand ghats

Stamp duty and registration fees of ₹ 95.73 lakh was not realised from the settlees of sand ghats.

The Indian Registration Act, 1908 provides for registration of lease documents of immovable property for any term exceeding one year. As per the new Sand Policy, 2013, stamp duty at the rate of three *per cent* and registration fees at the rate of four *per cent* of the auctioned amount was payable on execution of agreement.

Audit observed from the settlement files of sand *ghats* in three DMOs²⁸ that three sand *ghats* were settled for a period of five calendar years (2015-19) for an auctioned amount of ₹ 14.08 crore. As the settlement of sand *ghat* was made for five years for the period 2015-19, lease agreement should have been registered after paying applicable registration fee and stamp duty. However, in one case, lease agreement was executed for one year only instead of, for the whole period of the settlement. In the remaining two cases, lease agreements were not executed. The settlees of sand *ghats* had paid stamp duty of only ₹ 2.85 lakh against the payable stamp duty of ₹ 42.25 lakh. Audit further observed that these settlees had neither paid registration fees of ₹ 56.33 lakh on the settlement amount nor got the agreement registered for the settlement period 2015-19. Thus, failure of the MOs for not getting the agreement with the settlees registered for the whole settlement period resulted in short realisation of revenue of ₹ 95.73 lakh.

In reply to the audit observation, the Department stated (October 2017) that as per new Sand Policy, 2013, sand *ghats* were settled for five calendar years (2015-19) and stamp duty and registration fees were deposited by the settlee on yearly basis. The reply of the Department is not in consonance with the facts that the settlement of sand *ghats* was for five years and accordingly stamp duty and registration fees was leviable on whole settlement amount for the period 2015-19.

²⁸ Gopalganj, Supaul and Vaishali.

The Audit Reports for the years 2012-13 to 2015-16 had reported similar observations involving amount of ₹ 66.02 crore. But, the nature of lapses/irregularities are still persisting which indicates that the Department did not take corrective measures to prevent recurring leakage of revenue.



Patna
The 24 August 2018

(NILOTPAL GOSWAMI)
Principal Accountant General (Audit)
Bihar

Countersigned



New Delhi
The 28 August 2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Glossary of abbreviations

Glossary of Abbreviations

Abbreviations	Full form
AA	Assessing Authority
ACCT	Assistant Commissioner of Commercial Taxes
ACE	Assistant Commissioner of Excise
A&E	Accounts & Entitlement
AG	Accountant General
AIG	Assistant Inspector General
ATNs	Action Taken Notes
BE	Budget Estimates
BMMC Rules	Bihar Minor Mineral Concession Rules
BMVT Act	Bihar Motor Vehicles Taxation Act
BSEB	Bihar State Electricity Board
BTEG Act	Bihar Taxes on Entry of Goods into local areas for Consumption, Use or Sale therein Act
BVAT Act	Bihar Value Added Tax Act
CE	Commissioner of Excise
CCT	Commissioner of Commercial Taxes
CMV Rules	Central Motor Vehicles Rules
CST Act	Central Sales Tax Act
CTD	Commercial Taxes Department
CTO	Commercial Taxes Officer
DCB Register	Demand, Collection and Balance Register
DCCT	Deputy Commissioner of Commercial Taxes
DLAO	District Land Acquisition Officer
DMOs	District Mining Offices
DR	District Registrar
DSR	District Sub Registrar
DTO	District Transport Officer
ET	Entry Tax
Form C	Used to purchase goods at concessional rate of tax in course of inter-state trade and commerce
GST	Goods and Services Tax
GTO	Gross Turnover
IAW	Internal Audit Wing
IGR	Inspector General of Registration
IR	Inspection Report
ITC	Input Tax Credit
JCCT	Joint Commissioner of Commercial Taxes
MMDR Act	Mines and Minerals (Development and Regulation) Act
MI	Mining Inspector
MO	Mining Officer

MMDRRF	Mines and Minerals Development, Restoration and Rehabilitation Fund
MV Act	Motor Vehicles Act
MVI	Motor Vehicle Inspector
NHAI	National Highway Authority of India
NIC	National Informatics Center
OTT	One Time Tax
PAC	Public Accounts Committee
PDR	Public Demand Recovery
RFCTLARR Act	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act
RFCTLARR Rules	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Rules
RO	Requiring Officer
RTA	Regional Transport Authority
SE	Superintendent of Excise
SR	Sub Registrar
SUVIDHA	Simplified Usage of Vehicle Information Data Harmonized Application
TAR	Tax Audit Report
TDS	Tax Deducted at Source
TIN	Taxpayer Identification Number
TTO	Taxable Turnover
<i>VAHAN</i>	An application developed for registration of vehicles and road tax clearance
VAT	Value Added Tax
VATMIS	Value Added Tax Management Information System

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