

SECTION B
Revenue Sector

CHAPTER – I: GENERAL

1.1 Introduction

This chapter presents the overview of revenue raised by the Government of Jharkhand and arrears of taxes pending collection against the backdrop of audit findings.

1.2 Trend of receipts

1.2.1 The tax and non-tax revenue raised by the Government of Jharkhand, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during 2018-19 and the corresponding figures for the preceding four years are presented in **Table – 1.1**.

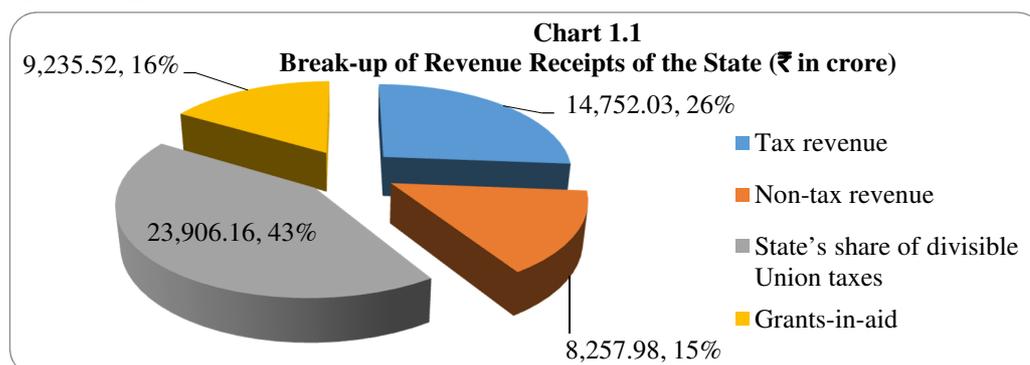
Table – 1.1: Trend of revenue receipts

		(₹ in crore)				
		2014-15	2015-16	2016-17	2017-18	2018-19
1	Revenues raised by the State Government					
	• Tax revenue	10,349.81	11,478.95	13,299.25	12,353.44	14,752.04
	Percentage of growth compared to previous year	10.34	10.91	15.86	(-) 7.11	19.42
	• Non-tax revenue	4,335.06	5,853.01	5,351.41	7,846.67	8,257.98
	Percentage of growth compared to previous year	15.52	35.02	(-) 8.57	46.63	5.24
Total		14,684.87	17,331.96	18,650.66	20,200.11	23,010.02
2	Receipts from the Government of India					
	• State's share of divisible Union taxes and duties	9,487.01	15,968.75	19,141.92	21,143.63	23,906.16
	• Grants-in-aid	7,392.68	7,337.64	9,261.35	11,412.29	9,235.52
Total		16,879.69	23,306.39	28,403.27	32,555.92	33,141.68
3	Total receipts of the State Government (1 & 2)	31,564.56	40,638.35	47,053.93	52,756.03	56,151.70
4	Percentage of 1 to 3	47	43	40	38	41

Source: Finance Accounts of the Government of Jharkhand.

The above table indicates that during the year 2018-19, the revenue raised by the State Government (₹ 23,010.02 crore) was 41 per cent of the total revenue receipts. The balance 59 per cent of receipts during 2018-19 was from the Government of India. Tax revenue and non-tax revenue raised by the State Government increased by 19.42 per cent and 5.24 per cent respectively in 2018-19 over 2017-18.

The break-up of revenue receipts of the State for the year 2018-19 in terms of percentage is shown in **Chart 1.1**.



1.2.2 Details of tax revenue raised during the period 2014-15 to 2018-19 are given in **Table - 1.2**.

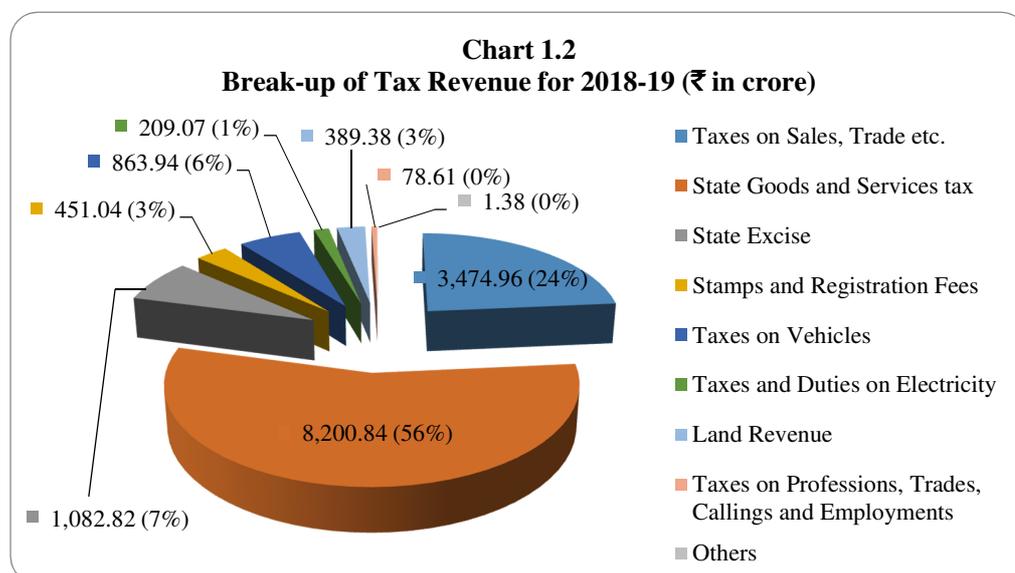
Table – 1.2: Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase(+) or decrease (-) in 2018-19 over 2017-18
1	Taxes on Sales, Trade etc.	8,069.72	8,998.95	10,549.25	5,714.69	3,474.96	(-) 39.19
2	State Goods and Services Tax	0.00	0.00	0.00	4,123.88	8,200.84	(+) 98.86
3	State Excise	740.16	912.47	961.68	840.81	1,082.82	(+) 28.78
4	Stamps and Registration Fees	530.67	531.64	607.00	469.34	451.04	(-) 3.90
5	Taxes on Vehicles	660.37	632.59	681.52	778.37	863.94	(+) 10.99
6	Taxes and Duties on Electricity	175.40	125.68	151.89	183.50	209.07	(+) 13.93
7	Land Revenue	83.54	164.35	240.26	156.01	389.38	(+) 149.59
8	Taxes on Professions, Trades, Callings and Employments	57.11	82.88	67.69	73.98	78.61	(+) 6.26
9	Others	32.85	30.39	39.95	12.86	1.38	(-) 89.27
Total		10,349.81	11,478.95	13,299.25	12,353.44	14,752.04	(+) 19.42

Source: Finance Accounts of the Government of Jharkhand.

The break-up of tax revenue for the year 2018-19 is shown in **Chart 1.2**.



The reasons for variation in receipts in 2018-19 from those of 2017-18 in respect of some principal heads of tax revenue were as under:

Taxes on Sales, Trade etc. and State Goods and Services Tax: The increase of 18.67 per cent was attributed by the Department to implementation of GST from July 2017 in place of VAT.

State Excise: The increase of 28.78 per cent was attributed by the Department to increase in number of shops operated by Jharkhand State Beverage

Corporation Ltd. (JSBCL) in 2018-19 as compared to the shops operated in 2017-18 (between July 2017 and March 2018); and revision in rate of Excise Transport Duty (ETD) and licence fee from ₹ 50,000 to ₹ seven lakh per shop.

Stamps and Registration Fees: The decrease of 3.90 *per cent* was attributed by the Department to exemption of stamp duty and registration fees on sale deeds of immovable properties made in favour of women with effect from June 2017.

Taxes on Vehicles: The increase of 10.99 *per cent* was attributed by the Department to introduction (January 2019) of new tax structure wherein tractors, trailers, machinery equipped vehicles, three wheelers (passenger and goods vehicles) were brought under the preview of one-time tax (OTT).

Taxes and Duties on Electricity: The increase of 13.93 *per cent* was attributed by the Department to better tax administration.

Land Revenue: The increase of 149.59 *per cent* was attributed by the Department to transfer of Government lands to various companies, institutions, authorities etc.

1.2.3 Details of non-tax revenues raised during the period 2014-15 to 2018-19 are indicated in **Table - 1.3**.

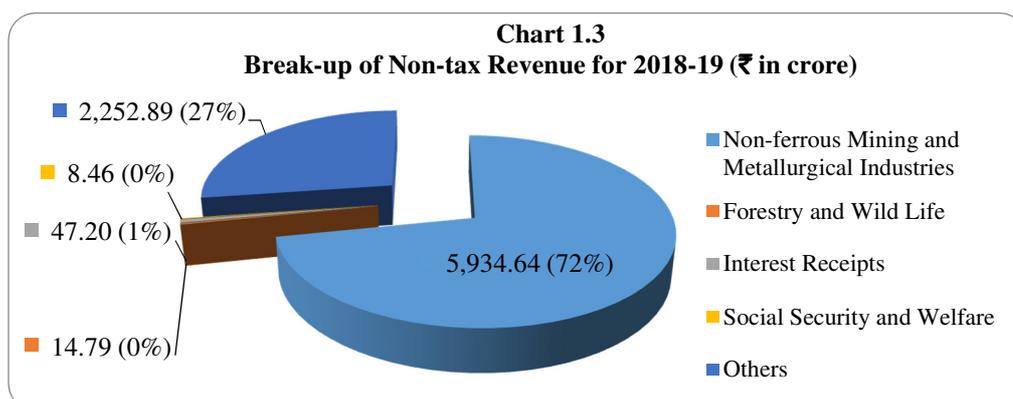
Table - 1.3: Details of Non-Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase(+) or decrease (-) in 2018-19 over 2017-18
1	Non-ferrous Mining and Metallurgical Industries	3,472.99	4,384.43	4,094.25	5,941.36	5,934.64	(-) 0.11
2	Forestry and Wild Life	3.66	4.13	4.48	4.44	14.79	(+) 233.11
3	Interest Receipts	143.04	122.44	121.34	168.88	47.20	(-) 72.05
4	Social Security and Welfare	4.16	3.73	36.79	135.78	8.46	(-) 93.77
5	Others	711.21	1,338.28	1,094.55	1,596.21	2,252.89	(+) 41.14
Total		4,335.06	5,853.01	5,351.41	7,846.67	8,257.98	(+) 5.24

Source: Finance Accounts of the Government of Jharkhand.

The break-up of non-tax revenue for the year 2018-19 is shown in **Chart 1.3**.



The Departments did not furnish reasons for variations in non-tax revenue receipts in 2018-19 from those of 2017-18 despite several requests.

Forestry and Wild Life: Receipts under Forestry and Wild Life increased by 233.11 *per cent* in 2018-19 over the previous year. Audit noticed that recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913-Recoveries of unspent balances of grants-in-aid' under '0406-Forestry and Wild Life', leading to significant increase under the head 'Forestry and Wild Life'.

Interest Receipts: Receipts under Interest Receipts decreased by 72.05 *per cent* in 2018-19 over the previous year. Audit noticed that during the year 2017-18, interest amounts on unspent balances of schemes which had been lying in banks for years was deposited into the minor head '800-Other Receipts' under '0049-Interest Receipts' leading to sudden increase in Interest Receipts during 2017-18.

Social Security and Welfare: Receipts under the head "Social Security and Welfare" decreased by 93.77 *per cent* in 2018-19 over the previous year. Audit noticed that during the year 2017-18, recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913-Recoveries of unspent balances of grants-in-aid' leading to sudden increase under the head "Social Security and Welfare" during 2017-18.

Others: Receipts under heads taken under 'Others' increased by 41.14 *per cent* in 2018-19 over the previous year. Audit noticed that recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913 - Recoveries of unspent balances of grants-in-aid' under the following major heads of revenue receipts taken under 'Others': 0202-Education, Sports, Art and Culture (₹ 335.18 crore), 0216 – Housing (₹ 49 crore), 0217-Urban Development (₹ 186.78 crore), 0250-Other Social Services (₹ 166.48 crore), 0404-Dairy Development (₹ 137.42 crore), 0700 – Major Irrigation (₹ 305.69 crore), 0851-Village and Small Industries (₹ 77.73 crore) and 0852- Industries (₹ 33.35 crore), leading to significant increase. Further, bifurcation of the refunded amount into Central share and State share were not available in Voucher Level Compilation (VLC) database/Challans.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of two principal heads of revenue amounted to ₹ 6,534.13 crore, of which ₹ 1,694.94 crore was outstanding for more than five years as detailed in **Table-1.4**.

Table-1.4 :Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Remarks
1	Taxes on Sales, Trade etc.	6,251.73	1,469.97	Out of ₹ 6,251.73 crore, demands of ₹ 439.52 crore were certified for recovery in the same manner as arrears of land revenue. Recovery of ₹ 1,208.54 crore and ₹ 594.36 crore was stayed by the Courts/ other judicial authorities and the Government respectively. Demands of ₹ 142.12 crore were held up due to rectification/ review application and a sum of ₹ 2.30 crore was likely to be written off. Specific action taken in respect of the remaining arrears of ₹ 3,864.89 crore has not been intimated (May 2021).
2	Taxes on Vehicles	282.40	224.97	Out of ₹ 282.40 crore, demands of ₹ 98.57 crore were certified for recovery in the same manner as arrears of land revenue. Specific action taken in respect of the remaining arrears of ₹ 183.83 crore has not been intimated (May 2021).
Total		6,534.13	1,694.94	

The position of arrears of revenue pending collection as on 31 March 2019 in respect of other Departments was not furnished (May 2021) despite active pursuance by Audit (between November 2019 and February 2021).

1.4 Follow up on Audit Reports – summarised position

As per instructions issued (August 1993) by the Chairperson, Bihar Legislative Assembly, Patna, Government departments are required to submit explanatory notes to the Public Accounts Committee (PAC) within three months of laying of the Report of the Comptroller and Auditor General of India (CAG) in the Legislative Assembly. Further, action taken notes (ATNs) on recommendations made by the Committee should be submitted by the departments within six months. Significant delays were, however, observed in submission of explanatory notes itself (replies of the departments), with average delays of three months in respect of 136 paragraphs (including performance audit) appearing in the CAG's Revenue Audit Reports for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between March 2014 and July 2018. Details of pending explanatory notes pertaining to various departments are given in **Table - 1.5**.

Table - 1.5: Pending explanatory notes

Sl. No.	Audit Report ending on 31 March	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	2013	04.03.2014	27	12	15
2	2014	26.03.2015	28	20	8
3	2015	15.03.2016	32	4	28
4	2016	02.02.2017	32	14	18
5	2017	20.07.2018	17	0	17
Total			136	50	86

Till 2018-19, the PAC has discussed 16 paragraphs pertaining to the Audit Reports for the years 2012-13 to 2016-17. During 2018-19, seven paragraphs pertaining to Audit Reports 2014-15 and 2015-16 was discussed for the first time and three paragraphs pertaining to Audit Report 2015-16 were discussed for the second time. However, no recommendations had been made on these paragraphs.

1.5 Response of the departments/ Government towards 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 Heads of the Departments and the Government.

Review of IRs issued for the years 2008-09 to 2018-19 revealed that 8,394 paragraphs relating to 942 IRs remained outstanding at the end of August 2020. The potentially recoverable revenue as brought out in these IRs was as much as ₹ 13,465.46 crore whereas the total revenue receipts of the State was ₹ 23,010.02 crore in 2018-19. Department-wise details relating to the revenue sector of the State Government are given in **Table - 1.6**.

Table - 1.6: Department-wise details of Inspection Reports

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.	226	4,597	6,450.44
		Entry Tax	5	5	9.54
		Taxes and Duties on Electricity	12	62	98.59
2	Excise and Prohibition	State Excise	157	802	958.14
3	Revenue, Registration and Land Reforms	Land Revenue	95	488	4,277.78
4	Transport	Taxes on Vehicles	160	1,057	315.61
5	Revenue, Registration and Land Reforms	Stamps and Registration Fees	126	578	36.63
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	161	805	1,318.73
Total			942	8,394	13,465.46

(₹ in crore)

Even the first replies, required to be submitted by the heads of offices within one month from the date of issue of the IRs, were not received for 133 IRs issued from 2008-09 onwards.

1.6 Results of audit

Position of local audit conducted during the year

Audit covered three departments¹⁴ of the State Government and test-checked the records of 55 out of 590 auditable units (9.32 *per cent*) relating to taxes on sales, trade etc., state excise, land revenue and stamps and registration fees during the year 2018-19. In these three departments, revenue of ₹ 7,180.85 crore was collected during 2017-18, out of which 55 audited units collected ₹ 2,122.66 crore (29.56 *per cent*). In the 55 audited units, Audit noticed under-assessment, non/short levy of tax/interest/penalty, loss of revenue etc. aggregating ₹ 588.57 crore (27.73 *per cent* of revenue collected by units) in 1,332 cases. Audit also conducted a Performance Audit on “Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand” and an Audit on “Mechanism for levy and collection of electricity duty in Jharkhand” which revealed under-assessment/ short levy/ loss of revenue of ₹ 1,569.58 crore. The departments concerned accepted under-assessment and other deficiencies of ₹ 1,628.15 crore (75.44 *per cent* of total audit observation) in 588 cases pointed out by audit and effected recovery of ₹ 15.50 crore in 84 cases.

1.7 Coverage of this Section

This Section of the Report contains five selected paragraphs from the local audits conducted during the year including those of earlier years which could not be included in the previous reports. This Section also contains Performance Audit on “Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand” and Audit on “Mechanism for levy and collection of electricity duty in Jharkhand”, involving financial effect of ₹ 1,627.99 crore.

The Department/ Government have accepted audit observations involving ₹ 1,612.24 crore and recovered ₹ 14.43 crore.

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

¹⁴ Commercial Taxes, Excise and Prohibition and Revenue, Registration and Land Reforms.

CHAPTER – II: PERFORMANCE AUDIT

TRANSPORT DEPARTMENT

2.1 Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand

This Performance Audit contains findings emerging from the audit of assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand during 2014-19. The audit brings out deficiencies due to implementation of amendments in the taxation structure of vehicles by the Transport Department with obscure provisions and delays in the customisation of the application software. This, coupled with mapping of incorrect and incomplete provisions resulted in loss of revenue of ₹ 6.76 crore. Further, some activities were yet to be captured in the application software. These deficiencies had the following impacts.

- (i) Absence of clarity in provisions led to difficulty in ascertaining the validity of registration of tractors and trailers, percentage of one-time tax on previously registered transport vehicles which have been brought under one-time tax, rate of refund of tax in case of transfer of vehicle from the State, tax to be levied on chassis/unbuilt body and tax to be levied on temporary registration of transport vehicles under one-time tax; and
- (ii) The delay, incorrect and incomplete mapping of business rules led to short realisation of revenue from vehicle owners as the system generated tax at pre-revised rates. Further, incorrect mapping resulted in excess realisation of additional tax on one-time tax. Vehicles of other States plying in Jharkhand could not be assigned local registration mark of the State since the check mechanism to identify vehicles plying for more than one year was not mapped in the application. The work of recording present address of vehicles registered in other States and collection of trade tax was being conducted manually which led to omission of levy of additional fee for delayed submission of no objection certificates and short payment of trade tax and penalty for delayed payment of trade tax.

The State Government did not make any effort to identify and rectify the inherent flaws in the amendments and in mapping of business rules with a view to safeguard the revenue interests of the State. The Department is yet to bring all its activities under the computerised environment for better tax administration.

Audit also noted irregularities in levy and collection of motor vehicle tax and fees. The total financial implication of this Audit based on a test check of office of the Transport Commissioner, five offices of Regional Transport Authorities and 12 District Transport Offices in Jharkhand was ₹175.42 crore which included loss of revenue of ₹ 7.04 crore (Paragraphs 2.1.11.3 and 2.1.12.2).

2.1.1 Introduction

Revenue from Transport Department constituted on an average, 5.83 per cent of the total tax revenue for the State of Jharkhand during the period 2014-19. Audit was conducted to assess whether the State Transport Department could safeguard the revenue interest of the State.

The Report highlights flaws in administration of tax and fee, computerisation, deficiencies in tax governance and other irregularities which affect the revenue generation of the Department.

The following paragraphs present an overview of the trend of motor vehicle receipts raised by the Government, audit objectives, criteria, scope and methodology.

2.1.2 Collection of Taxes on Vehicles

The Jharkhand Financial Rules (JFR), Vol.-I provides that the responsibility for preparation of budget estimate vests with the Finance Department. The Transport Department is responsible for compilation and submission of figures of detailed estimates to the Finance Department.

Receipts under the Major Head '0041-Taxes on Vehicles' consist of tax, fees, fines and penalties. The actual receipts from Taxes on Vehicles during 2014-19 are shown in **Table-2.1**.

Table-2.1: Receipts from Taxes on Vehicles

(₹ in crore)

Year	Actual receipts	Total tax revenue of the State	Percentage contribution by Taxes on vehicles to total revenue of the State (% of col. 2 to 3)
1	2	3	4
2014-15	660.37	10,349.81	6.38
2015-16	632.59	11,478.95	5.51
2016-17	681.52	13,299.25	5.12
2017-18	778.37	12,353.44	6.30
2018-19	863.94	14,752.03	5.86

Source: Finance Accounts, Government of Jharkhand.

2.1.3 Cost of collection

The percentage of expenditure incurred on collection of "Taxes on vehicles" during 2014-19 along with a comparative overview with All India Average is depicted in the **Table-2.2**.

Table - 2.2: Cost of collection

Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Cost of collection (Col. 3/ Col. 2)	All India average
1	2	3	4	5
2014-15	660.37	6.20	0.94	6.25
2015-16	632.59	6.12	0.97	6.08
2016-17	681.52	6.18	0.91	4.99
2017-18	778.37	6.61	0.82	2.61
2018-19	863.94	6.76	0.78	NA

2.1.4 Audit objectives

Audit was conducted with a view to ascertain the adequacy of:

- system for assessment of motor vehicles taxes and fees; and
- system of collection of motor vehicles taxes and fees.

2.1.5 Audit criteria

Audit was conducted with reference to the provisions made under the following Acts and Rules:

- Motor Vehicles Act, 1988;
- Central Motor Vehicles Rules, 1989;
- Jharkhand Motor Vehicles Taxation Act, 2001;
- Jharkhand Motor Vehicles Taxation Rules, 2001;
- Jharkhand Motor Vehicles Rules, 2001;
- Jharkhand Financial Rules;
- Carriage by Road Act, 2007;
- Carriage by Road Rule, 2011; and
- Departmental instructions issued from time to time.

2.1.6 Audit scope and coverage

The Performance Audit on “Assessment and collection of Motor Vehicle Tax and Fee in Transport Department, Jharkhand” was conducted between July 2019 and March 2020 pertaining to the period from 2014-19. For this Audit, 12 District Transport offices (DTOs) out of 24 DTOs, all five offices of Regional Transport Authorities¹⁵ and office of the Transport Commissioner were selected. Out of 12 selected DTOs; five offices¹⁶ were selected on the basis of high revenue collection and seven offices¹⁷ through Stratified Random Sampling without Replacement (SRSWOR).

2.1.7 Audit methodology

An entry conference was held on 3 July 2019 with the Secretary, Transport Department, Government of Jharkhand in which the audit objectives, scope and methodology were discussed.

Audit did not have access to the real time data of application software (*VAHAN*, *SARATHI*, *sPERMIT* and National Permit System) being operated by the Department, hence Audit obtained data for the period 2014-19 from the NIC, Jharkhand State Unit, Ranchi in May 2019. Analysis of data revealed several irregularities which have been categorised in **Table-2.3**.

¹⁵ Kolhan, Dumka, Hazaribag, Palamu and Ranchi.

¹⁶ Bokaro, Dhanbad, Hazaribag, Jamshedpur and Ranchi.

¹⁷ Deoghar, Dumka, Giridih, Khunti, Lohardaga, Palamu and Ramgarh.

Table – 2.3: Irregularities found during analysis of data

Sl. No.	Particulars	Total records found in the data
1	Defaulter commercial vehicle owners under the purview of one-time tax	2,68,816
2	Transport vehicles defaulting tax	74,341
3	Non-revision of axle weight	86,606
4	Non-assignment of local registration mark	27,560
5	Non-renewal of fitness certificate of transport vehicles	3,31,327
6	Short levy of one-time tax on personalised vehicles	25,478
7	Excess levy of one-time tax on personalised vehicles	208

The results of analysis were verified with the real time data/manual records related to change in status of tax position, validity of fitness certificates, authorisation of permits etc., in the selected offices. Further, Audit test-checked the records of activities which were maintained manually and were not being captured in any of the application software, e.g., submission of no objection certificates of vehicles for recording of present address, trade tax and defaulters of authorisation of national permit. Besides, Audit cross-examined the information recorded in the application software, e.g., sale price of vehicles, date of validity of registration, driving license, certificate of fitness etc., with the manual records maintained in the selected offices.

An exit conference was held on 11 December 2020 with the Secretary of the Department to discuss the findings of the Performance Audit. The response of the Government/Department have been suitably incorporated in the Report.

2.1.8 Acknowledgement

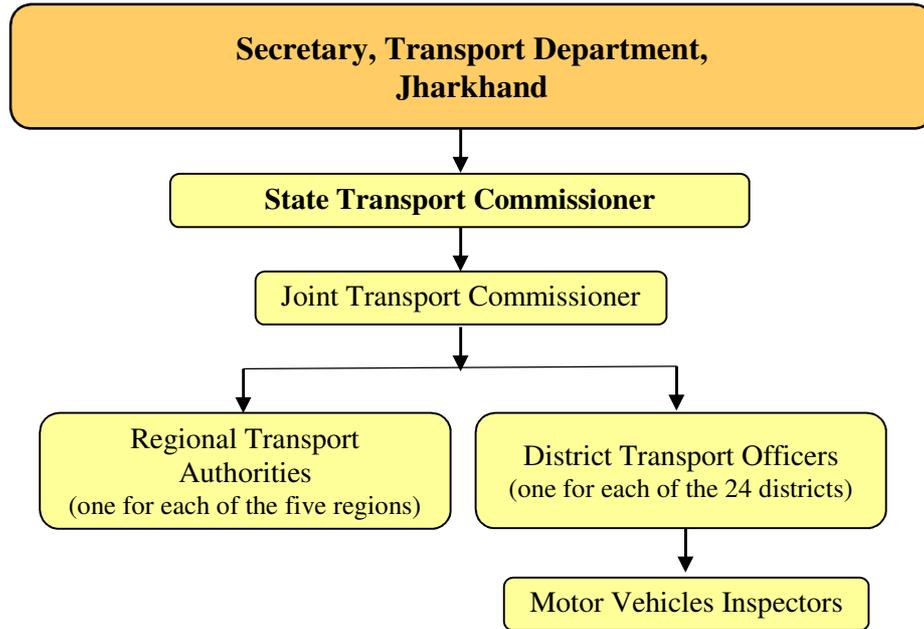
Audit acknowledges the co-operation of the Transport Department and the NIC, Jharkhand State Unit, Ranchi in providing necessary information, data and records.

2.1.9 Tax and fee administration

2.1.9.1 Organisational set up

The Secretary of the Department is the administrative head and the principal adviser to the Government on all matters of policy and administration. The Transport Commissioner (TC), Jharkhand is the executive head and responsible for compliance of the Acts and Rules in the State and for issue of inter-State permits under reciprocal agreements and levy and collection of tax of these vehicles and vehicles plying under temporary permits. The RTAs are permit issuing authorities, who grant and renew permits of transport vehicles and countersign the permits issued by other RTAs. The DTOs are the licensing, registering and taxing authorities and are responsible for levy and collection of motor vehicle tax, trade tax and fee. They are assisted by the Motor Vehicle Inspectors (MVIs) in all technical matters relating to road transport.

Chart 2.1



2.1.9.2 Governance of tax and fee

On creation of the State of Jharkhand with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand. Motor vehicle taxes are governed by the Jharkhand Motor Vehicle Taxation (JMVT) Act, 2001 and Jharkhand Motor Vehicle Taxation (JMVT) Rules, 2001; motor vehicle fees are governed by Central Motor Vehicle (CMV) Rules, 1989 and Jharkhand Motor Vehicle (JMV) Rules, 2001. Taxes on vehicles are assessed in accordance to the Schedules appended to Sections 5, 6 and 7 of JMVT Act. Vehicles have been categorised into various types for the purpose of computation of taxes and fees, based upon use, registered laden weight (RLW), seating capacity and cost of vehicles.

- Tax on personalised vehicles:** A fixed lump sum amount of one-time tax is leviable on personalised vehicles which included two-wheelers and light motor vehicles upto seating capacity of five seats. In May 2011, range of personalised vehicles was raised upto 10 seats and one-time tax was leviable at specific rates viz., three, four and five *per cent* of the cost of vehicle depending upon the seating capacity of vehicle. Further, in January 2019, range of personalised vehicle was raised upto 12 seats and the rate of one-time tax was revised to six *per cent* on the cost of the vehicle. Provision for additional tax at the rate of three *per cent* of one-time tax on possession of subsequent personalised vehicle or vehicle costing above ₹ 15 lakh and six *per cent* in case of both conditions was introduced. Provision for green tax at the rate of 10 *per cent* of total payable tax on vehicles older than 15 years was also introduced.
- Taxes on transport (commercial) vehicles:** Motor vehicle (MV) tax and additional motor vehicle (AMV) tax was computed on the basis of registered laden weight (RLW) or seating capacity of transport vehicles. There was provision for rebate of 10 to 30 *per cent* on AMV tax of vehicles more than five years old. In January 2019, the provision of additional motor vehicle tax

was dispensed with and rates of MV taxes on transport vehicles were revised. Provision for green tax at the rate of 10 *per cent* of total payable tax on vehicles older than 12 years was introduced. Goods vehicles upto RLW of three ton, motor cab/omni, construction equipment vehicles, three-wheeler passenger, tractor and its trailer were brought under the purview of one-time tax valid for 10 to 15 years. Annual taxes on goods vehicles of more than three ton and passenger vehicles with 13 and more seats were revised. Vehicle owners are required to pay advance tax on quarterly basis.

- **Temporary tax:** A temporary tax token is issued, in respect of transport vehicles registered in other States and plying temporarily in Jharkhand, on payment of prescribed tax for a specified period. In March 2019, Government of Jharkhand revised the rate of temporary tax.

- **Trade tax on dealers/manufacturers:** Trade tax at the annual rate was to be paid by the manufacturer or a dealer of motor vehicle in respect of the motor vehicle in his possession during the course of his business at specified rates for a block of seven vehicles. In January 2019, trade tax was revised and computed on the basis of each vehicle.

- **Penalty and interest for delay in payment of tax:** Penalty ranging from 25 to 200 *per cent* of the tax due, depending upon the periodicity of delay in payment of tax, is leviable on transport vehicles and in case of one-time tax (OTT), interest at the rate of two *per cent* per month is leviable on OTT. For vehicles other than personalised vehicles, the due date of payment of tax shall be the date of expiry of the period for which the tax had been paid last. A grace period of 15 days from due date of payment has been provided. In case of personalised vehicles, OTT was required to be paid within 30 days from date of acquisition of vehicle which has been revised to seven days in January 2019.

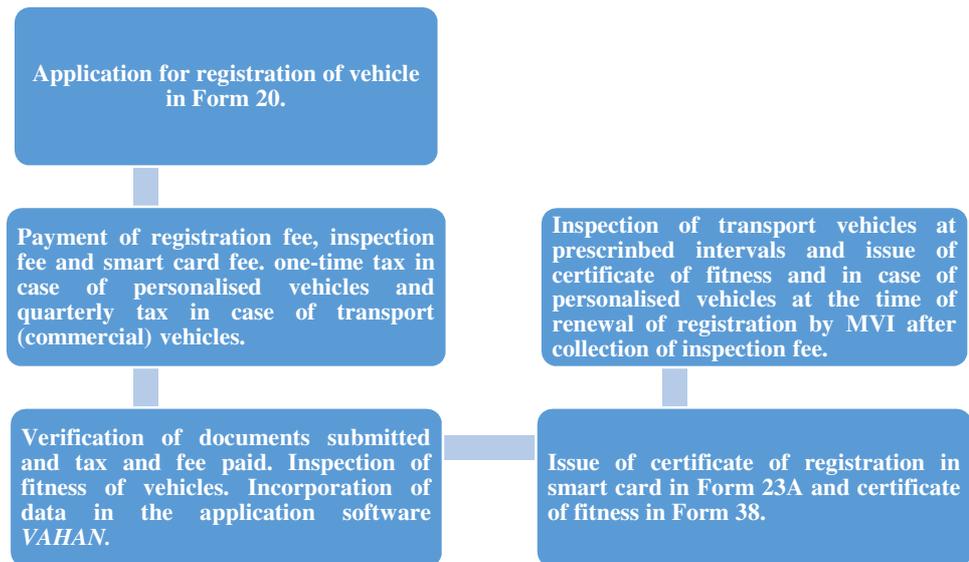
- **Fee:** Fee at applicable rates for issue of driving license, certificate of registration, inspection, fitness of vehicles, permit fee etc. are leviable under CMV Rules and JMV Rules.

- **Consolidated and authorisation fee:** In May 2010, Ministry of Road Transport and Highways, Government of India (MoRTH) introduced a new national permit system for goods vehicles across the country. National permit was granted to goods vehicle on advance payment of consolidated fee of ₹ 15,000 along with authorisation fee of ₹ 1,000 per annum. The consolidated fee is deposited in national permit account (8499-Other Deposits) and the share of respective States/UTs on pro-rata basis, derived from a prescribed formula, is distributed. The share is disbursed through Reserve Bank of India advice by Pay and Accounts Office of MoRTH on a monthly basis to the States and becomes a part of revenue receipt under State head “0041-taxes on vehicles”. The rate of consolidated fee was revised to ₹ 16,500 in April 2012 and State’s share is ₹ 664 per permit issued under this system.

2.1.9.3 Registration, taxation and inspection of vehicles

The process for registration, taxation and inspection of personalised and transport (commercial) vehicles in the State is shown in **Chart 2.2:**

Chart 2.2



2.1.10 Amendment in JMVT Act

Government of Jharkhand vide Gazette Notification No. 95 dated 31 January 2019 brought changes in the taxation structure of motor vehicles and called it Jharkhand Motor Vehicles Taxation (Amendment) Act, 2018. Audit observed that some of the provisions were obscure as discussed below.

- A new Sub-Section-7(7) was inserted in the JMVT Act, wherein life time tax of ₹ 5,000 at the time of registration for trailer and OTT of four *per cent* of the cost of tractor, excluding GST, was provisioned. Further, Section 7(2) of JMVT Act provides for refund of OTT in case of transfer of vehicle from the State.

Audit, however, observed that the sub-section was silent about the validity of tax and residual lump sum amount of tax payable on previously registered tractor and trailer before the amendment. Rate chart for refund of life time tax and OTT in case of transfer of vehicles from the State was also not appended. In case of personalised vehicles for which OTT is leviable, the validity of registration and tax is 15 years and a percentage chart has been appended in Schedule I Part 'A' prescribing the percentage of OTT leviable on cost of vehicle depending upon the age of vehicle for collection of OTT for residual period of registration granted. But in the instant case, neither the validity of registration or tax has been defined nor has percentage chart for collection and refund of OTT been appended.

- Similarly, in case of transport vehicles, viz., three wheelers (passenger) and machinery equipped vehicles brought under the purview of one-time tax, the leviable OTT for newly registered three wheelers (passenger) was ₹ 9,000 for 15 years and ₹ 6,000 for 10 years for vehicles upto one year old and seven *per cent* on the cost of newly registered machinery equipped vehicles valid for 12 years.

Audit observed that in case of three wheelers (passenger), the Act was silent on the scale of OTT leviable for vehicles older than one year. Further, percentage

of OTT leviable on already registered vehicles as provided for personalised vehicles and refund of OTT discussed above was not provisioned.

- Under Schedule-1 Part 'C' of the repealed provision, there was provision for taxation of chassis/unbuilt body on their unladen weight so that it could ply on road to get the body built.

It was observed that this provision has been dispensed with in the amended Act. In the absence of this provision, rate of tax to be levied from chassis/unbuilt body was not clear.

- Section 7(4) of JMVT Act specifies the rate of tax leviable at the time of temporary registration of transport vehicles at 1/12th of yearly tax, and for OTT paying personalised vehicles, a fixed amount of ₹ 100 and ₹ 400 were leviable as temporary tax. The rate of tax leviable at the time of temporary registration of transport vehicles brought under the purview of life time tax/OTT had not been provided. In the absence of this provision, rate of tax to be levied in case of temporary registration was not clear. However, the Department levied proportionate amount of OTT as one month tax in case of temporary registration.

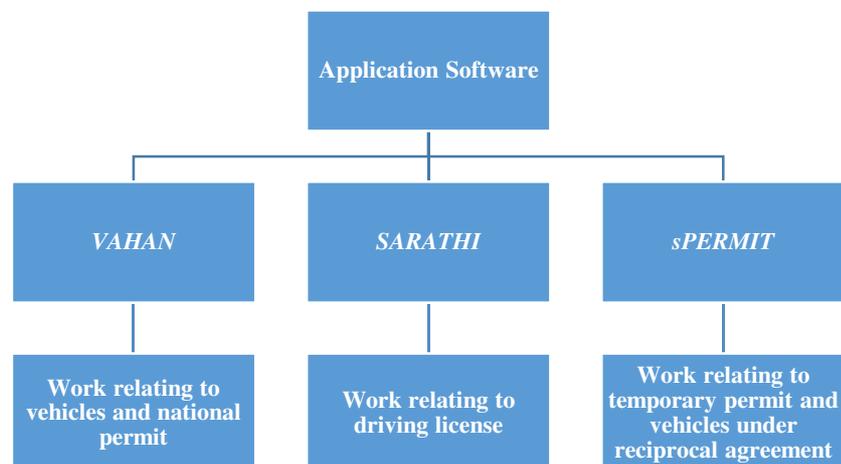
After the matter was pointed out (July 2019), the Government/Department stated that rectification in the amended Act was under process. Further reply is awaited.

2.1.11 Application Software

2.1.11.1 Introduction

To ensure greater control, quick monitoring and provide better citizen services, two application software were designed by National Informatics Centre (NIC) for implementation throughout India i.e., *VAHAN* and *SARATHI*, which were adopted by Government of Jharkhand in August 2004. *sPERMIT* developed by NIC, Jharkhand State Unit was introduced by the State in October 2017. Broad area of functioning of the application software is depicted in **Chart-2.3**.

Chart- 2.3



VAHAN included different modules for registration of vehicles, renewal of certificate of registration, transfer of ownership, change of address, endorsement and cancellation of hypothecation, levy and collection of taxes etc., whereas, *SARATHI* included modules related to issuance and renewal of driving license. The application program had flexibility of Windows environment which was later upgraded to web-based applications. The existing system was revamped by consolidating core application modules to a centralised platform with the introduction of advanced versions of *VAHAN* 4.0 and *SARATHI* 4.0 from February 2017 in the State. This version was user-friendly and had advanced features of security, transparency, cost-effectiveness and brought the services to the doorstep of the citizens.

Under the National Permit System (NPS), permits for goods carriages are granted or renewed through an electronic system developed by MoRTH. PERMIT module is a part of revamped applications for National Mission Mode Projects - Transport Computerisation Project. Services of national permit are available under the module of national permit in *VAHAN* application facilitated on web through the portal www.parivahan.gov.in.

For granting permits other than national permit, the Department launched “Online State Permit System” facilitated on web through the portal www.spermit.jharkhand.gov.in. Stage carriage permits, inter-state permits under reciprocal agreements, goods carriage permits and contract carriage permits of the vehicles are applied and issued through this portal.

Major functions of the Transport Department have been brought under *VAHAN* and *SARATHI*. A Project Monitoring Unit (PMU) for monitoring the functioning of *VAHAN* and *SARATHI* in the State was created with technical support of NIC. The purpose of the PMU was to ease the functioning of computerised system with promptness and to keep uniformity of the application system throughout the State. The Department implemented the changes in the application software as a result of amendments in the provisions of Acts/Rules through PMU.

The succeeding paragraphs highlight delayed mapping of business rules and non-operational modules of some activities in the application software leading to non/under assessment of tax and penalty. The cause and effect of delayed mapping of business rules is depicted in **Chart 2.4**.

Chart - 2.4

Provision mapped on 13 February and 12 March 2019 with delay of 13 and five days respectively with incorrect interpretation of provision. Further, some modules were not operational in the application software.

One-time tax and temporary tax collected at pre-revised rate for five and 13 days as well as excess tax collected. Non/short levy of tax, fee and penalty for activities like assignment, recording of present address and trade tax.

Provisions of Act/Rules regarding tax and fee. Amendment in rate of one-time tax and temporary tax published on 31 January and 8 March 2019.

Delayed mapping of business rules

Audit analysed the data of VAHAN. It was found that either the provisions of amended Act/Rules mapped in the application were done incorrectly or after a delay of five to 13 days. This has resulted in loss of revenue to the tune of ₹ 5.63 crore and excess collection of ₹ 59.32 lakh as discussed in the paragraphs below:

2.1.11.2 Levy of one-time tax

One-time tax and penalty of ₹ 5.54 crore was short assessed from 2,633 personalised vehicles and excess one-time tax of ₹ 59.32 lakh was assessed from 189 personalised vehicles due to delayed/incorrect mapping of business rules in VAHAN.

Under the provisions of Section 2(g) of the JMVT Act, vehicles having seating capacity of two but not exceeding 12 including driver, which are used solely for personal purpose, was brought under the purview of personalised vehicles. The one-time tax (OTT) was revised to six *per cent* of cost of vehicle from 31 January 2019. An additional tax of three *per cent* on leviable OTT was introduced, if the owner already possessed a light motor vehicle. However, if the cost of additional vehicle exceeded ₹15 lakh, six *per cent* tax was levied, instead.

On analysis of data, it was noticed that 8,372 personalised vehicles were registered between 31 January and 31 March 2019 in the State. Out of these, 7,632 vehicles (91 *per cent*) were registered in transport offices of the selected districts. Further scrutiny revealed that in case of 3,082 light motor vehicles, OTT was short levied out of which 2,801 cases were in selected district transport offices. Audit verified these cases with the real time data in the concerned selected district transport offices (between July 2019 and March 2020) and found that in 2,633 cases, OTT of ₹ 6.80 crore had been levied at the pre-revised rate of three to five *per cent* instead of ₹ 12.34 crore at the rate of six *per cent*. The mapping of revised rate in the application software was done on 13 February 2019 instead of date of enforcement (31 January 2019), after a delay of 13 days. Thus, due to delay in mapping of revised rates, one-time tax of ₹ 5.54 crore was short levied. It was further observed that the NIC had informed (28 January 2019) the Department that the proposed amendments would require some more time for mapping in the application software. However, the Department enforced the amendments from 31 January 2019 without prescribing any alternate methodology for collection of OTT at revised rates. Moreover, the DTOs also did not collect OTT at revised rate and continued to collect tax at pre-revised rate even after publication of amended provisions.

The Government accepted (November 2020) the audit observation and intimated that ₹ 20.93 lakh has been realised against 131 vehicle owners in four DTOs¹⁸. Further, DTOs have been directed to raise the demand and realise the differential tax. It was also ensured that provisions of notification would be correctly mapped in the application in future.

- On analysis of data, it was noticed that in case of 208 personalised vehicles, excess additional tax on OTT had been levied out of which 189 vehicles were in 10 selected district transport offices¹⁹. Further scrutiny of data revealed that ₹ 1.90 crore was levied instead of ₹ 1.31 crore from 189 vehicle owners. Audit verified the result of data analysis with the real time data and taxation registers in the concerned district transport offices and noticed that in all 189 cases, additional tax on OTT of ₹ 59.32 lakh had been realised in excess of leviable tax. It was observed that the excess collection was due to levy of additional tax of three *per cent* on cost of vehicles instead of three *per cent* on OTT. The incorrect interpretation and mapping of the amended provisions in the application software detailed in **Table - 2.4**.

¹⁸ Bokaro, Deoghar, Dhanbad and Ranchi.

¹⁹ District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Giridih, Hazaribag, Jamshedpur, Palamu, Ramgarh and Ranchi.

Table - 2.4: Incorrect interpretation and mapping of amended provisions

Sl. No.	Condition	OTT leviable in <i>per cent</i> on cost of vehicles excluding GST	OTT levied in <i>per cent</i>	Excess OTT levied in <i>per cent</i>
1	If an owner already possess a personalised vehicle.	$6 + (3\% \times 6) = 6.18$	9	2.82
2	If the cost of vehicle exceeds ₹ 15 lakh.	$6 + (3\% \times 6) = 6.18$	9	2.82
3	If an owner already possess a personalised vehicle and purchases second vehicle cost of which exceeds ₹ 15 lakh.	$6 + (6\% \times 6) = 6.36$	12	5.64

Moreover, the DTOs also collected additional tax on OTT as generated through the application software without verifying it with the amended provisions.

The Government stated (November 2020) that the intention was to levy three *per cent* additional tax on the cost of vehicle instead of OTT and intimated that in this regard a modification was made by an ordinance in November 2019. The validity of the ordinance had already expired in May 2020. However, the Secretary stated during exit conference (11 December 2020) that the ordinance has been moved for passing as an Act.

2.1.11.3 Levy of temporary tax

Temporary tax of ₹ 8.68 lakh was short levied due to delayed mapping of business rules in VAHAN.

A temporary tax token is to be issued to transport vehicles registered in other States plying temporarily in Jharkhand on payment of tax specified in Section 7(5) of JMVT Act. The Government of Jharkhand revised the existing rate of temporary tax on 8 March 2019. Assessment and collection of temporary tax are facilitated and monitored by VAHAN under module ‘check post’ provided through the web portal.

As per information furnished by the office of the Transport Commissioner regarding collection of temporary tax, an amount of ₹ 34.46 lakh was collected from 1,871 vehicles in March 2019. Further scrutiny revealed that out of these vehicles, temporary tax of ₹ 4.85 lakh was levied at pre-revised rates instead of ₹ 13.53 lakh, at revised rates, in case of 434 vehicles for the period from 8 March to 12 March 2019. It was observed that the revised rate was mapped in the application software with a delay of five days from the date of its enforcement resulting in short levy of temporary tax of ₹ 8.68 lakh from 434 vehicles. The Department also continued to collect tax at pre-revised rates without formulating an alternative mechanism for collection at revised rates till updation of the application. It was further observed that the department forwarded the amendment to NIC on 26 February 2019 which was uploaded for testing on 6 March 2019. However, deployment on production server was facilitated only on 13 March 2019. Reasons for delayed deployment of amendments in the server were not found on record.

The Government accepted (November 2020) the audit observation and assured that provisions of notification would be timely and correctly mapped in the application in future.

Deficiencies in operational modules

Audit analysed the data of *VAHAN* and found that linkages with the other modules required to get the desired results were not developed or mapped in the application software under the provisions of Act/Rules. This resulted in loss of revenue to the tune of ₹ 1.14 crore as discussed in the paragraphs below.

2.1.11.4 Assignment of local registration mark

Vehicles of other States plying in Jharkhand were not assigned local registration mark of the State leading to non-assessment of revenue of ₹ 81.23 lakh.

Section 47 of the MV Act and Rules made thereunder provides that when a motor vehicle registered in one State is kept in another State, for a period exceeding 12 months, the owner shall apply to the new registering authority for the assignment of a new registration mark. If the owner fails to apply within 12 months, he is required to pay fine at the specified rates.

On analysis of data, it was noticed that 27,560 migrated vehicles from other States were plying in the State. Out of these 21,876 vehicles (79 per cent) were in the selected district transport offices. Audit sampled 8,043 vehicles (37 per cent) on the basis of tax payment and verified (between July 2019 and March 2020) it from real time data which revealed that 3,928 vehicles in 11 offices²⁰ remained in the State for a period beyond 12 months with registration number of previous States. It was further observed that there was no link between the module for payment of road tax and module for assignment in *VAHAN* to ascertain the periodicity of stay. The Department remained unaware about the number of migrated vehicles plying in the State for more than 12 months and could not initiate action for assignment of local registration number and levy fees and fine to the tune of ₹ 81.23 lakh.

The Government accepted (November 2020) the audit observation and intimated that ₹ 1.85 lakh has been realised against 93 migrated vehicles in three DTOs²¹. Further, DTOs have been directed to raise the demand and realise the assignment fees. During the exit conference, the Secretary stated that assignment fee would be charged at the time of recording present address or other remedial action would be explored.

²⁰ District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu, Ramgarh and Ranchi.

²¹ Bokaro, Dhanbad and Ranchi.

2.1.11.5 Levy of additional fee on delay in submission of no objection certificate

Non-mapping of provision for levy of additional fee on delayed submission of no objection certificate (NOC) in the module resulted in non-levy of fee of ₹ 17.42 lakh from 764 vehicles.

Under the provisions of Rule 59 of CMV Rules, the owner of a vehicle shall apply for change of residence in the certificate of registration (RC) and shall pay appropriate fee. As per Section 49 of MV Act, the vehicle owner is required to submit NOC to the new registering authority within 30 days of its issuance by the previous registering authority. In case of delay in submission of NOC, an additional fee of ₹ 300 for each month for motor cycles and ₹ 500 for each month for other vehicles shall be levied.

Audit test-checked the present address registers in selected district transport offices and noticed that 2,991 vehicle owners had applied for change in their present addresses during the period from 29 December 2016 to 31 March 2019 in 10 offices²². Out of these, NOCs were submitted after a delay of more than one month in 764 cases as per the records maintained in the offices. It was further observed that provision for levy of additional fee on delayed submission of NOC was not mapped in VAHAN and calculation of tax and fee at the time of recording change of present address was being done manually. The DTOs also overlooked the delayed submission of NOC while recording the present address and did not levy additional fee. Thus, absence of check mechanism in the application software for levy of additional fee and monitoring by DTOs resulted in non-levy of additional fee of ₹ 17.42 lakh.

The Government accepted (November 2020) the audit observation and intimated that DTOs, Bokaro and Dhanbad had realised ₹ 30,000 against 20 vehicle owners. Further, DTOs have been directed to raise the demand and realise the differential fee. It was also intimated that the provision had since been mapped in the application.

2.1.11.6 Assessment of tax and penalty on delayed payment of trade tax

Non-functioning of trade tax module and ineffective monitoring by DTOs to detect short/delayed payment of trade tax resulted in short levy of trade tax and penalty amounting to ₹ 15.12 lakh.

Section 6 of JMVT Act provides for payment of trade tax at the annual rate specified in Schedule-III by a manufacturer/dealer in respect of motor vehicles held in possession in the course of business. The dealer is liable for payment of penalty equivalent to twice the tax for non-payment of tax beyond a period of 90 days.

²² District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu and Ranchi.

Audit scrutiny (between August 2019 and March 2020) of trade tax register and files in selected district transport offices revealed that in DTOs, Palamu and Ramgarh, three out of 38 dealers paid trade tax for the period between 2015-16 and 2018-19 amounting to ₹ 11.68 lakh with delays ranging from 30 days to more than 90 days. The DTOs, however, while renewing the trade certificates overlooked the short and delayed payment of trade tax and consequently did not levy tax and penalty amounting to ₹ 15.12 lakh. It was further observed that trade certificate module available in *VAHAN* was not functional. Information regarding registered dealers, sale of vehicles by each dealer, trade tax payment etc., was also not available in the application and work relating to levy and collection of trade tax was being conducted manually.

The Government accepted (November 2020) the audit observation and directed the DTOs concerned to raise demand against the concerned vehicle dealers. During exit conference (December 2020), the Secretary stated that module of trade tax would be activated in *VAHAN* application.

2.1.11.7 Backlog entries in *VAHAN* and *SARATHI* data

MoRTH has been facilitating computerisation of all the RTOs across the country with a mission to automate registration of all vehicles and driving license related activities with introduction of smart card technology to handle issues like movement of inter-State transport vehicles and to create state and national level registers of vehicles and driving licenses.

The Department in its meeting held in June 2004 for execution and compliance of computerisation scheme had provisioned for backlog entry of all manual data available and maintained in the Department prior to introduction of *VAHAN* and *SARATHI* applications. However, backlog entries of vehicles registered and driving licences issued prior to implementation of *VAHAN* and *SARATHI* were not done in the field offices even after a lapse of 16 years.

This adversely affected the work of DTOs in Jharkhand in the following manner:

- a) The data of personalised vehicles registered prior to 2004, was not captured in the *VAHAN* application. In the absence of this data, the Department was not aware of the actual number of personalised vehicles whose registration validity had expired after 15 years but registration certificates had not been surrendered/renewed.
- b) Verification of ownership of second and subsequent vehicles could not be ascertained at the time of registration of new vehicle.
- c) The holders of driving license who were issued DLs prior to introduction of *SARATHI* could not avail online services of '*Parivahan Sewa*' in the absence of backlog entries.

The Government while accepting (November 2020) the audit observation stated that backlog entries could not be done due to non-availability of cost of vehicles,

details of PAN, mobile number and Aadhar of vehicle owners and license holders. It was also stated that a public notice would be published in local newspapers so as the concerned persons may approach the transport offices to update their records.

2.1.12 Assessment and collection of taxes and fees

2.1.12.1 Introduction

Rule 23 of JMVT Rules provides that the taxing officer shall maintain taxation register for all vehicles except personalised vehicles in Form M, demand register for transport vehicles in Form N and register for temporary discontinuance in Form O. The registers in Form M and N are required to be updated every year on 1 October and 31 March. Further, Rule 37 of Jharkhand Financial Rules mandates the controlling officers to ensure that all sum due to Government are regularly and promptly assessed, realised and duly credited in the Government Account. Consequent upon computerisation of the Department, all the functions were brought under web based applications, which had facilitated auto maintenance of records readily available to controlling officers for his perusal and action.

Taxes on vehicles are paid in advance, quarterly or one-time, depending upon the category of vehicles. One-time tax is levied on personalised vehicles and some transport vehicles duly notified, whereas taxes on other vehicles are paid on quarterly basis. Rule 4 of JMVT Rules provides for penalty for non-payment of tax at the rates specified depending upon the duration of non-payment. The following paragraphs includes audit finding of short/non-assessment and short/non-collection of taxes and fee to the tune of ₹ 168.07 crore.

Assessment of taxes and fees

2.1.12.2 Revision of axle weight

Non-revision of axle weight of 15,507 transport vehicles led to short assessment of tax amounting to ₹ 6.95 crore.

MoRTH, GOI revised the safe axle weight in relation to transport vehicles in July 2018. The Transport Department, Government of Jharkhand endorsed (July 2018) the revision and directed all DTOs and MVIs to adhere to the notification issued by MoRTH.

On analysis of data, it was noticed that out of 1,14,038 goods vehicles for which axle weight was to be revised, revision was pending in 86,606 cases. Out of these, 69,912 cases (81 per cent) were in selected district transport offices.

Audit sampled 15,507 (22 per cent) cases on the basis of current tax payment and verified these vehicles with the real time data and registration records. Verification revealed that the axle weight of these vehicles had not been revised resulting in short assessment of tax amounting to ₹ 6.95 crore from 15,507

vehicles. Audit further observed that the Department had not prescribed a procedure for timely revision of axle weight. Moreover, the DTOs also did not adhere to the Departmental instructions and collected tax at pre-revised axle weight. Under the circumstances, axle weight of 76 *per cent* of goods vehicles were yet to be revised in the State even after a lapse of more than two years.

The Government accepted (November 2020) the audit observation and stated that ₹ 21.76 lakh has been realised against 471 vehicle owners in four DTOs²³. Further, DTOs have been directed to issue notice through local newspapers for revision of axle weight.

2.1.12.3 Enforcement of provision of trade certificate for financiers

The DTOs irregularly endorsed hire purchase/hypothecation agreements in certificate of registration in favour of financiers who had not obtained trade certificate.

Under the provision of Section 2 (8) (d) of MV Act, “dealer” includes a person who is engaged in the business of hypothecation, leasing or hire-purchase of motor vehicles. Further, Rule 41 (h) of CMV Rules necessitates a financier to obtain a trade certificate for removal of vehicle after possession due to any default on the part of the other party under the provisions of an agreement of hire-purchase, lease or hypothecation.

A review of the data revealed that 294 financiers were engaged in hire and purchase agreement (HPA) with the vehicle owners. These financiers were required to obtain trade certificates as per the provisions of the Act and Rules. However, none of the financiers in the selected district transport offices had obtained trade certificate. It was further observed that the DTOs also did not verify whether the financiers had obtained trade certificates before endorsing hypothecation in the certificate of registration. Thus, lack of diligence on the part of the DTOs allowed the financiers to operate their business without valid trade certificate and payment of applicable fees.

The Government accepted (November 2020) the audit observation and stated that necessary direction would be issued in this regard. The Department issued (1 December 2020) directions to all the field offices to issue trade certificates to the dealers which come under the purview of Section 2(8) of MV Act, 1988.

²³ Bokaro, Dhanbad, Lohardaga and Ranchi.

2.1.12.4 Renewal of certificate of fitness of transport vehicles

Absence of check mechanism to detect expiry of fitness certificate resulted in non-assessment of fee and fine of ₹ 22.82 crore from 6,498 transport vehicles due to non-renewal of certificate of fitness.

Section 56 of the Motor Vehicles Act provides that a transport vehicle shall not be deemed to have valid certificate of registration, unless it carries a certificate of fitness issued by the prescribed authority. The validity of certificate of fitness is two years for new transport vehicles thereafter renewed annually. In case of delay in renewal, additional fee of ₹ 50 for each day from expiry of certificate of fitness is leviable. The registering authority may suspend registration of vehicle for non-renewal of certificate of fitness.

On analysis of data, it was noticed that fitness certificates of 3,31,327 transport vehicles in the State had expired on 31 March 2019 out of which 2,92,221 vehicles (88 *per cent*) were registered in the selected district transport offices. Audit sampled 32,592 (11 *per cent*) cases on the basis of tax position and verified these vehicles with the real time data. It was noticed that owners of 6,498 vehicles in 11 offices²⁴ did not apply for renewal of certificate of fitness after expiry of fitness validity, though these vehicle had updated tax position. This resulted in non-levy of revenue of ₹ 22.82 crore in the form of fees and fine. Audit observed that even though information regarding expiry of validity of fitness certificate was available in the application software, the application lacked check mechanism to detect expiry of validity of fitness certificate while accepting tax payment. The Department also did not conduct periodic reviews to assess such cases and initiate action for renewal or to suspend the certificate of registration.

The Government accepted (November 2020) the audit observation and stated that ₹ 1.74 crore has been realised against 856 transport vehicle owners in three DTOs²⁵. Further, DTOs have been directed to take action against such vehicles and impose penalties under the provisions of the Act. During exit conference (December 2020), the Secretary assured that more automated fitness centers would be established in the State.

2.1.12.5 Renewal of certificate of registration

Certificate of registration of personalised vehicles were not renewed after expiry of their validity resulting in non-assessment of ₹ 2.94 crore on 829 vehicles.

Section 41(7) of the MV Act provides that a certificate of registration, other than for a transport vehicle, shall be valid for 15 years from the date of issue and shall be renewable for next five years. In case of discontinuance of vehicle,

²⁴ District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu, Ramgarh and Ranchi.

²⁵ Dhanbad, Jamshedpur and Ranchi.

intimation is required under Section 17 to delete the registration record. Further, Section 5(5) of the JMVT Act provides for levy of green tax on personalised vehicles which are more than 15 years old. In case of delay in submission of application for renewal of registration by more than one month, additional fee is also leviable.

On analysis of data, it was noticed that certificates of registration of 22,923 personalised vehicles (light motor vehicles) registered between 1 April 1999 and 31 March 2004 in the State had expired (upto 31 March 2019) and were pending renewal. Of these, 18,968 vehicles (83 per cent) were registered in the selected district transport offices. Further scrutiny of data revealed that out of 18,968 vehicles, sale price in respect of 13,490 vehicles had not been recorded in the application software. Audit sampled 2,279 (42 per cent) out of the remaining 5,478 vehicles having seating capacity between five and 10 seats for verification with real time data and registration register. Audit verification (between July 2019 and March 2020) revealed that in 10 selected offices²⁶, validity of registration had expired between April 2014 and March 2019 in case of 829 vehicles. The owners had neither applied for renewal of registration nor for deregistration of vehicles. This resulted in non-levy of revenue of ₹ 2.94 crore towards registration fee, inspection fee and green tax. Audit observed that though information regarding expiry of validity of registration was available in the application software, auto generation of such list was absent. The Department also did not conduct periodic reviews to assess such cases and initiate action for renewal of registration.

The Government accepted (November 2020) the audit observation and stated that 61 personalised vehicle owners had renewed certificate of registration and ₹ 11.30 lakh had been realised in three DTOs²⁷. Further, DTOs have been directed to publish a public notice for awareness of the general public.

2.1.12.6 Registration of common carriers

In the absence of mechanism for inter-departmental exchange of data/information, 174 common carriers remained unregistered resulting in non levy of fee of ₹ 33.06 lakh.

Section 4 of the Carriage by Road Act and Rules made there under provides that any person who is engaged or intends to engage in the business of a common carrier, shall apply for the grant of certificate of registration to the Regional Transport Authorities (RTAs). The registration of common carriers is valid for 10 years throughout the country.

Audit obtained data/information regarding transporters, carriers, logistics etc. from the Commercial Taxes Department and cross-verified it with the registration records in the selected RTAs. Cross-verification revealed that out

²⁶ District Transport Officers: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu and Ranchi.

²⁷ Dhanbad, Jamshedpur and Ranchi.

of 575 road carriers/transporters, 401 were registered in selected RTAs during 2014-19 and the remaining 174 common carriers were yet to be registered. It was further observed that there was no mechanism for inter-departmental exchange of data/information to identify these road carriers/transporters. Thus, the Department could not identify these unregistered entities to bring them into the tax net. This resulted in non-levy of registration fees, processing fees and security deposit to the tune of ₹ 33.06 lakh.

The Government accepted (November 2020) the audit observation and stated that instructions have been issued to the RTAs to obtain details of transporters from the commercial taxes offices and register them under the Act.

Collection of taxes and fees

2.1.12.7 Collection of taxes from transport vehicles

Taxes and penalty of ₹ 74.57 crore realisable from defaulting vehicle owners of 9,260 transport vehicles was not collected by the DTOs.

The JMVT Act and JMVT Rules require the owners of registered transport vehicles to pay applicable advance tax. If the delay in payment exceeds 90 days, penalty at twice the amount of taxes due may be imposed along with the tax. Moreover, the Act provides for levy of green tax on transport vehicles which are more than 12 years old from January 2019. VAHAN software enables the users to generate defaulters list from the system. District Transport Officers (DTOs) are required to issue demand notices to the defaulters. Further, the owners of vehicles are required to intimate discontinuation of plying of their vehicles.

On analysis of data, it was noticed that tax validity of 74,341 transport vehicles in the State had expired on 31 March 2019 out of which 60,728 vehicles (82 per cent) were registered in the selected district transport offices. Audit sampled 25,161 transport vehicles (41 per cent) on the basis of audit scope, model and period of default. It was noticed that 9,260 vehicles owners had stopped payment of taxes for more than one year. No undertaking regarding these vehicles being off-road was found on record. It was further observed that the DTOs responsible for issuing demand notices, neither generated the list of defaulters from VAHAN software nor updated the DCB registers on quarterly basis as per the provisions of JMVT Rules, 2001 and raised demand for outstanding taxes. The State Transport Commissioner (STC) and Joint Transport Commissioner (JTC) also did not monitor the functioning of transport offices. This resulted in non-collection of taxes amounting to ₹ 74.57 crore including penalty of ₹ 49.59 crore and green tax of ₹ 0.19 crore from 9,260 transport vehicles.

The Government accepted (November 2020) the audit observation and stated that ₹ 2.02 crore had been realised against 388 transport vehicle owners in five

DTOs²⁸. Further, DTOs have been directed to issue demand notice or institute certificate case against defaulter vehicle owners to realise the tax. During exit conference (December 2020), the Secretary stated that DTOs would be instructed to recover arrear of revenue which would be monitored every month at the apex level. It was further stated that revenue collection and certificate cases were being reviewed each month and dedicated officials have been entrusted with the work.

Audit had pointed out similar irregularities in Audit Reports for the years 2014-15 to 2017-18, but the lapses persist.

2.1.12.8 Realisation of one-time tax

One-time tax and penalty of ₹ 44.37 crore from 30,262 vehicles brought under the purview of one-time tax, though realisable from the defaulting vehicle owners, was not collected by the DTOs.

Government of Jharkhand brought changes in taxation structure of motor vehicles in January 2019 and apart from personalised vehicles, some transport vehicles, viz., three wheelers (passenger), goods vehicles up to three ton RLW and construction equipment vehicles were also brought under the purview of one-time tax (OTT).

Audit extracted the registration data of transport vehicles brought under the purview of OTT and found that tax validity of 2,68,816 vehicles had expired in the State (upto 31 March 2019) out of which 2,25,224 (84 *per cent*) were registered in the selected district transport offices.

- Audit verified the tax position of 1,34,901 (60 *per cent*) transport vehicles falling under the purview of one-time tax with the real time data and other relevant records in the selected district transport offices and noticed that 30,262 vehicle owners had not paid taxes. No undertaking regarding these vehicles being off-road was also found on record. It was further observed that the DTOs responsible for issuing demand notices did not generate the list of defaulters from VAHAN software and raised demand for outstanding taxes. Thus, the Department could not realise revenue of ₹ 44.37 crore including penalty as per revised provision amounting to ₹ 7.35 crore.

The Government accepted (November 2020) the audit observation and stated that ₹ 4.22 crore had been realised against 2,331 vehicle owners in six DTOs²⁹. Further, DTOs have been directed to issue demand notice to concerned vehicle owners to realise the tax. During exit conference (December 2020), the Secretary stated that DTOs would be instructed to recover arrear of revenue which would be monitored every month at the apex level. It was further stated that revenue collection and certificate cases were being reviewed each month and dedicated officials have been entrusted with the work.

²⁸ Bokaro, Dhanbad, Jamshedpur, Lohardaga and Ranchi.

²⁹ Bokaro, Dhanbad, Jamshedpur, Lohardaga, Ramgarh and Ranchi.

- Further, Audit cross-verified (December 2019) the sale invoices with the real time data regarding payment of OTT in the selected district transport offices. The cross-verification revealed that in three out of 225 machinery equipped vehicles registered in DTO, Ranchi, the sale price recorded in the application software was less than those in the sale invoices which resulted in short levy of one-time tax amounting to ₹ 11.17 lakh due to suppression of the sale price of the vehicles as shown in **Table - 2.5**.

Table - 2.5: Short levy of one-time tax

Sl. No.	Regn. No.	Type	DOR	Sale price	OTT levied	Tax validity	Actual sale price	OTT leviable	Short levy
1	JH01CL 6775	Loader	16.06.17	1,06,000	6,183	21.03.19 to 20.03.29	84,82,500	4,94,793	4,88,610
2	JH01CL 3420	Loader	16.06.17	1,03,000	6,008	21.03.19 to 20.03.29	84,82,500	4,94,793	4,88,785
3	JH01CL 7811	Crane	02.06.17	2,75,000	15,509	13.08.19 to 12.04.29	27,50,000	1,55,090	1,39,581
Total					27,700			11,44,676	11,16,976

It was further observed that the lapses occurred due to incorrect data entry of these vehicles in the VAHAN application. Though system for verification and validation of data-entry was in place, these irregularities were not detected by the DTO.

The Government/Department was silent on the instant cases. However, DTO, Ranchi had intimated (July 2020) that an amount of ₹ 9.77 lakh has been realised in case of two vehicles and demand notice had been issued in the other case.

2.1.12.9 Renewal of authorisation of national permits

Subsequent authorisation during currency of national permits of transport vehicles was not done which resulted in non-realisation of consolidated fee and authorisation fee of ₹ 6.73 crore from 1,515 national permit holders.

The MV Act and CMV Rules prescribe issue of national permits for a period of five years. The authorisation for national permits shall be issued for a period not exceeding one year at a time and shall continue unless the permit expires or is surrendered by the permit holder. Further, authorisation of national permits shall be renewed on advance payment of prescribed annual consolidated fee and authorisation fee, failing which late fine at prescribed rates shall be imposed.

Audit test-checked (between August 2019 and March 2020) information provided by all five RTAs and noticed that 16,342 national permits were issued between 2015 and 2019. Further scrutiny revealed that subsequent authorisation of national permits in 1,515 cases was not renewed during the periodicity of permits. There was nothing on record to show that these vehicles were off-road or the permits had been surrendered. Further, Audit observed that national permit module under VAHAN software could not generate the list of permits where authorisation had expired and provision regarding surrender of permit

has not been mapped in the application. The Department also did not monitor the renewal of authorisation resulting in non-realisation of ₹ 6.73 crore inclusive of consolidated fee, authorisation fee and penalty.

The Government accepted (November 2020) the audit observation and stated that 120 vehicles had renewed authorisation of national permit and ₹ 47.72 lakh has been realised in three RTAs³⁰. Further, all RTAs have been directed to issue notice to concerned vehicle owners.

2.1.12.10 Realisation of tax from vehicles plying under reciprocal agreement

In the absence of mechanism for monitoring of defaulting vehicles plying under reciprocal agreements, tax and penalty of ₹ 1.66 crore from 108 public service vehicles was not collected.

Section 88(5) of MV Act provides that transport vehicles registered in one State can ply in another States under reciprocal agreements between the State Governments. Accordingly, reciprocal agreements between Jharkhand and the States of Orissa and West Bengal were executed in January 2003; with Bihar in April 2007 and with Chhattisgarh in September 2008 to ply public service vehicles within their territories. A double point taxation system was adopted for public service vehicles granted inter-state permits and all vehicles while operating in the other States shall be liable to pay all the taxes leviable of the other States.

On scrutiny of tax position of buses of other States plying under reciprocal agreements in the office of the Transport Commissioner, it was noticed that out of 901 buses, owners of 108 buses had defaulted in payment of tax. The vehicle owners could pay tax online through newly introduced *sPERMIT* portal but provision to flag defaulters in the application was not available. Thus defaulter lists could not be generated for these vehicles. The Department also did not monitor payment of tax by these vehicles resulting in non-realisation of tax of ₹ 1.66 crore including penalty of ₹ 1.10 crore.

The Government accepted (November 2020) the audit observation and stated that a drive would be initiated to take action against defaulter vehicles plying under reciprocal agreement.

³⁰ Dumka, Hazaribag and Kolhan.

2.1.12.11 Deposit of Service tax/GST in appropriate head

Service tax/GST of ₹ 7.59 crore collected along with issue/renewal of fitness fee was not deposited in the appropriate head of account.

Under the provisions of Service Tax Rules read with executive instruction of the Transport Commissioner, Jharkhand, Ranchi issued in December 2006 and May 2007, Service tax at the prescribed rates was leviable on the fee collected for issuance of fitness certificate at the time of issue of certificate of fitness. The MVIs were directed to open a service tax registration number and deposit the amount collected under the head “0044”. Service tax was applicable till June 2017 and thereafter subsumed in GST.

Information regarding collection of Service tax/GST was obtained from the real time data in the selected district transport offices. It was noticed that during 2016-19, total revenue realised on account of Service tax/GST for issue of fitness certificate of vehicles was ₹ 7.59 crore. The amount so collected was deposited under the head “0041-Taxes on vehicles” instead of “0044”, which was irregular. The Department credited Service tax/GST under taxes on vehicles which depicted incorrect figures of revenue receipts under the head.

This issue was pointed out in Paragraph 4.8.9.14 of the PA on “Computerisation in Transport Department” and Paragraph 4.3.22 of the PA on “Working of Transport Department with emphasis on compliance with pollution standards” featured in Audit Report (Revenue Receipts) for the year ending 31 March 2011 and 31 March 2015 respectively. Government had instructed NIC (November 2011) to make change in the table structure so that the amount of Service Tax/GST could be calculated separately and transferred to the appropriate head. However, no remedial action has been taken by the Department and the lapse still persists.

The Government accepted (November 2020) the audit observation and stated that the matter would be discussed with NIC to evolve a system so that the amount of GST could be deposited in the appropriate head at the time of realisation of fitness fee. During exit conference (December 2020), the Secretary stated that measures to deduct the GST at source would be developed in consultation with NIC and Central Tax Revenue Department. However, the Department was silent on deposit of previously collected Service tax/GST.

2.1.13 Conclusion

The Department amended the provisions for taxation of personalised and transport vehicles in January and March 2019 and revised the tax and fee structure as well as introduced new taxes. The amendment brought some transport vehicles in the purview of life time tax/OTT. However, no provisions were made for levy of penalty for delayed payment of tax and in some cases the validity of tax period were not specified. Further, provisions regarding tax on temporary registration of these vehicles was not included and percentage of

OTT leviable on previously registered transport vehicles as provided for personalised vehicles was also absent. Moreover, the Act did not provide a rate chart for refund of OTT in case of transfer of vehicle from the State.

While executing implementation of these amendments through the application software, the Department could not prepare an effective plan for efficient and accurate mapping of the amendments in the applications. There was delay in mapping of amendments by five to 13 days as well as incorrect and incomplete mapping leading to short as well as excess realisation of revenue of ₹ 5.63 crore and ₹ 59.32 lakh respectively. The office of the Transport Commissioner and DTOs continued to collect tax at pre-revised rates for five and 13 days respectively even after notifications of revised rates. Some of the modules of VAHAN application viz., submission of NOC for recording present address, assessment and collection of trade tax and assignment of registration mark were not captured in the applications even after a lapse of 16 years from the implementation of computerisation of all activities. This led to non-assessment of revenue of ₹ 81.23 lakh from 3,928 vehicles pending assignment, ₹ 17.42 lakh from 764 vehicles for delayed submission of NOC and short levy of trade tax and penalty of ₹ 15.12 lakh. The Department could not develop a comprehensive plan to revise axle weight of transport vehicles resulting in non-revision in respect of 76 per cent vehicles in the State even after a lapse of more than one year of revision by GOI. Audit checked 15,507 vehicles and found short realisation of ₹ 6.95 crore due to non-revision of axle weight. The Department is yet to frame a process whereby taxes and fees due from defaulters could be realised in a timely and efficient manner resulting in non-collection of taxes of ₹ 120.60 crore from 39,630 transport vehicles, ₹ 6.73 crore from 1,515 national permit holders and ₹ 22.82 crore from 6,498 vehicles whose certificate of fitness had expired.

2.1.14 Summary of recommendations

The Government/Department should:

- review the system of mapping of business rules in the application software and ensure timely, accurate and complete mapping of provisions.
- instruct the registering authorities to endorse HPA of only those financiers in the certificate of registration of vehicles who have valid trade certificates.
- modify the application software to build check mechanism to detect validity of fitness certificate while accepting tax payment.
- formulate a mechanism for inter-departmental exchange of data/information to identify unregistered common carriers/transporters.
- evolve a system so that demand notices could be served through emails/SMS to the defaulters at specific intervals.

- evolve a system of collection of fitness fee in such a way that service tax/GST is segregated to facilitate smooth transfer into the appropriate head.

The Government/Department accepted all the recommendations made by Audit and assured to take corrective measures.

The audit findings are those which came to notice within the selected audit sample and there are possibilities that similar irregularities may persist in other offices dealing with assessment and collection of motor vehicle tax and fee in the State. The Transport Department may examine all such cases thoroughly in all districts in the State and take necessary action.

CHAPTER–III: COMPLIANCE AUDIT

COMMERCIAL TAXES DEPARTMENT

3.1 Tax administration

The levy and collection of Sales Tax/Value Added Tax and Central Sales Tax were governed by the Jharkhand Value Added Tax (JVAT) Act 2005, the Central Sales Tax (CST) Act, 1956 and Rules made thereunder. Since 1 July, 2017, the Department is administering the Jharkhand Goods and Services Tax (JGST) in the State. The Commissioner of State Tax is responsible for administration of JGST Act and Rules in the Commercial Taxes Department (CTD) and is assisted by an Additional Commissioner, Joint Commissioners, Deputy Commissioners and Assistant Commissioners.

The State is divided into five state tax divisions³¹, each under the charge of a Joint Commissioner (Administration) and 28 circles, each under the charge of a Deputy/Assistant Commissioner of State Tax (DCST/ACST). The DCST/ACST of the circle, who is responsible for levy and collection of tax due to the Government, besides also conducting survey, is assisted by State Tax Officers. A Deputy Commissioner (Bureau of Investigation) is posted in each division to assist the JCST (Administration) and carries out inspection of warehouse or godown of taxpayers, search and seizure of goods or documents, inspection of goods in movement, arrest a person for an offence punishable under this Act, etc.

3.2 Result of audit

Audit test-checked the records of six³² out of 44 auditable units (16 *per cent*) of the Commercial Taxes Department during the year 2018-19. During the period covered in audit, a total of 2,28,771 assesseees were registered in the State, out of which 24,796 assesseees were registered in the test-checked units and Audit examined 668 assessment records. In addition an Audit on “Mechanism for levy and collection of electricity duty in Jharkhand” was also conducted. The Department collected ₹ 3,684.03 crore revenue during 2017-18 (Taxes on Sales Trade etc.: ₹ 3,474.96 crore and Electricity Duty: ₹ 209.07 crore) out of which the audited units collected ₹ 1,623.96 crore (44 *per cent*). Audit identified non-compliance with Act/Rules resulting in under-assessment of revenue amounting to ₹ 1,749.39 crore in 125 cases as detailed in **Table - 3.1**.

³¹ Dhanbad, Dumka, Hazaribag, Jamshedpur and Ranchi.

³² Offices of DCST, Dhanbad Urban, Hazaribag, Lohardaga, Ranchi East and Ranchi West; and Secretary-cum-Commissioner of State Tax.

Table - 3.1: Under-assessment of revenue

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Mechanism for levy and collection of electricity duty in Jharkhand	1	1,394.16
2	Non/short levy of tax due to suppression of turnover	45	245.78
3	Non/short levy of interest	10	48.10
4	Interest/penalty not levied	7	14.27
5	Non/short levy of tax due to incorrect determination of turnover	15	12.59
6	Irregular allowance of exemption from tax	10	6.80
7	Incorrect allowance of Input Tax Credit	15	2.62
8	Application of incorrect rates of tax	4	0.10
9	Other cases	18	24.97
Total		125	1,749.39

The Department accepted under-assessment and other deficiencies of ₹ 1,430.09 crore in 11 cases, out of which deficiencies of ₹ 1,424.77 crore in nine cases were pointed out during 2018-19 and rest in earlier years through inspection reports issued during 2017-18. Recovery of ₹ 1.03 crore has been intimated by the Department.

Irregularities involving eight cases worth ₹ 35.95 crore related to Value Added Tax (VAT) have been illustrated in paragraphs 3.4 to 3.7. Such cases have been repeatedly reported during the last five years as detailed in **Table - 3.2**.

Table - 3.2: Nature of observations in previous Audit Reports

Nature of observations	2013-14		2014-15		2015-16		2016-17		2017-18		(₹ in crore)	
	Cases	Amount	Cases	Amount								
Concealment of sale/ purchase turnover	44	222.28	69	169.03	18	284.10	108	405.37	1	1.10	240	1,081.88
Application of incorrect rate of tax	51	37.76	22	6.96	22	15.44	21	11.07	-	-	116	71.23
Non-levy of interest on disallowed exemption/ concessions	46	60.02	52	72.58	19	119.92	62	142.00	6	10.95	185	405.47
Non-levy of interest/ penalty on enhanced turnover	10	17.71	17	60.73	15	53.14	-	-	2	3.93	44	135.51

The Department had assured (August 2015) to take corrective measures on previous audit observations. However, persistent irregularities make it evident that the State Government and the Commercial Taxes Department have not taken adequate measures to address the concerns/ issues pointed out year after year by Audit.

3.3 Audit on ‘Mechanism for levy and collection of electricity duty in Jharkhand’

3.3.1 Introduction

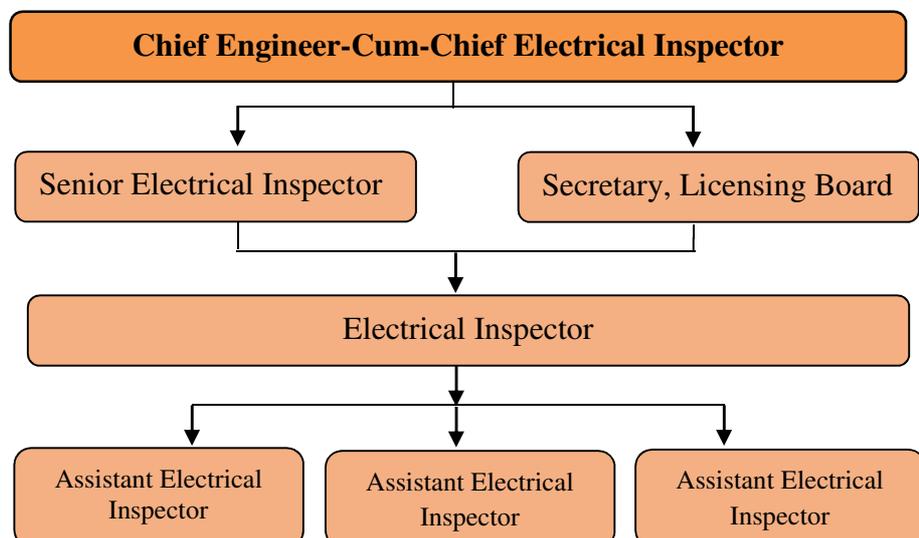
The levy and collection of electricity duty in Jharkhand is governed by the Bihar Electricity Duty (BED) Act, 1948 and Bihar Electricity Duty Rules, 1949 as adopted (December 2000) by the Government of Jharkhand and amended by the Jharkhand Electricity Duty (JED) (Amendment) Act, 2011 and Jharkhand Electricity Duty (Amendment) Rules, 2011, 2012 and notifications issued thereunder from time to time.

Commercial Taxes Department (CTD), Government of Jharkhand collects electricity duty from licensees, captive generating plants and bulk consumers at the rates specified in the Act. Captive generating plants and bulk consumers are required to submit returns and pay electricity duty whereas licensees are required to collect electricity duty from consumers other than bulk purchasers and pay electricity duty. The Chief Electrical Inspector (CEI), Energy Department, Jharkhand is responsible, under the Indian Electricity Act, 1956 and rules made thereunder, for granting annual fitness certificate to the electrical installations/DG sets on payment of prescribed annual fees. There are six distribution licensees in Jharkhand.

The Commissioner of State Taxes (CST) is responsible for enforcement of the Act and Rules made thereunder. CST is assisted by Additional Commissioner (AC) and Joint Commissioners of State Taxes (JCST), Joint Commissioners of State Taxes of Bureau of Investigation, along with other Deputy/Assistant Commissioners of State Taxes (DCST/ACST).

The Chief Electrical Inspector (CEI), is responsible for granting annual fitness certificate to the electrical installations. He is assisted by a Senior Electrical Inspector and Secretary Licensing Board along with an Electrical Inspector and other Assistant Electrical Inspectors/Junior Electrical Inspectors.

Chart 3.1



3.3.2 Audit objective

Audit was conducted with a view to ascertain whether:

- the system of levy and collection of ED in the state was effective and efficient; and
- the criteria prescribed for grant of exemption from payment of ED was strictly adhered to.

3.3.3 Audit scope and methodology

Audit for the period 2014-19 was conducted between June 2019 and March 2020 in 14 circles³³ out of 28 commercial taxes circles. These 14 circles were selected using simple random sampling without replacement method based on revenue generated during 2014-19 by each circle categorised as high, medium and low risk.

Entry and exit conferences were held on 18 July 2019 and 4 December 2020 respectively, with the Secretary-cum-Commissioner of CTD, Jharkhand in which the audit objectives, scope and methodology, findings, conclusion and recommendations were discussed in detail. The Department particularly appreciated the observations brought out through cross-verification along with joint physical verification and revenue comparison with neighbouring States. The response of the Government/ Department has been suitably incorporated in the Report.

Audit collected data/information from the Chief Electrical Inspector (CEI), Ranchi who issues fitness certificate for electrical installations and receives fee in respect of electrical installations including captive power plants. Audit also collected data of sale/supply/transfer of energy from Damodar Valley Corporation (DVC), Kolkata and Jharkhand Bijli Vitran Nigam Limited (JBVNL), Ranchi. The data/information collected was cross-verified with the registration and assessment records of CTD. Audit also randomly scrutinised assessment records of 387 (69.23 *per cent*) out of 559 ED assessees registered in the selected commercial taxes circles.

Audit findings

3.3.4 Revenue Management

3.3.4.1 Electricity Duty Collection

According to provisions of the Bihar Budget Manual, as adopted by the Government of Jharkhand, the estimate of revenue receipts should show the amount expected to be realised in the financial year. The arrear and current demand should be shown separately and reasons may be given, if full realisation

³³ Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Koderma, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

could not be effected. In case of fluctuating revenue, the estimates should be based upon a comparison of the last three year receipts.

The revised estimates and actual receipts from Taxes and Duties on Electricity during 2014-19 is shown in **Table- 3.3**.

Table- 3.3: Estimates and actual receipts from ED

(₹ in crore)

Year	Revised estimates	Actual receipts				Variation excess (+)/ shortfall (-) (col. 3-2)	Percentage of variation (% of col. 4 to col. 2)
		Electricity duty	Inspection fees	Others	Total		
1	2	3				4	5
2014-15	193.82	171.20	4.20	00	175.40	(-) 18.42	(-) 9.50
2015-16	220.00	120.62	5.06	00	125.68	(-) 94.32	(-) 42.87
2016-17	250.00	148.19	3.16	0.54	151.89	(-) 98.11	(-) 39.24
2017-18	300.00	181.63	0.00	1.87	183.50	(-) 116.50	(-)38.83
2018-19	280.00	207.00	0.30	1.77	209.07	(-)70.93	(-) 25.33

Source: Finance Accounts and revised estimates as per Statement of revenue and receipts of 2014-15 to 2018-19 of Government of Jharkhand.

The parameters for preparation of the budget are based on revenue collection and growth rate of previous years, growth rate in major sectors and commodities and economic growth rate of the State and the nation. However, audit observed that except during 2014-15, there was wide variation ranging between 25 per cent and 43 per cent between the budget estimates and the actual receipts. There was decrease in receipts during 2015-16 and 2016-17 in comparison to 2014-15. The Department stated (March 2020) that growth in ED receipts was on account of better tax administration between 2015 and 2019 but they did not keep pace with the budget estimates of the respective years due to non-payment of electricity duty by bulk purchasers.

The Department further stated (July 2020) that budget estimates are prepared by the Finance Department on the basis of receipts during the previous year, economic development rate of the previous year, development rate of the sector etc. In light of the wide variations between estimates and actual receipts, as pointed out by Audit, the Department may need to revisit the inputs used to prepare the budget estimates.

3.3.4.2 Arrears of revenue

The CTD did not furnish the total arrears of revenue of the State in respect of electricity duty as on 31 March 2019 though called for (June 2019). Audit, therefore, collected information of outstanding ED from 14 selected circles for 2014-19 which is depicted in **Table- 3.4**.

Table- 3.4: Outstanding ED in 14 circles

(₹ in crore)

Period	Opening Balance	Addition during the year	Total	Clearance made during the year	Closing Balance
2014-15	222.54	40.07	262.61	38.87	223.74
2015-16	223.74	77.32	301.06	19.82	281.24
2016-17	281.24	46.05	327.29	18.10	309.19
2017-18	309.19	83.55	392.74	18.14	374.60
2018-19	374.60	20.07	394.67	32.71	361.96

In the selected circles, the arrears of revenue increased from ₹ 222.54 crore in 2014-15 to ₹ 361.96 crore in 2018-19, i.e., an increase of 62.65 per cent. However, these circles were not able to furnish the total number of cases, age-wise analysis of arrears and current status of outstanding dues. In reply to Audit's query regarding pendency of arrears, it was stated by the concerned DCST/ACST that certificate proceedings had not been instituted in any case. However, in Hazaribag commercial taxes circle, one case was pending at Hon'ble high court and 15 cases were pending at appellate authority in Adityapur commercial taxes circle. Further scrutiny of assessment records in selected circles revealed that in six circles³⁴, demand notices for ₹ 208.98 crore were issued in 191 cases between November 2012 and December 2019, but information regarding collection against demand notices was neither available in the concerned files nor intimated to audit. This indicated that CTD/Circles did not have consolidated information regarding arrears of revenue and details of cases involved.

The Department in its reply (July 2020) stated that all circles have been instructed to furnish details of arrears and to adopt all means to realise them. It was further stated (December 2020) that total dues against JSEB and JBVNL are ₹ 450.62 crore and recoveries of ₹ 26.21 crore and ₹ 14.68 crore were made during 2019-20 and 2020-21 respectively.

3.3.5 Result of cross-verification

Data/information was collected from Damodar Valley Corporation, Kolkata and Jharkhand Bijli Vitran Nigam Limited, Ranchi in respect of sale/transfer of energy to different consumers in Jharkhand while details of fitness certificates granted for electrical installations (diesel generating sets) were collected from CEI. Audit cross-verified this data with the records available in the respective CTD circles and also conducted joint physical verification in the premises of DG set owners randomly. Audit further cross-verified inter-assessee records regarding sale/transfer of electrical energy in CTD. In course of cross-verification, several irregularities were noticed which are discussed in the succeeding paragraphs:

³⁴ Adityapur, Bokaro, Jamshedpur, Jamshedpur Urban, Jharia and Ranchi South.

3.3.5.1 Absence of mechanism to verify energy consumption through DG sets

The CTD did not conduct inspection of assessees and was unaware of the actual consumption of energy generated from DG sets.

Under the provisions of Rule 19 and 19 (A) read with Rule 16 of the BED Rules, every assessee shall install meters to register the quantities of energy generated, distributed, sold or consumed by him. The Inspecting Officer of CTD may enter the premises of the assessee and affix a seal to any meter and call for information/ records regarding generation/ distribution/ sale/ consumption of energy from the assessee.

Data/information obtained (between July 2019 and March 2020) from CEI revealed that 454 entities in the 14 selected circles were using 673 DG sets of more than 10 KVA capacity for captive consumption of electrical energy. Out of these 454 entities, only 211 entities using 363 DG sets were registered with the CTD. Further scrutiny of records revealed that inspection had not been conducted in the premises to affix additional seal on the meters of any of these 211 assesseees by the Inspecting Officer.

Further, the Department was unaware of the actual generation/ consumption of energy generated from these DG sets as there was no mechanism for the Department to verify the returns filed by the assesseees in respect of energy consumed from DG sets. Hence audit could not ascertain the quantity of sale and consumption of energy through DG sets.

The Department stated (between July and December 2020) that all circles in-charge have been directed to inspect the DG sets for meter readings of the registered assesseees and to obtain data of DG sets holders from CEI Ranchi for registration of unregistered holders, inspection and meter reading in pursuance of audit observation.

3.3.5.2 Non-registration of assesseees

In the absence of a mechanism for inter-departmental exchange of information, the CTD failed to identify 222 persons/establishments using 287 DG sets who were liable for registration.

- **Non-registration of DG sets owners**

According to Rule 3 of JED (Amendment) Rules, every assessee, who is liable to pay duty, shall apply for registration within 45 days from the date of becoming liable for payment of duty to the Registering Authority.

Audit cross-verified (between July 2019 and January 2020) the data collected from CEI with the records of selected circles which revealed that out of 454 entities, 222 entities using 287 DG sets in 11 circles³⁵ out of 14 selected circles

³⁵ Adityapur, Bokaro, Chirkunda, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Koderma, Ramgarh and Ranchi South.

who were required to register themselves with the CTD and file returns for payment of duty had not registered. It was further observed that there was no mechanism for inter-departmental exchange of data/information. Thus, the CTD could not identify these unregistered entities to bring them into the tax net. This resulted in non-assessment of electrical energy consumed/sold. Hence, the loss of electricity duty (ED) could also not be quantified. It was further observed that the Act/Rules do not provide for imposition of penalty for non-registration.

Results of physical verification

Audit conducted joint physical verification (between February and March 2020) in the premises of 45 out of 124 unregistered DG sets holders in 10 circles³⁶ out of the above 11 circles along with the officers of CTD and CEI. It was noticed that out of these 45 DG set holders, in 15 cases meter reading could not be ascertained due to breakdown of meters/DG sets. In 30 cases using 46 DG sets, detailed scrutiny of meters fitted with DG sets revealed consumption of 117.68 lakh units (calculated as per standard norms) of electrical energy for different purposes as on the date of joint verification. Hence, they were liable to pay electricity duty of ₹ 11.73 lakh which needs to be recovered.

The Department stated (December 2020) that notices have been issued to 22 assesseees for hearing and additional demand of ₹ 4.43 lakh has been raised against seven assesseees of which ₹ 2.31 lakh has been recovered.

• Non-registration of bulk energy consumers

In the absence of a mechanism to obtain data/information from licensees, the CTD failed to identify 550 unregistered bulk consumers. This resulted in non-levy of electricity duty of ₹ 16.57 crore and penalty of ₹ 22.40 crore.

Under the provisions of Rule 11 of JED (Amendment) Rules, duty shall be levied and paid on consumption of such industrial units, mines and other commercial consumers, who obtain bulk supply of energy from any licensee or electricity trader. Further, Section 5A(2) of the BED Act provides that in case of non-payment of duty, the prescribed authority shall impose penalty of not less than 2.5 *per cent* to five *per cent* per month for the first three months and thereafter not less than five *per cent* to 10 *per cent* per month of the duty payable.

Audit collected data/information from DVC/JBVNL and noticed that there were 1,378 bulk consumers in the selected 14 circles during 2014-19. Audit cross-verified the data collected with the registration records of 14 selected circles and noticed that out of 1,378 consumers, 550 consumers (39.91 *per cent*)

³⁶ Adityapur, Bokaro, Chirkunda, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Koderma and Ramgarh.

in 11 circles³⁷ obtained electrical energy of 191.17 crore units from DVC/JBVNL and paid energy bills during 2014-19 (up to August 2018).

However, they were not registered with the CTD and were not paying ED. It was further observed that there was no mechanism to obtain data/information from the licensees. As a result, the Department failed to identify these unregistered consumers of bulk supply energy. This resulted in non-levy of ED of ₹ 16.57 crore and penalty of ₹ 22.40 crore for non-payment of ED. It was further observed that the Act/Rules do not provide for imposition of penalty for non-registration. During study of system for levy and collection of ED in neighbouring States of Chhattisgarh and Odisha it was observed that captive generating plants, bulk consumers and traders of electricity are required to obtain license from the Energy Department which assesses and collects ED from the licensees. However, in Jharkhand, captive generating plants, bulk consumers and traders of electricity are required to obtain license from the Energy Department and are also required to get themselves registered with the CTD for assessment and collection of ED. In the instant case, licensees of Energy Department did not get themselves registered with CTD.

The Department intimated (between July and December 2020) that an additional demand of ₹ 5.91 crore has been raised against 306 assesseees of which ₹ 35.75 lakh has been recovered and notices has been issued in remaining cases in pursuance of audit observation.

The Government may consider formulating a mechanism for inter-departmental exchange of information and framing provisions for imposition of penalty for non-registration.

3.3.5.3 Concealment of electrical energy purchased

Absence of a mechanism to verify returns with information on actual consumption resulted in concealment of electrical energy of 482.31 crore units and consequent short levy of electricity duty of ₹ 24.85 crore and penalty of ₹ 28.87 crore.

Under the provisions of Section 3 of the BED Act read with Rule 7 of the JED (Amendment) Rules, every assessee shall pay duty on the units of energy consumed or sold, excluding losses of energy in transmission and transformation at the appropriate rates. Further, penalty is leviable under the provisions of Section 5A (2) of the BED Act.

Cross-verification (between July 2019 and March 2020) of data received from DVC/JBVNL and other power generating units with the assessment records/returns of the selected 14 circles revealed that 60 assesseees (out of 551 assesseees registered in 13 circles³⁸) had purchased 877.49 crore units of

³⁷ Adityapur, Bokaro, Deoghar, Dhanbad, Giridih, Hazaribag, Jamshedpur, Koderma, Ramgarh, Ranchi South and Tenughat.

³⁸ Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

electrical energy from DVC/JBVNL and other power generating units but reflected only 395.18 crore units in their returns for the period between 2011-12 and 2017-18 (on which the assessments were finalised between December 2014 and March 2019). It was further observed that there was no mechanism to obtain data/information in respect of sale/transfer of energy from licensees/assesseees to cross-verify the records/returns submitted by them. As a result, the Department failed to identify concealment of electrical energy of 482.31 crore units which led to short levy of electricity duty of ₹ 53.72 crore including penalty of ₹ 28.87 crore.

The Department stated (December 2020) that additional demand of ₹ 33.59 crore has been raised in 11 cases and notices have been issued in remaining cases except in three cases of Hazaribag circle. It was stated that in these three cases, assessment had been done on the basis of energy bills raised by JBVNL. However, no evidence regarding assessment based on energy bills was furnished. Further, the Department stated that software of various departments are being integrated by which the Department would be able to assess the energy consumption by large industries.

3.3.5.4 Excess allowance of exemption

Absence of a mechanism to verify returns with information on transfer of energy between licensees resulted in allowance of excess exemption of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

Under the provisions of Rule 11 (a) of JED (Amendment) Rules, no duty shall be levied at the point of supply by a licensee to another licensee or electricity traders where such supply is for resale by the purchasing licensee or electricity traders. The duty shall be levied and collected by the licensee not falling in the above category. Further, penalty is leviable under the provisions of Section 5A(2) of the BED Act.

Cross-verification of data/information in respect of sale/transfer of electrical energy to licensees by DVC with the records/returns of M/s Koderma Thermal Power Station (KTPS) registered in Koderma Commercial Taxes Circle revealed (September 2019) that the assessee/licensee had shown transfer of electrical energy of 1,488.34 crore units to the National Grid for the period 2015-16 to 2017-18 which was allowed by the assessing authority. As per figures furnished by DVC, the total transfer of electrical energy by KTPS (a unit of DVC) was 482.83 crore units during the period 2015-18. The Assessing Authority (AA), while finalising the assessments (between March 2018 and March 2019) allowed exemption as per returns filed by the assessee. This resulted in excess allowance of exemption on electrical energy of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore (calculated at the rate of 15 *paise* per unit, as usage were not specified) including penalty of ₹ 120.16 crore. It was observed that there was no mechanism to obtain data/information in respect of sale/transfer of electrical energy from one

licensee to another. As a result the Department could not cross-verify the transfer/ sale shown in the returns submitted by the assesseees.

The Department intimated (between October and December 2020) that demand has been raised for the amount under objection.

The Government may consider formulating a mechanism such as transfer claim form for obtaining additional data/information from related assesseees before finalisation of assessment.

3.3.5.5 Non-levy of electricity duty

The Assessing Authorities did not identify non-submission of returns on which ED of ₹ 71.54 lakh and penalty of ₹ 1.11 crore was leviable. Out of this, ED of ₹ 51.54 lakh and penalty of ₹ 99.03 lakh became time barred.

Under the provisions of Rule 12 of JED (Amendment) Rules, an assessee is required to submit quarterly and annual returns within the prescribed period and pay duty at applicable rates. An order of assessment shall be passed within 30 months from the date of submission of annual return. Further, Section 5A(1) of BED Act provides for penalty not exceeding ₹ 50 for each day of default after the due date for submission of return and penalty for default in payment is leviable under Section 5A(2).

Audit scrutiny (between August and September 2019) of records in selected circles revealed that in Ramgarh and Koderma Commercial Taxes circles, five assesseees (out of 57 registered assesseees) did not submit returns for the period 2014-19. The assessing authorities also did not serve notice for non-submission of returns. Data collected by Audit from JBVNL/DVC revealed that these assesseees had purchased 14.31 crore units of electrical energy from JBVNL/DVC during 2014-18. Hence, the assesseees were liable to pay ED of ₹ 1.82 crore including penalty of ₹ 1.11 crore. Since assessments for the period 2014-15 to 2016-17 were to be finalised by March 2020, these assessments involving ED of ₹ 51.54 lakh for 10.31 crore units became time barred. Thus, due to lack of diligence by assessing authorities and absence of mechanism to obtain additional data/information from the licenseees, Government was deprived of ₹ 51.54 lakh of ED and penalty of ₹ 99.03 lakh. Besides, ED and penalty of ₹ 31.58 lakh was yet to be levied.

The Department stated (December 2020) that an additional demand of ₹ 2.43 crore has been raised of which ₹ 65.02 lakh has been recovered.

3.3.6 Mechanism for levy and collection of ED in neighbouring States

The Electricity Duty Acts are being administered by Chief Electrical Inspector and Principal Chief Electrical Inspector in the states of Chhattisgarh and Odisha respectively. Audit analysed the system in these states for levy and collection

of electricity duty along with the availability of power and their monitoring at apex level which has been discussed in the succeeding paragraphs:

3.3.6.1 Revenue comparison with neighbouring States

Revenue receipts from Taxes and Duties on Electricity and actual supply position of electricity in Jharkhand along with Chhattisgarh and Odisha for the period 2014-19 are depicted in **Table - 3.5**.

Table- 3.5: Revenue comparison with neighbouring states

		(₹ in crore/ supply in MU)					
State		2014-15	2015-16	2016-17	2017-18	2018-19	Collection Authority
Jharkhand	Receipt	175.40	125.68	151.89	183.50	209.07	CTD
	Supply	17,205	17,797	18,267	18,737	18,737	
	Receipt per unit supply	0.10	0.07	0.08	0.10	0.11	
Chhattisgarh	Receipt	1,312.92	1,372.84	1,495.48	1,688.95	1,790.27	CEI
	Supply	21,230	25,310	23,699	25,832	26,417	
	Receipt per unit supply	0.62	0.54	0.63	0.65	0.68	
Odisha	Receipt	1,722.60	1,212.21	1,637.14	1,969.74	3,257.66	CEI
	Supply	26,052	26,600	26,756	28,706	32,115	
	Receipt per unit supply	0.66	0.45	0.61	0.69	1.01	

Source: Annual Financial Statements of the concerned states and Annual reports of Central Electricity Authority, Ministry of Power, Government of India and DVC.

From the table, it can be seen that revenue during the period 2014-19 increased by 19.20, 36.36 and 89.11 *per cent* while supply increased by 8.90, 24.43 and 23.27 *per cent* for Jharkhand, Chhattisgarh and Odisha respectively. Further, it was observed that the receipt per unit supply in Odisha ranged between 45 *paise* and ₹ 1.01 and in Chhattisgarh it ranged between 54 *paise* and 68 *paise* whereas in Jharkhand it ranged between 07 *paise* and 11 *paise*. This clearly indicates that receipt per unit supply in Jharkhand is low as compared to neighbouring states.

Audit compared the system for levy and collection of electricity duty in Jharkhand with neighbouring states. A comparative picture of the key provisions and parameters for levy and collection of electricity duty (ED) of these states *vis-à-vis* the provisions in Jharkhand is depicted in **Table- 3.6**.

Table- 3.6: Comparative Analysis of system for levy and collection of ED in Jharkhand and other states

Details of system	Chhattisgarh	Odisha	Jharkhand
Responsibility for levy and collection of electricity duty.	Energy Department (Chief Electrical Inspector)	Energy Department (Principal Chief Electrical Inspector)	Commercial Taxes Department (Commissioner)
Rate of ED on major categories of consumers.	Mines: 40 <i>per cent</i> of energy charge other than captive mines of cement industry. Industry: 3 to 20 <i>per cent</i> of energy charge depending upon the nature of industry. Domestic: 8 <i>per cent</i> of energy charge.	Mines: 55 <i>paise</i> per unit for captive consumption, 8 <i>per cent</i> of energy charge for HT category and 9 <i>per cent</i> of energy charge for EHT category. Industry: 55 <i>paise</i> per unit for captive consumption. Domestic: 4 <i>per cent</i> of energy charge.	Mines: 20 <i>paise</i> per unit for load exceeding 100 BHP. Industry: 5 <i>paise</i> per unit. Domestic: 20 <i>paise</i> per unit upto 250 units and 24 <i>paise</i> per unit for more than 250 units.
Return	Monthly return submitted to Energy Department.	Monthly and annual return submitted to Energy Department.	Quarterly and annual return submitted to CTD.

Meter reading	Meter reading is not being done. Self-declared in the returns.	Meter reading being done by electrical inspector for captive assessee and uploaded in the web portal apart from being declared in the returns.	Meter reading is not being done. Self-declared in the returns.
Penal provision for non-submission of return.	No penal provisions.	Imprisonment which may extend to six months or fine of ₹ one thousand or both.	Penalty not exceeding ₹ 50 for each day of default in case of registered assessee.
Assessment	Annual return is not being filed. Sale/ consumption declared through monthly returns.	Monthly and annual assessment is being done. Sale/consumption declared in returns verified with the meter reading. Accordingly, ED is being assessed.	ED assessed within 30 months after the submission of annual returns on the basis of annual return/quarterly returns.
Mode of collection of ED	ED paid monthly.		
Penal provision for delay in payment of ED	Interest of 12 <i>per cent</i> p.a. upto 3 months, 15 <i>per cent</i> p.a. for 3 to 6 months, 20 <i>per cent</i> p.a. for 6 to 12 months and 24 <i>per cent</i> p.a. for more than 12 months.	Interest of 18 <i>per cent</i> p.a. for admitted ED and for non-admitted ED fine not exceeding ₹ one thousand for each day of delay but not exceeding ₹ one lakh.	Interest of 1.5 <i>per cent</i> per month for admitted ED and for non-admitted ED penalty of not less than 2.5 to five <i>per cent</i> per month for first three months and thereafter not less than five <i>per cent</i> to 10 <i>per cent</i> per month.

From the table above it can be seen that the rates of ED in respect of mining and industry were considerably higher in these neighbouring states compared to Jharkhand which could be one of the reasons for lower revenue generation in the state.

Further, in Odisha, consumption/sale of energy declared through monthly returns is being cross-verified with the meter readings done by electrical inspectors of Energy Department. Also, levy and collection of ED is the responsibility of the same department i.e. Energy Department.

On the other hand, in Jharkhand, the CEI of Energy Department administers the fitness of electrical installations whereas Commissioner of CTD administers the levy and collection of ED. Since two different departments are involved, a mechanism for seamless exchange of data/information is imperative to ensure that the consumer who are issued fitness certificate by the CEI are also registered with the CTD and paying ED. However, no such mechanism existed and audit found instances of non-registration of assessee liable to pay ED as mentioned in paragraph 3.3.5.2. Further, compared to Odisha where assessments are finalised after one month, assessments of ED are finalised as late as 30 months after submission of annual return in Jharkhand. In many cases, this leads to assessments becoming time-barred resulting in loss of revenue as described in paragraph 3.3.5.5.

The Department stated (December 2020) that a committee has been set up under the chairmanship of Special Secretary in pursuance of audit observation. In this regard IDC meeting was also held under the chairmanship of Secretary, Commercial Taxes Department.

3.3.7 Non-observance/compliance of the provisions of Acts/ Rules

BED Act, BED Rules, JED (Amendment) Act, JED (Amendment) Rules and notifications issued thereunder provide for payment of electricity duty at

prescribed rate(s) and stipulate scrutiny of returns and assessment of ED within the prescribed period. Non-adherence to the above mentioned provisions resulted in several irregularities which are discussed in the following paragraphs:

3.3.7.1 Incorrect determination of energy consumed/sold

The AA while finalising the assessments did not verify the returns with the documents available on record which led to under assessment of ED and penalty of ₹ 640.12 crore.

Under the provisions of Section 3 of BED Act, read with Rule 12 of JED (Amendment) Rules, an assessee is required to pay electricity duty on the units of energy consumed or sold. The assessing authority is required to assess the ED by determining the correct value of units of energy consumed or sold on the basis of returns and documents on record. Further, penalty is leviable under the provisions of Section 5A (2) of the Act.

Audit scrutiny (between August 2019 and January 2020) of records in selected circles revealed that in five circles³⁹, in case of five assessees (out of 118 assessees registered in the circle), the turnover was determined (between December 2014 and April 2019) at 1,793.84 crore units for the period between 2011-12 and 2016-17. Audit scrutinised the assessment files with the annual reports and other documents available on record and noticed that the generation/usage of electrical energy of the assessees was 3,471.75 crore units. Thus, failure of AAs to verify the returns with the documents available resulted in short determination of turnover by 1,677.91 crore units and consequent under- assessment of ED of ₹ 640.12 crore including penalty of ₹ 388.28 crore.

The Department stated (December 2020) that notices has been issued for hearing in pursuance of audit observation.

3.3.7.2 Incorrect allowance of exemption

The AAs did not verify information available on records and allowed incorrect exemptions resulting in excess allowance of exemption of 352.97 crore units of electrical energy and consequent short levy of electricity duty of ₹ 60.88 crore including penalty of ₹ 12.13 crore.

Under the provisions of Rule 11 of the JED (Amendment) Rules, duty shall be paid by the licensee where the purchaser did not pay ED. As per the BED Act and JED (Amendment) Rules, an assessee is eligible for self-assessment where claimed transmission loss of energy does not exceed 15 *per cent* of energy received. Jharkhand State Energy Regulatory Commission (JSERC), in its notification issued in 2010 specified normative auxiliary consumption of 10 *per cent* for biomass power projects and 8.50 *per cent* for non-fossil fuel based co-generation projects and coal-based generating stations. Auxiliary

³⁹ Chirkunda, Jharia, Jamshedpur Urban, Ramgarh and Tenughat.

consumption is allowed only to the energy generating units. BED Act states that duty shall not be levied for any purpose which the State Government may by notification declare to be a public purpose. Further, under the Rehabilitation Scheme 2003, eligible industrial units can be granted waiver of ED for a period of three years or the period of revival, whichever is earlier under the accepted revival proposal.

Audit scrutiny (between August 2019 and January 2020) of records in 14 selected circles revealed that in eight commercial taxes circles⁴⁰, in case of 17 assesseees (out of 391 assesseees registered in the circles), the AAs while finalising the assessments for the period between 2011-12 and 2017-18 (assessed between December 2014 and December 2019) allowed incorrect exemption of 352.97 crore units of electrical energy on account of transfer to another assessee, transmission loss, auxiliary consumption, public purposes and rehabilitation scheme under Industrial policy. This resulted in short levy of electricity duty of ₹ 60.88 crore including penalty of ₹ 12.13 crore.

Audit observed that lack of diligence by AAs in verifying the provisions of Acts/Rules and records available in the assessment records as well as in the absence of clear guidelines/clarification of Department regarding grant of exemption for various purposes viz., rehabilitation scheme, public purpose, auxiliary consumption etc. resulted in incorrect allowance of exemptions.

The Department accepted (December 2020) the audit observation and stated that notices have been issued for hearing.

3.3.7.3 Application of incorrect rate of duty

The Assessing Authorities, while finalising the assessments, did not verify the rates of ED from the schedule of rates resulting in short levy of ED of ₹ 316.79 crore including penalty.

Under the provisions of the JED (Amendment) Act, the rate of electricity duty has been prescribed in the Schedule as per the nature of usage under Section 3 of the BED Act. Further, penalty is leviable under the provisions of Section 5A (2) of the Act.

Audit scrutiny (between July 2019 and January 2020) of records in selected circles revealed that in 11 commercial taxes circles⁴¹, in case of 74 assesseees (out of 498 assesseees registered in the circles), the assesseees had consumed 1,966.45 crore units of electrical energy for different purposes/operations. The AAs, while finalising the assessments (between October 2014 and July 2019) levied electricity duty at lower rate(s) as mentioned by the assesseees in the returns. The assesseees were liable to pay duty of ₹ 411.46 crore at rate(s) as per their usage but the AAs levied electricity duty of ₹ 272.91 crore due to

⁴⁰ Adityapur, Bokaro, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

⁴¹ Adityapur, Bokaro, Chirkunda, Dhanbad, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

application of incorrect rate(s). It was observed that the AAs did not cross-check the rates of electricity duty mentioned by the assesseees in the returns with the schedule of rates while finalising the assessments. This resulted in short levy of electricity duty of ₹ 316.79 crore including penalty of ₹ 178.25 crore.

The Department intimated (between July and December 2020) that notices have been issued for hearing in pursuance of audit observation. Further, ₹ 19,000 has been recovered in case of Adityapur circle.

3.3.7.4 Non-levy of interest

The AAs while finalising the assessments did not detect short/delayed payment of electricity duty resulting in short payment of ₹ 4.55 crore and non-levy of interest of ₹ 3.30 crore.

Under the provisions of Rule 7(4) of the JED Rules, every assessee shall pay duty at the appropriate rates for the units of energy consumed or sold as declared in the return not later than the 15th day of the following month, for the month for which such duty relates failing which interest shall be payable at the rate of 1.5 per cent per month or part thereof.

Audit scrutiny of records in selected circles revealed that in nine circles⁴², in case of 25 assesseees (out of 283 assesseees registered in the circles), the assesseees filed returns for the period between 2012-13 and 2017-18 (assessed between March 2015 and May 2019) for consumption of electrical energy against which duty payable was ₹ 30.69 crore. However, audit scrutiny revealed that the assesseees paid only ₹ 26.14 crore after a delay of one to 56 months. The AAs did not scrutinise the returns and detect short/delayed payment of ED which resulted in short payment of ₹ 4.55 crore and consequent non-levy of interest of ₹ 3.30 crore.

The Department stated (December 2020) that an additional demand of ₹ 15.96 lakh has been raised against six assesseees and notices for hearing have been issued in remaining cases in pursuance of audit observation.

3.3.7.5 Non/short levy of penalty

The AAs while finalising the assessment levied additional electricity duty but did not levy penalty in 13 cases, while in two cases penalty was short levied resulting in non/short levy of penalty of ₹ 7.45 crore.

Under the provisions of Rule 11 of JED (Amendment) Rules, duty shall be levied and paid on consumption of electrical energy by industries, mines and other commercial consumers, who obtain bulk supply of energy from any licensee or electricity traders. Further, penalty is leviable under the provisions of Section 5A (2) of the BED Act for non-payment of the duty payable.

⁴² Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Jharia, Ramgarh and Tenughat.

- Audit scrutiny (between July 2019 and January 2020) of records in selected (14) circles revealed that in six circles⁴³, in case of 13 assesseees (out of 181 assesseees registered in the circles), the assesseees had filed return for consumption of 31.69 crore units of electrical energy for washing of coal/other operation during the period 2011-12 to 2017-18. The AAs at the time of finalising the assessments (between March 2015 and June 2019) levied additional electricity duty of ₹ 5.13 crore but failed to enforce the penal provision of the Act. This resulted in non-levy of penalty of ₹ 6.63 crore for non-admitting the duty payable.
- Audit scrutiny (between July and August 2019) of records in selected circles revealed that in Chirkunda and Ramgarh circles, two assesseees out of 78 assesseees registered in the circles paid electricity duty of ₹ 59.51 lakh for the period 2012-13 to 2017-18 after a delay of three to 74 months. The assessing authorities while finalising the assessments (between July 2018 and February 2019) levied penalty of ₹ 17.88 lakh instead of ₹ 99.55 lakh. It was observed that AAs applied incorrect rate of penalty. This resulted in short levy of penalty of ₹ 81.67 lakh for short/non-payment of actual duty payable.

The Department stated (December 2020) that an additional demand of ₹ 76.32 lakh has been raised against one assessee and notices for hearing have been issued in remaining cases in pursuance of audit observation.

The Government may consider developing a system for auto calculation of penalty/interest for non/delayed payment of ED.

3.3.8 Conclusion

CTD/Circles did not have consolidated information regarding arrears of revenue and details of cases involved.

Though the CTD administered the levy and collection of electricity duty, it had no mechanism in place to obtain data from CEI who administers the fitness of electrical installations. Audit found 732 DG set owners and bulk consumers who remained outside the tax net by not registering themselves. Out of these, audit worked out recoverable ED and penalty of ₹ 38.97 crore in 550 cases.

CTD failed to identify 60 cases of concealment involving ₹ 53.72 crore as there was no mechanism to verify returns submitted by the assesseees with records of licensees and power generating units. CTD also failed to cross verify energy transfer between licensees which resulted in excess exemption of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

Revenue under electricity duty in Jharkhand increased marginally from ₹ 175.40 crore to ₹ 209.07 crore (19.20 *per cent*) during 2014-19 as compared to neighbouring states where it increased from ₹ 1,312.92 crore to ₹ 1,790.27 crore (36.36 *per cent*) in case of Chhattisgarh and from ₹ 1,722.60

⁴³ Chirkunda, Dhanbad, Hazaribag, Jharia, Ramgarh and Tenughat.

crore to ₹ 3,257.66 crore (89.11 *per cent*) in case of Odisha. The rates of electricity duty in Jharkhand were low compared to these States.

Non-compliance of the existing provisions of Acts/rules by the AAs and absence of mechanism to monitor and auto calculate penalty/interest for non/delayed payment of ED resulted in short levy of ED and penalty of ₹ 1,028.55 crore in 136 cases.

The audit findings are those which came to notice within the selected audit sample and there are possibilities that the same irregularities may persist in other offices dealing with levy and collection of ED in the State. The CTD may examine all such cases thoroughly in all districts in the State and take necessary action.

Other observations

3.4 Concealment of purchase turnover under JVAT Act

The Assessing Authorities, while finalising the assessments, did not cross-verify returns with the utilisation of Form C, F and other records which led to under assessment of tax and penalty of ₹ 25.99 crore.

Under the provisions of Section 40(1) read with Section 37(6) of the JVAT Act, if the dealer has concealed, omitted or failed to disclose wilfully or has furnished incorrect particulars of turnover and thereby the return figures are below the real amount, the assessing authority shall proceed to assess or reassess the amount of tax due from the dealer in respect of such turnover and impose penalty, a sum equivalent to twice (increased to thrice from July 2014) the amount of tax assessed on the turnover concealed by the dealer.

Audit test-checked (between January and February 2019) the assessment records of 369 dealers out of 16,201 dealers registered in three commercial taxes circles⁴⁴ and noticed that three dealers had disclosed purchase turnover of ₹ 404.95 crore for the period 2013-14 and 2014-15. Scrutiny indicated that the dealers had actually purchased/received goods worth ₹ 547.60 crore. This resulted in concealment of turnover of ₹ 142.65 crore and consequential under assessment of tax of ₹ 25.99 crore including penalty of ₹ 18.69 crore.

Audit has test checked only 369 cases out of 16,201 cases. Government may get the remaining assessments internally checked to ensure that similar concealment of turnovers and consequent escape of taxes have not happened in other cases.

After the cases were pointed out (between January and February 2019), the Assessing Authorities (AAs) stated (March 2020) that notices for hearing had been issued.

The matter was reported to the Department in September 2019; their reply was awaited (May 2021).

⁴⁴ Hazaribag, Ranchi East and Ranchi West.

3.5 Application of incorrect rate of tax

The Assessing Authority disallowed unascertainable claims of labour and other like charges but levied tax at the rate of five *per cent* instead of leviable 14 *per cent* of the taxable turnover arrived thereafter resulting in short levy of tax of ₹ 4.39 crore.

Rule 22 (2) of JVAT Rules, 2006 prescribes that where the amount of charges towards labour, services, hire charges or all other like charges in any contract are not ascertainable, the amount of such charges shall be calculated at the rate of 30 *per cent* (in case of civil works) of the total consideration received or receivable and the taxable turnover arrived thereafter shall be taxable at the rate of 14 *per cent*.

Audit test-checked (October 2017) the assessment records of 100 dealers out of 2,662 dealers registered in Singhbhum commercial taxes circle and noticed that the AA, while finalising the assessment (March 2017) in case of a dealer for the period 2013-14, allowed 30 *per cent* of consideration received, in labour and other like charges due to non-furnishing of evidence in support of the claim. However, on the taxable turnover of ₹ 48.81 crore arrived thereafter, tax was levied incorrectly at the rate of five *per cent* instead of 14 *per cent* as per the provisions of the Rules. This resulted in short levy of tax of ₹ 4.39 crore.

After the case was pointed out (October 2017), the AA stated (February 2020) that an additional demand of ₹ 4.39 crore had been raised. Intimation regarding recovery was awaited (May 2021).

Audit has test checked only 100 cases out of 2,662 cases. Government may get the remaining assessments internally checked to ensure that similar incorrect rate of tax has not been applied and consequent loss of taxes has not happened in other cases.

The matter was reported to the Department between July 2018 and September 2019; their reply was awaited (May 2021).

3.6 Non-levy of interest on disallowed Input Tax Credit (ITC)

The Assessing Authorities of three circles disallowed adjustment of ITC of ₹ 5.51 crore. However, interest of ₹ 3.97 crore was not levied on disallowed ITC.

The JVAT Act, 2005 provides for levy of interest applicable under this Act on account of disallowance of ITC, exemptions and deductions and any other concessions or rebates not supported by requisite evidence as required under the Act, Central Sales Tax Act or Rules framed thereunder. The Act further prescribes payment of simple interest on the additional tax assessed at the rate of two *per cent* per month from the date of such default for so long as the assessee continues to make default in the payment of the said tax.

Audit test-checked (January and February 2019) the assessment records of 270 dealers out of 12,322 dealers registered in Hazaribagh and Ranchi West commercial taxes circles and noticed that AAs disallowed (between March 2017 and March 2018) claims of two dealers for adjustment of ITC of ₹ 5.51 crore for the period 2013-14 and 2014-15. The AAs however, failed to levy penal interest amounting to ₹ 3.97 crore on the disallowed claims.

After the cases were pointed out (January and February 2019), the AAs stated (March 2020) that notices for hearing had been issued.

The matter was reported to the Department between September 2019 and January 2020; their reply was awaited (May 2021).

3.7 Non-levy of penalty/interest on enhanced turnover

Though the Assessing Authorities enhanced the turnover by ₹ 6.91 crore on account of suppression by dealers and levied additional tax of ₹ 75.50 lakh, they did not levy penalty/interest of ₹ 1.60 crore.

Under the provisions of Section 40(2) of the JVAT Act, 2005, if the assessing authority in the course of any proceeding or upon any information, which has come into his possession before assessment or otherwise, under this Act, and is satisfied that any registered dealer has concealed any sales or purchases or any particulars thereof, with a view to reduce the amount of tax payable by him under this Act, the prescribed authority shall direct that he shall, in addition to any tax payable which is assessed, pay by way of penalty a sum of five *per cent* per month (revised from July 2014 to penalty equivalent to thrice) of the additional tax assessed.

Audit test-checked (October 2017 and January 2019) the assessment records of 220 dealers out of 10,352 dealers registered in Ranchi West and Singhbhum commercial taxes circles and noticed that two dealers had furnished GTO of ₹ 102.72 crore for the period 2013-14 and 2014-15. The AAs, while finalising assessments (between February 2017 and March 2018), enhanced the turnover to ₹ 109.63 crore on account of suppression in turnover by the dealers in order to evade tax. Though the AAs enhanced the turnover by ₹ 6.91 crore and assessed additional tax of ₹ 75.50 lakh, they did not levy ₹ 1.60 crore by way of penalty/interest on additional tax assessed on enhanced turnover.

After the cases were pointed out (October 2017 and January 2019), DCST, Singhbhum Circle raised (February 2020) additional demand of ₹ 52.04 lakh and initiated action of special mode of recovery under provisions of Section 46 of JVAT Act, 2005. DCST Ranchi West circle stated (February 2020) that notice for hearing has been issued to the dealer.

The matter was reported to the Department between June 2018 and March 2019; their reply was awaited (May 2021).

EXCISE AND PROHIBITION DEPARTMENT

3.8 Results of audit

During 2018-19, Audit test-checked the records of eight out of 31 auditable units (25.81 per cent) of the Department. A total of 1,111 retail excise shops were renewed in the State for the period April to July 2017, thereafter 679 shops were run departmentally till March 2018. In the test-checked districts, 380 retail excise shops were renewed for April to July 2017 and 299 shops were run departmentally and Audit examined records of all these retail excise shops. The Department collected revenue of ₹ 840.81 crore during 2017-18 of which the audited units collected ₹ 542.01 crore (64.46 per cent). Audit noticed irregularities amounting to ₹ 104.44 crore in 1,065 cases as detailed in **Table - 3.7**.

Table- 3.7: Categories of irregularities noticed in audit

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Non-settlement of retail liquor shops	66	61.30
2	Short lifting by liquor retail vendors	521	23.62
3	Undue financial benefit to retail licensees due to improper determination of minimum guaranteed quota	282	6.82
4	Other cases	196	12.70
Total		1,065	104.44

The Department accepted (up to June 2019) audit observations of ₹ 27.97 crore in 578 cases and recovered ₹ 5.34 crore involved in 82 cases up to August 2019.

Irregularities involving 496 cases worth ₹ 22.46 crore have been illustrated in Paragraph 3.9. This nature of irregularity had been repeatedly reported during the last five years as detailed in **Table - 3.8**.

Table - 3.8: Nature of irregularities in previous Audit Reports

Nature of observation	(₹ in crore)											
	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Short lifting of liquor by retail vendors	263	2.00	542	4.67	447	5.57	695	23.20	132	2.86	2,079	38.30

PAC has discussed the matter raised in the Audit Report for the year 2015-16 only but have not issued any recommendations.

3.9 Short lifting of liquor by retail vendors

The Department did not take action to ensure lifting of minimum guaranteed quota which resulted in short lifting of liquor and non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

Under the provisions of Rule 17 of the Jharkhand Excise (Settlement of Liquor retail License) Rules, 2009 read with condition No. 20 of sale notifications, each licensed vendor of a retail excise shop is bound to lift minimum guaranteed quota (MGQ) of liquor of each kind fixed by the Department for the shop, failing which revenue equivalent to loss of excise duty suffered by the Government shall be recoverable.

Audit test-checked the records of all audited units. Out of these, in Bokaro and Hazaribag district no short lifting of liquor was noticed, whereas in the other four districts⁴⁵, audit noticed (between January and March 2019) that 496 excise retail shops, out of 745 settled shops were required to lift 2.16 crore LPL/BL of liquor from Jharkhand State Beverage Corporation Ltd. between April 2016 and July 2017. However, these excise shops had lifted only 1.57 crore LPL/BL of liquor. It was observed that the MGQ of retail excise shops were fixed on annual basis which was divided into twelve parts and the vendors of retail shops lifted liquor monthly as per their requirement. The excise districts had prepared shop-wise reports regarding MGQ fixed, liquor lifted during the month and up to the month, and forwarded the reports to the Excise Commissioner. However, the Department did not take action to ensure lifting of short lifted liquor in subsequent months so that the total MGQ fixed are lifted by the end of the year. This resulted in short lifting of 58.87 lakh LPL/BL of liquor and consequential non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

After the cases were pointed out (between January and March 2019), ACE, Jamshedpur intimated (June 2019) that an amount of ₹ 4.28 crore has been recovered and certificate cases have been instituted for recovery of the balance amount. SE, Garhwa stated (February 2019) that the amount would be adjusted from the security deposit and in case the loss was more than the security deposit, certificate case would be initiated. ACEs Dhanbad and Ranchi did not furnish specific replies.

The matter was reported to the Government between January 2019 and February 2020; their reply is awaited (May 2021).

⁴⁵ Dhanbad, Garhwa, Jamshedpur and Ranchi.