

CHAPTER 1

GENERAL

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1.1 Trend of receipts

1.1.1 The tax and non-tax revenues raised by the Government of Bihar (GoB), the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the period 2016-21 are depicted in **Table-1.1**.

Table-1.1
Trend of receipts

(₹ in crore)						
Sl. No.	Particulars	2016-17	2017-18	2018-19 [#]	2019-20	2020-21
1.	Revenues raised by the State Government					
	• Tax revenues	23,742.26	23,136.49	29,408.14	30,157.98	30,341.66
	Percentage of growth compared to previous year	(-) 6.71	(-) 2.55	27.11	2.55	0.61
	• Non-tax revenues	2,403.11	3,506.74	4,130.56	3,699.60	6,201.35
	Percentage of growth compared to previous year	9.95	45.93	17.79	(-) 10.43	67.62
	Total	26,145.37	26,643.23	33,538.70	33,857.58	36,543.01
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	58,880.59	65,083.38	73,603.13	63,406.33	59,987.24 ¹
	• Grants-in-aid ²	20,559.02	25,720.13	24,651.62	26,968.62	31,763.88 ³
	Total	79,439.61	90,803.51	98,254.75	90,374.95	91,751.12
3.	Total revenue receipts (1 and 2)	1,05,584.98	1,17,446.74	1,31,793.45	1,24,232.53	1,28,294.13
4.	Percentage of 1 to 3	25	23	25	27	28
5.	Percentage of tax revenue to total revenue receipts	22	20	22	24	24

(Source: Finance Accounts, GoB)

[#] Growth in tax revenue during 2018-19 was mainly due to increase of ₹ 5,561.78 crore in Commercial Taxes, ₹ 486.43 crore on Taxes on Vehicles and ₹ 38.53 crore on Professions, Trades, Calling and Employment in comparison to the previous year.

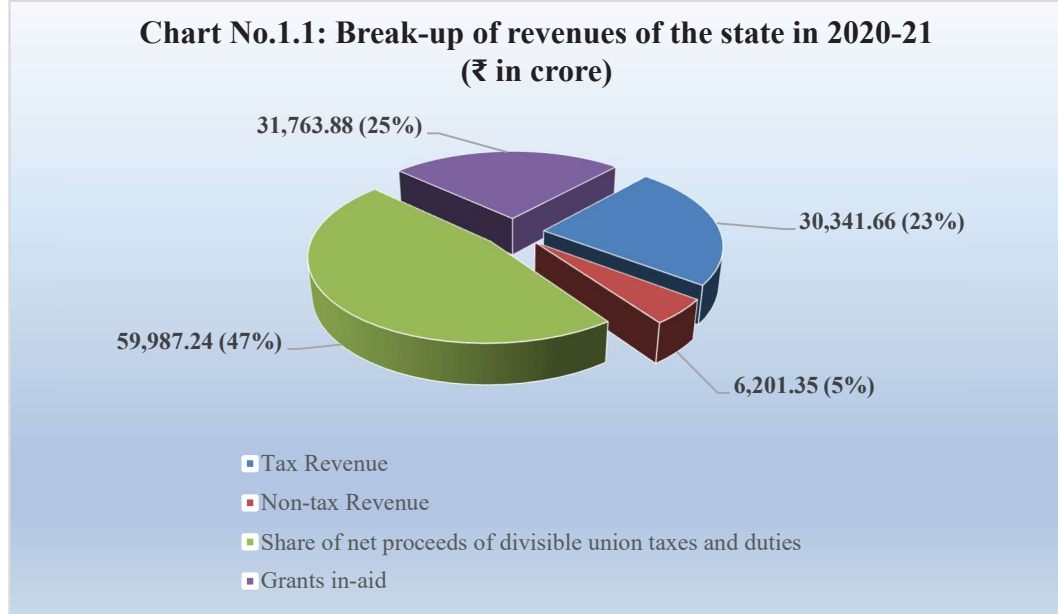
¹ For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2020-21. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads – 0005- Central Goods and Services Tax (₹ 17788.69 crore), 0020 - Corporation Tax (₹ 18062.14 crore), 0021 - Taxes on income other than Corporation Tax (₹ 18517.49 crore), 0028- Other Taxes on Income and Expenditure (₹ 125.81 crore) 0032 - Taxes on Wealth (₹ 0.00 crore), 0037 – Customs (₹ 3179.93 crore), 0038 - Union Excise Duties (₹ 2012.03 crore), 0044 - Service Tax (₹ 258.09 crore) and 0045 – Other taxes and duties on commodities and services (₹ 43.06 crore).

² Centrally sponsored schemes, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI).

³ Includes compensation of ₹ 4,359.28 crore towards loss of revenue due to implementation of GST.

The above table indicates that the average annual growth rate in respect of tax revenues and non-tax revenues were 4.20 per cent and 26.17 per cent respectively during 2016-21.

Break-up of revenue of the State for the year 2020-21 is given in **Chart No. 1.1:**



1.1.2 Details of Budget Estimates (BEs) and tax revenues raised during the period 2016-17 to 2020-21 are given in **Table-1.2.**

Table- 1.2
Details of Tax Revenues

(₹ in crore)

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actuals of 2020-21 in comparison to	
		BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs of 2020-21	Actuals of 2019-20
1.	State Goods and Services Tax	-	0.00 6,746.96	15,000.00 15,288.06	17,812.00 15,800.53	20,800.00 16,050.23	(-) 22.84	1.58
2.	Taxes on sales, trade etc.	14,021.33 11,873.51	24,400.00 8,298.10	7,890.00 6,584.24	7,150.00 6,121.43	5,830.00 6,031.42	3.45	(-) 1.47
3.	Taxes on goods and passengers ⁴	7,211.96 6,245.62	0.00 1,644.85	0.00 398.74	50.00 22.86	20.00 5.68	(-) 71.6	(-) 75.15
4.	Other taxes and duties on commodities and services	88.90 81.08	0.01 20.51	0.02 1.16	(-) 0.01 14.33	0.00 1.41	-	(-) 90.16
Sub-total (1, 2, 3 and 4)		21,322.19 18,200.21	24,400.01 16,710.42	22,890.02 22,272.20	25,011.99 21,959.15	26,650.00 22,088.74		
5.	State excise ⁵	2,100.00 29.66	0.00 (-)3.43	0.00 (-) 9.63	0.00 (-) 4.14	0.00 (-) 4.42	-	(-) 6.76
6.	Stamps and registration fees	3,800.00 2,981.95	4,600.00 3,725.66	4,700.00 4,188.61	4,700.00 4,660.98	4,700.00 4,206.32	(-) 10.50	(-) 9.75

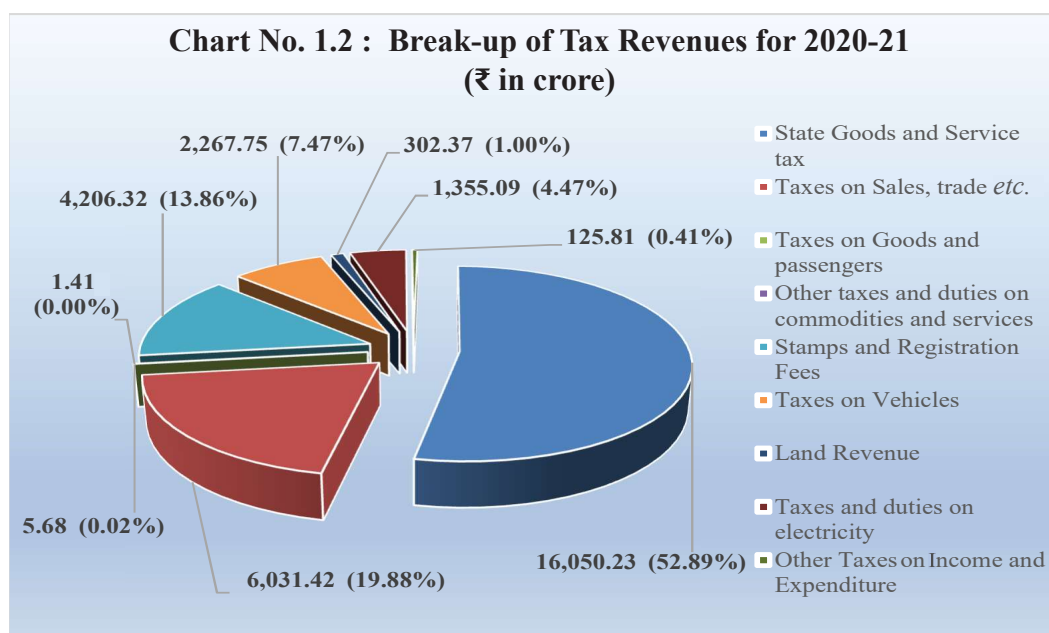
⁴ All receipts under Taxes on goods and passengers is from Entry Tax during the year 2020-21, which has since been abolished and subsumed in GST from 1.7.2017.

⁵ Sale of Liquor has been prohibited in Bihar since April 2016.

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actuals of 2020-21 in comparison to	
		BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs of 2020-21	Actuals of 2019-20
7.	Taxes on vehicles	<u>1,500.00</u> 1,256.67	<u>1,800.00</u> 1,599.51	<u>2,000.00</u> 2,085.94	<u>2,500.00</u> 2,712.75	<u>2,500.00</u> 2,267.75	(-) 9.29	(-) 16.40
8.	Land revenue	<u>330.00</u> 971.12	<u>600.00</u> 778.65	<u>1,000.00</u> 476.80	<u>1,100.00</u> 275.28	<u>500.00</u> 302.37	(-) 39.53	9.84
9.	Taxes and duties on electricity	<u>590.04</u> 223.90	<u>501.09</u> 239.16	<u>310.00</u> 269.17	<u>350.00</u> 439.54	<u>250.00</u> 1,355.09	442.04	208.30
10.	Other taxes on income and expenditure-taxes on professions, trades, callings and employment	<u>88.03</u> 78.75	<u>100.00</u> 86.52	<u>102.00</u> 125.05	<u>138.00</u> 114.42	<u>150.00</u> 125.81	(-) 16.13	9.95
Total		<u>29,730.26</u> 23,742.26	<u>32,001.10</u> 23,136.49	<u>31,002.02</u> 29,408.14	<u>33,799.99</u> 30,157.98	<u>34,750.00</u> 30,341.66	(-) 12.69	0.61

(Source: Finance Accounts, GoB and Revenue and Capital Receipts)

Break-up of tax revenues of the State for 2020-21 is given in **Chart No. 1.2**:



It may be seen from **Table 1.2** that there were wide variations between the budget estimates and actuals during 2020-21 under different heads of tax revenue, which indicated that the budget was not prepared on a realistic basis. The department intimated that the main reason for variations under taxes and duties on electricity was collection of the dues amounting to ₹ 637.91 crore pertaining to previous years.

1.1.3 Details of budget estimates and non-tax revenues raised during the period 2016-17 to 2020-21 are indicated in **Table 1.3**.

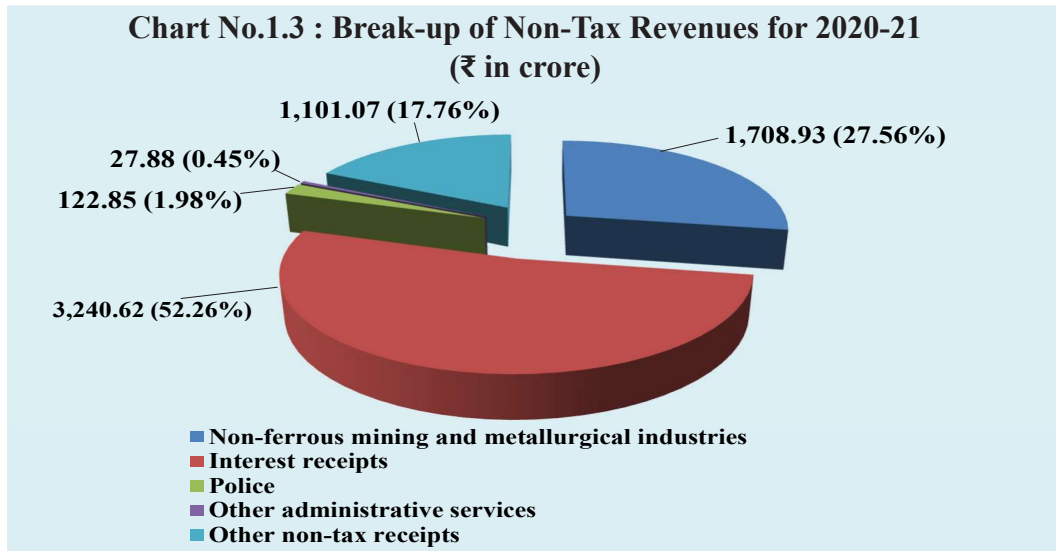
Table- 1.3
Details of non-tax revenues

(₹ in crore)

Sl. No	Head of Revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actual of 2020-21 in comparison to	
		BEs Actual	BEs Actual	BEs Actual	BEs Actual	BEs Actual	BEs of 2020-21	Actuals of 2019-20
1.	Non-ferrous mining and metallurgical industries	1,100.00 997.60	1,350.00 1,082.67	1,600.00 1,560.65	1,600.00 1,572.07	2,450.00 1,708.93	(-) 30.25	8.71
2.	Interest receipts	365.78 939.91	619.25 1,577.24	2,187.39 1,371.94	2,293.84 1,416.48	2,080.55 3,240.62	55.76	128.78
3.	Police	31.74 42.16	41.53 86.04	46.19 30.41	52.50 96.31	32.00 122.85	283.91	27.56
4.	Other administrative services	23.35 99.88	256.32 25.84	20.10 46.80	22.62 137.39	63.79 27.88	(-) 56.29	(-) 79.71
5.	Other non-tax ⁶ receipts	819.87 323.56	567.21 734.95	592.21 1,120.76	837.51 477.35	612.94 1,101.07	79.64	130.66
Total Receipts		2,403.11	3,506.74	4,130.56	3,699.60	6,201.35		

(Source: Actual receipts as per Finance Accounts and budget estimates as per Statement of Revenue and Capital Receipts of GoB).

Break-up of non-tax revenues of the State for 2020-21 is given in **Chart No. 1.3**:



⁶ Other non-tax receipts includes actual receipts during 2020-21 under the following heads: Road and bridges (₹ 90.61 crore), Medical and public health (₹ 41.80 crore), Other rural development programmes (₹ 48.16 crore), Forestry and wild life (₹ 15.53 crore), Education, sports, arts and culture (₹ 11.50 crore), Public service commission (₹ 87.92 crore), Other general economic services (₹ 26.36 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 2.24 crore), Crop husbandry (₹ 8.47 crore), Major irrigation (₹ 24.07 crore), Medium irrigation (₹ 16.07 crore), Labour employment and skill development (₹ 11.36 crore), Jail (₹ 30.58 crore), Fisheries (₹ 16.86 crore), Miscellaneous general service (₹ 33.57 crore), Water supply and sanitation (₹ 9.59 crore), Housing (₹ 4.29 crore), Urban development (₹ 0.15 crore), Information and publicity (₹ 0.14 crore), Social security and welfare (₹ 0.06 crore), Animal husbandry (₹ 0.67 crore), Cooperation (₹ 6.17 crore), Land reforms (₹ 0.14 crore), Minor irrigation (₹ 3.43 crore), Civil aviation (₹ 3.15 crore), Road transport (₹ 0.11 crore), Tourism (₹ 0.00 crore), Village and small industries (₹ 0.10 crore), Industries (₹ 0.11 crore), Civil supplies (₹ 0.01 crore), Public Works (₹ 4.79 crore), Stationary and Printing (₹ 0.05 crore) and Dividend and Profits (₹ 603.01 crore).

Reasons for wide variations are discussed below:

Police Receipts: Audit noticed that the increase in actual receipts during 2020-21 over actual receipts of 2019-20 was due to more receipts mainly under fees, fines and forfeitures.

Other Administrative Services: Audit noticed that the main reason for decrease of actual receipts of 79.71 per cent over that of previous year was decrease of ₹ 117.76 crore in receipts towards election sub-head.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2021 in respect of the principal heads of revenue amounted to ₹ 3,180.63 crore, of which, ₹ 1,056.31 crore was outstanding for more than five years as detailed in **Table-1.4**.

Table- 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Stages of pendency as stated by the Departments concerned
1.	Taxes on sales, trade etc.	2,087.14	979.27	Out of ₹ 2,087.14 crore, demands for ₹ 305.99 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 357.83 crore and ₹ 228.37 crore were stayed by the courts and the Government respectively, ₹ 3.73 crore was held up due to assessee/dealers becoming insolvent, ₹ 7.94 crore was likely to be written off and ₹ 1,183.28 crore was pending at other stages.
2.	Taxes on goods and passengers	171.84	45.22	Out of ₹ 171.84 crore, demand for ₹ 35.38 lakh was certified for recovery as arrears of land revenue, recoveries of ₹ 23.06 crore and ₹ 11.23 crore were stayed by the courts and the Government respectively and ₹ 137.19 crore was pending at other stages.
3.	Taxes and duties on electricity	0.20	0.20	Out of ₹ 0.20 crore, recovery of ₹ 5.61 lakh was stayed by the courts and ₹ 14.15 lakh was pending at other stages.
4.	Taxes on vehicles	172.33	-	The Transport Department did not provide details of arrears outstanding for more than five years. The Department also did not provide stages of pendency of outstanding arrears. This indicates that the Department is not maintaining year-wise record.
5.	Other taxes and duties on commodities and services	2.88	1.97	Out of ₹ 2.88 crore, demands for ₹ 1.67 crore were certified for recovery as arrears of land revenue and ₹ 1.21 crore was pending at other stages.
6.	Land revenue	267.65	-	The Revenue and Land Reforms Department did not provide details of arrears outstanding for more than five years. The Department also did not provide stages of pendency of outstanding arrears. This indicates that the Department is not maintaining year-wise record.
7.	Stamp duty and registration fee	19.41	10.70	Out of ₹ 19.41 crore, demands of ₹ 16.87 crore were certified for recovery as arrears of land revenue and recovery of ₹ 6.83 crore was stayed by the courts.

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Stages of pendency as stated by the Departments concerned
8.	State excise	48.89	18.95	Out of ₹ 48.89 crore, demands for ₹ 38.85 crore were certified for recovery as arrears of land revenue, recovery of ₹ 4.70 crore was stayed by the courts, ₹ 0.14 crore was held up due to assessee/dealers becoming insolvent, ₹ 0.36 crore was likely to be written off and ₹ 4.84 crore was pending at other stages.
9.	Non-ferrous mining and metallurgical industries	410.29	-	The Mines and Geology Department did not provide details of arrears outstanding for more than five years. The Department also did not provide stages of pendency of outstanding arrears. This indicates that the Department is not maintaining year-wise record.
TOTAL		3,180.63	1,056.31	

(Source: Information furnished by the Departments)

1.3 Follow up on Audit Reports – summarised position

In terms of the Manual of Instructions (1998) of the Finance Department, Departments are required to initiate action on the audit paragraphs contained in the Reports of the Comptroller and Auditor General of India (CAG) within two months of their laying in the Legislative Assembly, and Government shall submit explanatory notes thereon for consideration by the Public Accounts Committee (PAC). However, explanatory notes (replies of the Departments) were submitted with delays of more than five months in respect of 266 paragraphs (including performance audits) appearing in the CAG's Revenue Audit Reports for the years 2009-10 to 2018-19 placed before the State Legislature between July 2011 and July 2021. Details of pending explanatory notes as on July 2021 pertaining to various Departments⁷ are given in Table-1.5.

Table-1.5
Pending explanatory notes

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1.	31 March 2010	20.07.2011	26	26	0
2.	31 March 2011	06.08.2012	35	35	0
3.	31 March 2012	08.01.2013	38	37	1
4.	31 March 2013	21.02.2014	41	39	2
5.	31 March 2014	24.12.2014	44	39	5
6.	31 March 2015	18.03.2016	39	35	4
7.	31 March 2016	27.03.2017	42	20	22
8.	31 March 2017	29.11.2018	36	8	28
9.	31 March 2018	16.03.2020	28	1	27
10.	31 March 2019	29.07.2021	13	0	13
Total			342	240	102

⁷ Commercial Taxes (62 paragraphs); Prohibition, Excise and Registration (six paragraphs); Transport (seven paragraph); Revenue and Land Reforms (19 paragraphs) and Mines and Geology (eight paragraphs).

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

The PAC discussed 64 selected paragraphs pertaining to the Audit Reports for the years 2009-10 to 2018-19 and issued recommendations on 52 paragraphs pertaining to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Mines and Geology Department and Transport Department incorporated in the aforesaid Reports on which no Action Taken Notes (ATNs) had been received from the Departments.

The Accountant General (Audit) requested Chief Secretary, Government of Bihar (February 2022) to instruct the concerned Departments for timely submission of self-explanatory notes on audit observations and ATNs on PAC's recommendations. In pursuance to the audit request, the Finance Department issued instructions (March 2022) to all administrative Departments to submit self-explanatory notes on audit observations and ATNs on PAC's recommendations.

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

1.4 Response of the Departments/Government to Audit

1.4.1 Position of outstanding Inspection Reports

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 the head of the Departments and the Government. Review of IRs issued during the period 2011-12 to 2020-21 revealed that 24,332 paragraphs relating to 2,899 IRs remained outstanding at the end of March 2021. The potential recoverable revenue in these IRs was as much as ₹ 29,868.12 crore, whereas, the total revenue collection of the State for 2020-21 was ₹ 36,543.01 crore. Details of IRs relating to major revenue earning Departments of the State Government are given in **Table - 1.6**.

Table - 1.6
Department-wise details of Inspection Reports

(₹ in crore)					
Sl. No.	Name of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade <i>etc.</i>	493	10,390	12,783.15
		Entry tax			
		Electricity duty			
		Entertainment tax <i>etc.</i>			
2.	Excise and Prohibition	State excise	362	1,583	1,160.16
3.	Revenue and Land Reforms	Land revenue	842	5,468	11,116.01
4.	Transport	Taxes on vehicles	391	3,120	23.75

Sl. No.	Name of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
5.	Registration	Stamps and Registration fees	409	1,347	1,348.97
6.	Mines and Geology	Mining receipts	402	2,424	3,436.08
Total			2,899	24,332	29,868.12

Even the first replies, required to be received from the Heads of offices, were not received (June 2021) for 1,201 IRs (10,385 audit observations) involving potential revenue of as much as ₹ 18,614.56 crore, issued from 2007-08 onwards. Department-wise details are given in **Table – 1.7**.

Table - 1.7
Details of Inspection Reports pending first reply

(₹ in crore)

Sl. No.	Name 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.	96	2,963	4,710.66
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	65	361	211.78
3.	Revenue and Land Reforms	Land revenue	557	3,829	9,613.47
4.	Transport	Taxes on vehicles	252	2,072	1,915.11
5.	Registration	Stamps and Registration fees	131	417	963.90
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	100	743	1,199.64
Total			1,201	10,385	18,614.56

Recommendation:

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

1.5 Results of audit

Position of the local audit conducted during the year

Audit covered six Departments of the State Government and test-checked records of 39 units out of 1,359 auditable units (2.87 per cent) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees, land revenue and mining receipts during the year 2020-21.

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 486.29 crore in 669 cases, which were communicated to the Departments through Inspection Reports. The Departments concerned accepted (between April 2020 and March 2021) underassessment and other deficiencies of ₹ 187.28 crore in 679 cases,

which were pointed out in previous years. The Departments reported (between April 2020 and March 2021) recovery of ₹ 9.69 crore in 164 cases pertaining to previous years.

1.6 Coverage of this Report

This Report contains 10 paragraphs, one Detailed Compliance Audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices” and one Compliance Audit on “Transitional Credit”. The total financial implication of the Report is ₹ 78.85 crore.

The Departments have accepted audit observations amounting to ₹ 44.88 crore. The audit observations are discussed in Chapters 2 to 5 of this Report.

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, to rectify them and to put a system in place that would prevent such errors/omissions.

