



PART A
REVENUE SECTOR



CHAPTER I
GENERAL

CHAPTER I: GENERAL

1.1 Trend of receipts

1.1.1: Tax and non-tax revenues raised by the Government of Bihar (GoB), 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 from financial year (FY) 2017-18 to 2021-22, are depicted in **Table 1.1**.

Table 1.1
Trend of receipts

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Revenues raised by the State Government					
	• Tax revenues	23,136.49	29,408.14	30,157.98	30,341.67	34,854.54
	Percentage of growth compared to previous year	(-) 2.55	27.11	2.55	0.61	14.87
	• Non-tax revenues	3,506.74	4,130.56	3,699.60	6,201.38	3,984.34
	Percentage of growth compared to previous year	45.93	17.79	(-) 10.43	67.62	(-)35.75
	Total	26,643.23	33,538.70	33,857.58	36,543.05	38,838.88
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	65,083.38	73,603.13	63,406.33	59,861.41	91,352.62 ¹
	• Grants-in-aid ²	25,720.13	24,651.62	26,968.62	31,763.88	28,605.83 ³
	Total	90,803.51	98,254.75	90,374.95	91,625.29	1,19,958.45
3.	Total revenue receipts (1 and 2)	1,17,446.74	1,31,793.45	1,24,232.53	1,28,168.34	1,58,797.33
4.	Percentage of 1 to 3	23	25	27	29	24
5.	Percentage of tax revenue to total revenue receipts	20	22	24	24	22

(Source: Finance Accounts, GoB)

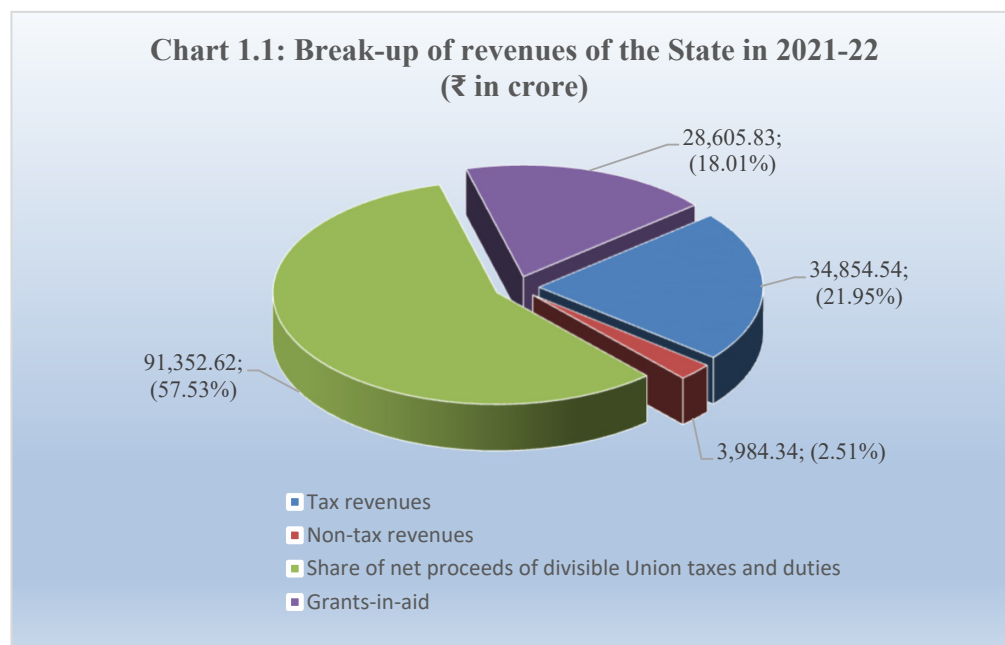
The above table indicates that the average annual growth rate in respect of tax revenues and non-tax revenues were 8.52 per cent and 17.03 per cent respectively, during FYs 2017-22.

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 2021-22. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads-0005-Central Goods and Services Tax (₹ 25,442.20 crore), 0020 - Corporation Tax (₹ 27,178.50 crore), 0021 - Taxes on income other than Corporation Tax (₹ 26,661.32 crore), 0028- Other Taxes on Income and Expenditure (₹ 0.19 crore), 0032 - Taxes on Wealth (₹ 6.38 crore), 0037 - Customs (₹ 6,775.97 crore), 0038 - Union Excise Duties (₹ 3,868.86 crore), 0044 - Service Tax (₹ 1,326.22 crore) and 0045 - Other taxes and duties on commodities and services (₹ 92.98 crore).

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

³ Includes compensation of ₹ 1,945.08 crore towards loss of revenue due to implementation of GST.

Break-up of revenue of the State for the financial year 2021-22, is given in **Chart 1.1**.



1.1.2: Details of Budget Estimates (BEs) and tax revenues raised during FYs 2017-18 to 2021-22 are given in **Table 1.2**.

Table 1.2
Details of Tax Revenues

(₹ in crore)

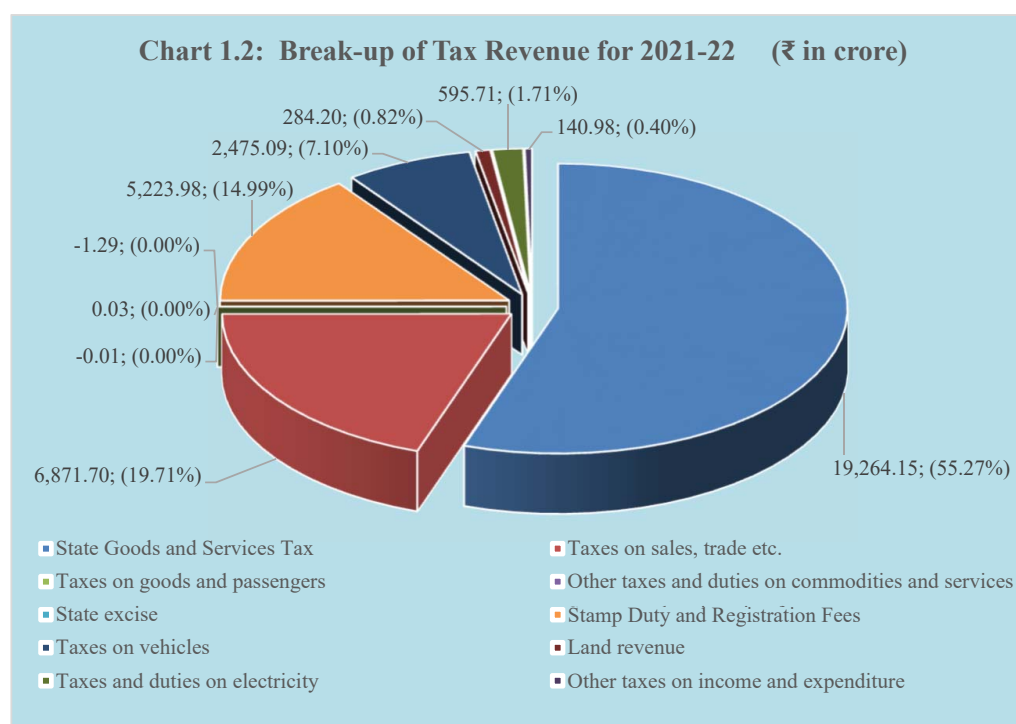
Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+)/ decrease (-) in actuals of 2021-22 in comparison to	
		BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs of 2021-22	Actuals of 2020-21
1.	State Goods and Services Tax	0.00 6,746.96	15,000.00 15,288.06	17,812.00 15,800.53	20,800.00 16,050.23	20,621.00 19,264.15	(-) 6.58	20.02
2.	Taxes on sales, trade etc.	24,400.00 8,298.10	7,890.00 6,584.24	7,150.00 6,121.43	5,830.00 6,031.43	6,010.00 6,871.70	14.34	13.93
3.	Taxes on goods and passengers	0.00 1,644.85	0.00 398.74	50.00 22.86	20.00 5.68	19.00 (-)0.01	(-) 100.05	(-) 100.18
4.	Other taxes and duties on commodities and services	0.01 20.51	0.02 1.16	(-) 0.01 14.33	0.00 1.41	0.00 0.03	-	(-) 97.87
Sub-total (1, 2, 3 and 4)		24,400.01 16,710.42	22,890.02 22,272.20	25,011.99 21,959.15	26,650.00 22,088.75	26,650.00 26,135.87		
5.	State excise ⁴	0.00 (-)3.43	0.00 (-) 9.63	0.00 (-) 4.14	0.00 (-) 4.42	0.00 (-)1.29	-	70.81
6.	Stamp Duty and Registration Fees	4,600.00 3,725.66	4,700.00 4,188.61	4,700.00 4,660.98	4,700.00 4,206.32	5,000.00 5,223.98	4.48	24.19
7.	Taxes on vehicles	1,800.00 1,599.51	2,000.00 2,085.94	2,500.00 2,712.75	2,500.00 2,267.75	2,500.00 2,475.09	(-) 1.00	9.14

⁴ Sale of Liquor has been prohibited in Bihar since April 2016.

Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+)/ decrease (-) in actuals of 2021-22 in comparison to	
		<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	BEs of 2021-22	Actuals of 2020-21
8.	Land revenue	<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	<u>500.00</u> 284.20	(-) 43.16	(-) 6.01
9.	Taxes and duties on electricity	<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	<u>250.00</u> 595.71	138.28	(-) 56.04
10.	Other taxes on income and expenditure- taxes on professions, trades, callings and employment	<u>100.00</u> 86.52	<u>102.00</u> 125.05	<u>138.00</u> 114.42	<u>150.00</u> 125.81	<u>150.00</u> 140.98	(-) 6.01	12.06
Total		<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> 30,341.67	<u>35,050.00</u> 34,854.54		

(Source: Finance Accounts, GoB and Finance Department, GoB)

Break-up of tax revenues of the State for 2021-22 is given in **Chart 1.2**.



It may be seen from **Table 1.2** that there were wide variations between the budget estimates and actuals during FY 2021-22, under different heads of tax revenue, which indicated that the budget was not prepared on realistic basis. Department of Revenue and Land Reforms attributed the decrease in collection under Land Revenue to decrease in the rate of establishment charge, in respect of acquisition of land, by a great margin.

1.1.3: Details of budget estimates and non-tax revenues raised during FYs 2017-18 to 2021-22 are indicated in **Table 1.3**.

Table 1.3
Details of non-tax revenues

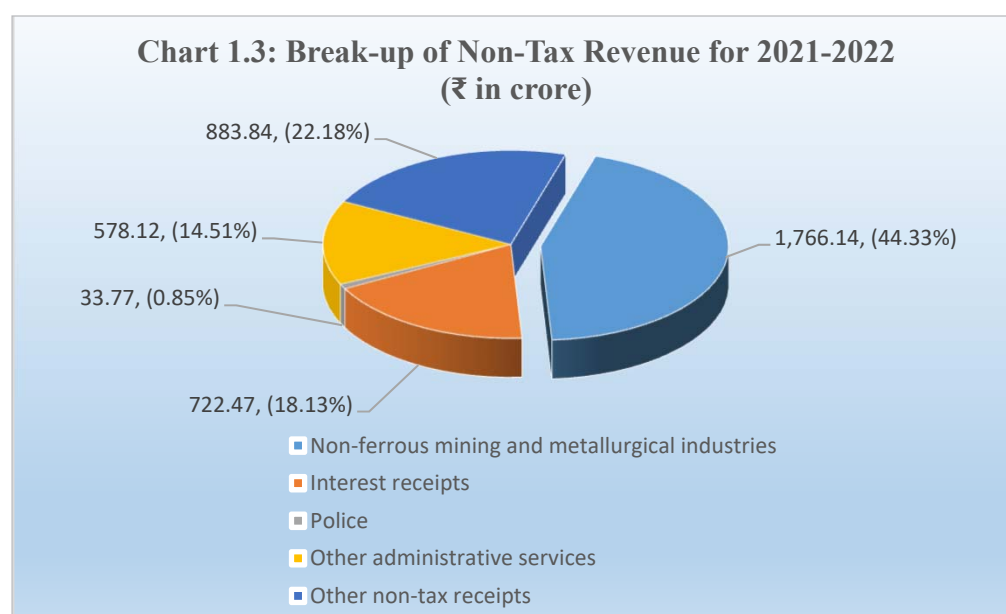
(₹ in crore)

Sl. No.	Head of Revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+)/ decrease (-) in actuals of 2021-22 in comparison to	
		<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	<u>BEs</u> Actuals	BEs of 2021-22	Actuals of 2020-21
1.	Non-ferrous mining and metallurgical industries	<u>1,350.00</u> 1,082.67	<u>1,600.00</u> 1,560.65	<u>1,600.00</u> 1,572.07	<u>2,450.00</u> 1,708.93	<u>2,450.00</u> 1,766.14	(-) 27.91	3.35
2.	Interest receipts	<u>619.25</u> 1,577.24	<u>2,187.39</u> 1,371.94	<u>2,293.84</u> 1,416.48	<u>2,080.55</u> 3,241.97	<u>2,108.10</u> 722.47	(-)65.73	(-) 77.72
3.	Police	<u>41.53</u> 86.04	<u>46.19</u> 30.41	<u>52.50</u> 96.31	<u>32.00</u> 122.87	<u>32.00</u> 33.77	5.53	(-) 72.52
4.	Other administrative services	<u>256.32</u> 25.84	<u>20.10</u> 46.80	<u>22.62</u> 137.39	<u>63.79</u> 26.53	<u>114.37</u> 578.12	405.48	2079.12
5.	Other non-tax ⁵ receipts	<u>567.21</u> 734.95	<u>592.21</u> 1,120.76	<u>837.51</u> 477.35	<u>612.94</u> 1,101.08	<u>801.00</u> 883.84	10.34	(-) 19.73
Total Receipts (Actuals)		3,506.74	4,130.56	3,699.60	6,201.38	3,984.34		

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

⁵ Other non-tax receipts includes actual receipts during 2021-22 under the following heads: Roads and bridges (₹ 51.88 crore), Medical and public health (₹ 40.69 crore), Other rural development programmes (₹ 35.42 crore), Forestry and wild life (₹ 31.10 crore), Education, sports, arts and culture (₹ 509.13 crore), Public service commission (₹ 40.26 crore), Other general economic services (₹ 30.80 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 1.27 crore), Crop husbandry (₹ 5.97 crore), Major irrigation (₹ 40.59 crore), Medium irrigation (₹ 0.05 crore), Labour and Employment (₹ 12.49 crore), Jail (₹ 15.40 crore), Fisheries (₹ 13.01 crore), Miscellaneous general service (₹ 1.60 crore), Water supply and sanitation (₹ 4.87 crore), Housing (₹ 4.74 crore), Urban development (₹ 1.08 crore), Information and publicity (₹ 0.09 crore), Social security and welfare (₹ 0.37 crore), Animal husbandry (₹ 0.67 crore), Cooperation (₹ 4.96 crore), Land reforms (₹ 0.03 crore), Minor irrigation (₹ 5.52 crore), Civil aviation (₹ 2.24 crore), Road transport (₹ 0.18 crore), Tourism (₹ 0.00 crore), Village and small industries (₹ 0.12 crore), Industries (₹ 0.23 crore), Civil supplies (₹ 0.45 crore), Public Works (₹ 22.04 crore), Stationary and Printing (₹ 0.04 crore), Dividend & Profits (₹ 6.54 crore) and Inland water transport (₹ 0.01 crore).

Break-up of non-tax revenues of the State for 2021-22 is given in **Chart 1.3**.



Reasons for wide variations are discussed below:

Interest Receipts: Audit noticed that the main reason for decrease in actual receipts during FY 2021-22 over actual receipts of FY 2020-21, was less receipts mainly under Other Receipts.

Police Receipts: Audit noticed that the main reason for decrease in actual receipts during FY 2021-22 over actual receipts of FY 2020-21, was less receipts mainly under fees, fines and forfeitures.

Other Administrative Services: Audit noticed that the main reason for increase of actual receipts of 2,079.12 *per cent* over that of previous year was increase of ₹ 480.38 crore in receipts towards election sub-head.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2022, in respect of the principal heads of revenue amounted to ₹ 4,022.59 crore, of which, ₹ 1,300.42 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 2022	Amount outstanding for more than five years as on 31 March 2022	Stages of pendency as stated by the Departments concerned
1.	Taxes on sales, trade etc.	2,212.64	1,171.38	Out of ₹ 2,212.64 crore, demands for ₹ 280.56 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 397.58 crore and ₹ 166.08 crore were stayed by the courts and the Government respectively, ₹ 5.04 crore was held up due to assessee/dealers becoming insolvent, ₹ 8.61 crore was likely to be written-off and ₹ 1,354.75 crore was pending at other stages.

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2022	Amount outstanding for more than five years as on 31 March 2022	Stages of pendency as stated by the Departments concerned
2.	Taxes on goods and passengers	176.05	84.63	Out of ₹ 176.05 crore, demand for ₹ 2.49 lakh was certified for recovery as arrears of land revenue, recoveries of ₹ 9.98 crore and ₹ 6.40 crore were stayed by the courts and the Government respectively and ₹ 159.64 crore was pending at other stages.
3.	Taxes and duties on electricity	0.20	0.20	Out of ₹ 19.76 lakh, demand of ₹ 5.61 lakh was certified for recovery of arrear of land revenue and ₹ 14.15 lakh was pending at other stages.
4.	Taxes on vehicles	172.85	-	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.
5.	Other taxes and duties on commodities and services	3.46	3.03	Out of ₹ 3.46 crore, demands for ₹ 1.46 crore were certified for recovery as arrears of land revenue and ₹ 2.00 crore was pending at other stages.
6.	Land revenue	282.11	-	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.
7.	Stamp Duty and Registration Fee	51.11	20.15	Out of ₹ 51.11 crore, ₹ 43.03 crore were certified for recovery as arrears of land revenue and recovery of ₹ 8.08 crore was stayed by the courts
8.	State excise	46.96	21.03	Out of ₹ 46.96 crore, demands for ₹ 35.53 crore were certified for recovery as arrears of land revenue, recovery of ₹ 6.29 crore was stayed by the courts, ₹ 0.14 crore was held up due to assessee/dealers becoming insolvent, ₹ 0.30 crore was likely to be written-off and ₹ 4.70 crore was pending at other stages.
9.	Non-ferrous mining and metallurgical industries	1,077.21	-	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.
Total		4,022.59	1,300.42	

(Source: Information received from the concerned 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. The 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 165 paragraphs (including Performance Audits) those appeared in the CAG's Revenue Audit Reports for

the years 2010-11 to 2019-20, placed before the State Legislature between August 2012 and March 2022. Details of pendency of explanatory notes, as on June 2022, pertaining to various Departments⁶ 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 2011	06.08.2012	35	35	00
2	31 March 2012	08.01.2013	38	37	01
3	31 March 2013	21.02.2014	41	39	02
4	31 March 2014	24.12.2014	44	39	05
5	31 March 2015	18.03.2016	39	35	04
6	31 March 2016	27.03.2017	42	20	22
7	31 March 2017	29.11.2018	36	08	28
8	31 March 2018	16.03.2020	28	13	15
9	31 March 2019	29.07.2021	13	05	08
10	31 March 2020	30.03.2022	07	00	07
Total			323	231	92

It was observed that although 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 43 out of 278 selected paragraphs pertaining to the Audit Reports for the years 2010-11 to 2019-20 and issued recommendations on 36 paragraphs pertaining to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Mines and Geology Department and Transport Department. Action Taken Notes (ATNs) had not been received on these paragraphs from the concerned departments.

Accountant General (Audit), requested Chief Secretary, Government of Bihar (March 2023), to instruct the concerned Departments for timely submission of self-explanatory notes on audit observations and ATNs on PAC's recommendations. In pursuance to this request, the Finance Department issued instructions (April 2023) to all Administrative Departments, to submit self-explanatory notes on audit observations and ATNs on PAC's recommendations.

Recommendation 1: 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.

⁶ Commercial Taxes (64 paragraphs); Prohibition, Excise and Registration (one paragraph); Transport (12 paragraphs) and Revenue and Land Reforms (15 paragraphs).

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 from 2012-13 to 2021-22 revealed that 25,166 paragraphs relating to 2,980 IRs remained outstanding at the end of March 2022. Potential recoverable revenue in these IRs was as much as ₹ 55,840.32 crore, whereas, the total revenue collection of the State for 2021-22 was ₹ 38,838.88 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.	Department	Nature of receipts	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on sales, trade etc.	512	10,546	12,814.36
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2	Excise and Prohibition	State excise	362	1,567	1,159.31
3	Revenue and Land Reforms	Land revenue	886	5,840	35,729.20
4	Transport	Taxes on vehicles	396	3,166	2,458.17
5	Registration	Stamp Duty and Registration Fees	453	1,672	1,465.54
6	Mines and Geology	Mining receipts	371	2,375	2,213.74
Total			2,980	25,166	55,840.32

Even the first replies, required to be received from the Heads of offices, were not received (June 2022) for 1,271 IRs (10,838 audit observations) involving potential revenue of as much as ₹ 20,097.69 crore, issued from 2007-08 onwards. Department-wise details are given in **Table 1.7**.

Table 1.7
Inspection Reports pending first reply

(₹ in crore)

Sl. No.	Department	Nature of receipts	No. of outstanding IRs	No. of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on sales, trade etc.	101	2,878	4,605.09
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	66	348	211.79
3.	Revenue and Land Reforms	Land revenue	588	4,075	10,901.00
4.	Transport	Taxes on vehicles	257	2,118	1,998.44
5.	Registration	Stamp Duty and Registration Fees	156	626	1,015.49
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	103	793	1,365.88
Total			1,271	10,838	20,097.69

Recommendation 2: 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 117, out of 1,359 auditable units (8.61 per cent) relating to commercial taxes, state excise, taxes on vehicles, stamp duty and registration fees, land revenue and mining receipts during the year 2021-22.

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 25,001.46 crore in 1,059 cases, which were communicated to the Departments through Inspection Reports. The departments concerned accepted (between April 2021 and March 2022) underassessment and other deficiencies of ₹ 28.80 crore in 336 cases, which were pointed out in previous years. The departments reported (between April 2021 and March 2022) recovery of ₹ 3.16 crore in 74 cases pertaining to previous years.

1.6 Coverage of this Report

This part of the Report contains nine paragraphs including one Subject Specific Compliance Audit (SSCA) on “Department’s oversight on GST payments and Returns Filing”. Total financial implication of this Report is ₹ 311.03 crore.

The departments have accepted audit observations amounting to ₹ 275.39 crore. These audit observations are discussed in Chapters II to V 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.