

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by the Government of Bihar during the year 2004-05, the States' share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below: -

(Rupees in crore)						
		2000-01 ¹	2001-02	2002-03	2003-04	2004-05
I.	Revenue raised by the State Government					
	• Tax revenue	2,809.23	2,318.95	2,761.05	2,889.69	3,347.39
	• Non tax revenue	711.68	286.70	260.82	320.38	417.79
	Total	3,520.91	2,605.65	3,021.87	3,210.07	3,765.18
II.	Receipts from the Government of India					
	• States' share of divisible Union taxes	6,575.63	6,176.62	6,549.23	7,627.87	9,117.13
	• Grants in aid	1,080.78	1,057.02	1,397.32	1,617.62	2,831.83
	Total	7,656.41	7,233.64	7,946.55	9,245.49	11,948.96
III.	Total receipts of the State Government ² (I&II)	11,177.32	9,839.29	10,968.42	12,455.56	15,714.14
IV.	Percentage of I to III	31	26	28	26	24

The above table indicates that during the year 2004-05, the State Government could raise only 24 *per cent* of the total revenue receipts of Rs 15,714.14 crore and 76 *per cent* of receipts were from the Government of India. The contribution of revenue raised by the State Government to the total revenue receipts has decreased continuously during the period from 2000-01 to 2004-05 except for a marginal increase of two *per cent* during 2002-03.

1.1.2 The details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of Increase (+) / decrease (-) in 2004-05 over 2003-04
1	Taxes on sales, trade etc.	1,821.47	1,412.96	1,647.62	1,637.23	1,890.54	15.47
2	State excise	242.58	238.90	241.95	240.01	272.47	13.52
3	Stamps and registration fees	301.86	304.44	348.21	417.56	429.14	2.77

¹ The figures for the year 2000-01 represent the State of Bihar excluding Jharkhand.

² For details, please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government for the year 2004-05. Figures under the Major Heads "0020-Corporation Tax", "0021-Taxes on Income other than Corporation Tax", "0028- Other Taxes on Income and Expenditure", "0032-Taxes on Wealth", "0037-Customs", 0038-Union Excise Duties", "0044-Service Tax" and "0045-Other Taxes and Duties on Commodities and Services" - Minor Head - "901-Share of net proceeds assigned to State" booked in the Finance Accounts under "A-Tax Revenue" have been excluded from "Revenue raised by the State" and included in "State's share of divisible Union Taxes" in this statement.

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of Increase (+) / decrease (-) in 2004-05 over 2003-04
4	Taxes and duties on electricity	36.77	14.08	14.30	17.62	9.54	(-) 45.86
5	Taxes on vehicles	223.98	141.54	177.98	209.50	212.78	1.57
6	Taxes on goods and passengers- tax on entry of goods into local areas	124.84	153.32	262.91	305.83	472.88	54.62
7	Other taxes and duties on commodities and services	23.38	19.62	27.98	28.14	26.65	(-) 5.29
8	Land revenue	34.33	34.08	36.15	33.80	33.39	(-) 1.21
9	Taxes on agricultural income	0.02	0.01	---	---	---	---
10	Other taxes on income and expenditure, Tax on professions, trades, callings and employments	---	---	3.95	---	---	---
	Total	2,809.23	2,318.95	2,761.05	2,889.69	3,347.39	15.84

The reasons for significant variation in receipts from that of previous year, though called for in May and September 2005 from the concerned departments, have not been received (September 2005).

1.1.3 The details of non tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

(Rupees in crore)							
Sl. No.	Head of Revenue	2000 -01	2001-02	2002-03	2003-04	2004-05	Percentage of Increase(+) / decrease (-) in 2004-05 over 2003-04
1.	Interest Receipts	30.68	11.75	53.01	23.08	75.06	225.22
2.	Forestry and Wild Life	11.50	17.07	10.04	6.29	7.16	13.83
3.	Non ferrous mining and metallurgical industries	409.92	39.20	61.20	73.34	80.09	9.20
4.	Miscellaneous General Services (including lottery receipts)	0.61	13.95	0.60	0.15	9.07	5,946.67
5.	Major and medium irrigation	33.90	15.58	15.43	26.22	20.82	(-) 20.59
6.	Medical and public Health	13.70	16.50	13.92	11.97	12.66	5.76
7.	Co-operation	7.97	6.82	1.84	0.84	1.47	75.00
8.	Public Works	0.99	0.78	1.11	1.15	1.13	(-) 1.74
9.	Police	4.70	3.98	22.71	16.86	13.72	(-) 18.62
10.	Other Administrative Services	61.58	22.43	15.19	80.72	107.99	33.78
11.	Other Non Tax Receipts	136.13	138.64	65.77	79.76	88.62	11.11
	Total	711.68	286.70	260.82	320.38	417.79	30.40

The reasons for significant variations in receipts from that of previous year, though called for in May and September 2005 from the concerned departments, have not been received (September 2005).

1.2 Variation between budget estimates and actuals

The variation between budget estimates of revenue receipts for the year 2004-05 and the actual receipts under the principal heads of revenue are given below:

(Rupees in crore)

Sl. No.	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
• Tax revenue					
1	Taxes on sales, trade etc.	2,070.00	1,890.54	(-) 179.46	(-) 8.67
2	State excise	290.00	272.47	(-) 17.53	(-) 6.04
3	Stamps and registration fees	500.00	429.14	(-) 70.86	(-) 14.17
4	Taxes on vehicles	250.00	212.78	(-) 37.22	(-) 14.89
5	Taxes and duties on electricity	15.00	9.54	(-) 5.46	(-) 36.40
6	Land revenue	25.00	33.39	8.39	33.56
7	Other taxes and duties on commodities and services	19.50	26.65	7.15	36.67
8	Taxes on goods and passengers -Tax on entry of goods into local areas	300.00	472.88	172.88	57.63
• Non tax revenue					
1	Non ferrous mining and metallurgical industries	75.00	80.09	5.09	6.79
2	Forestry and wild life	6.00	7.16	1.16	19.33
3	Interest receipts	17.99	75.06	57.07	317.23
4	Water rates (major and medium irrigation)	15.00	20.82	5.82	38.80

The reasons for variation between budget estimates and actual receipts though called for in May and September 2005 from the departments have not been received (September 2005).

1.3 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03 to 2004-05 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2003-04 are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-04
1	Taxes on sales, trade etc.	2002-03	1,647.62	21.30	1.30	1.15
		2003-04	1,637.23	21.46	1.31	
		2004-05	1,890.54	21.46	1.14	
2	State excise	2002-03	241.95	13.75	5.68	3.81
		2003-04	240.01	16.20	6.74	
		2004-05	272.47	16.19	5.94	
3	Stamps and registration fees	2002-03	348.21	17.56	5.04	3.66
		2003-04	417.56	22.52	5.39	
		2004-05	429.14	22.02	5.13	
4	Taxes on vehicles	2002-03	177.98	4.11	2.30	2.57

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-04
		2003-04	209.50	3.94	1.88	
		2004-05	212.78	3.85	1.81	

The above table indicates that the percentage of expenditure on collection for state excise and stamp and registration fees was more than all India average percentage for the year 2003-04.

1.4 Collection of sales tax per assessee

Year	No. of assessee	Sales tax revenue (Rupees in crore)	Revenue per assessee (Rupees in lakh)
2000-01	50,407	1,821.47	3.61
2001-02	55,077	1,412.96	2.56
2002-03	58,495	1,647.62	2.81
2003-04	49,202	1,637.23	3.33
2004-05	75,582	1,890.54	2.50

The above table reveals that revenue collection per assessee decreased from Rs 3.33 lakh in the year 2003-04 to Rs 2.50 lakh in 2004-05.

1.5 Analysis of collection

The breakup of total collection at preassessment stage and after regular assessment of taxes on sales, trade etc. during the year 2004-05 and corresponding figures for preceding four years, as furnished by the Finance (Commercial Taxes) Department are given below:

(Rupees in crore)								
Head of revenue	Year	Amount collected at Pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department	Net collection as per Finance Account	Percentage of column 3 to 8
Taxes on sales, trade etc.	2000-01	1,794.11	19.11	1.55	-	1,814.77	1,821.47	98.49
	2001-02	1,387.17	7.94	-	-	1,395.06	1,412.96	98.17
	2002-03	1,584.73	111.43	0.82	3.16	1,693.82	1,647.62	96.18
	2003-04	1,542.98	91.72	1.01	4.17	1,630.53	1,637.23	94.24
	2004-05	1,809.59	78.79	1.37	9.18	1,879.20	1,890.54	95.72

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 under principal heads of revenue as reported by the departments was Rs 1,101.34 crore of which Rs 395.35 crore were outstanding for more than five years as detailed in the table below:

(Rupees in crore)				
Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2005	Arrears more than five years old as on 31 March 2005	Remarks
1	2	3	4	5
1.	Taxes on sales, trades	699.19	304.10	Out of Rs 699.19 crore, demands for Rs 271.85 crore were certified for recovery as arrears of land revenue. Recovery of Rs 154.52 crore was stayed by Courts

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2005	Arrears more than five years old as on 31 March 2005	Remarks
	etc.			and Government. Recovery of Rs 2.23 crore was held up due to rectification/review of applications. Action taken for remaining arrears of Rs 270.59 crore though called for in May and September 2005 has not been intimated (September 2005).
2.	Non-ferrous mining and metallurgical industries	116.63	47.77	Out of Rs 116.63 crore, demands for Rs 96.57 crore were certified for recovery as arrears of land revenue. Specific action taken for the remaining arrears of Rs 20.06 crore though called for in May and September 2005 has not been intimated (September 2005).
3.	Land revenue	106.99	18.65	Stages at which the arrears were pending for collection has not been intimated; though called for in May and September 2005 (September 2005)
4.	Water rates	147.45	N.A	Stages at which the arrears were pending for collection has not been intimated, though called for in May and September 2005 from the Department (September 2005)
5.	Tax and duties on electricity	7.14	6.67	Out of Rs 7.14 crore, recovery of Rs 2.24 crore was stayed by Court and Government. Action taken for remaining arrears of Rs 4.90 crore though called for in May and September 2005 has not been intimated (September 2005).
6.	Taxes on sugarcane	15.43	13.84	Out of Rs 15.43 crore, demands for Rs 4.57 crore were certified for recovery as arrears of land revenue. Recovery of Rs 0.47 crore and Rs 10.39 crore was stayed by Courts and Government respectively.
7.	Entry tax	5.64	2.34	Out of Rs 5.64 crore, recovery amounting to Rs 1.12 crore was stayed by Courts. Specific action taken for the remaining arrears of Rs 4.52 crore though called for in May and September 2005 has not been intimated (September 2005).
8.	Entertainment tax	2.87	1.98	Out of Rs 2.87 crore, demand for Rs 1.70 crore was certified for recovery as arrears of land revenue. Recovery of Rs 0.02 crore was stayed by Courts. Specific action taken for the remaining arrears of Rs 1.15 crore though called for in May and September 2005 has not been intimated (September 2005).
	Total	1,101.34	395.35	

1.7 Arrears in assessment of sales tax

The details of sales tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases decided during the year and number of cases pending finalisation at the end of each year during 2000-01 to 2004-05 as furnished by the Department are given below:

Year	Opening balance	New Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2000-01	82,902	96,560	1,79,462	50,407	1,29,055	72
2001-02	1,29,055	1,23,660	2,52,715	55,077	1,97,638	78
2002-03	1,97,638	69,069	2,66,707	58,495	2,08,212	78
2003-04	2,08,212	66,398	2,74,610	49,202	2,25,408	82

Year	Opening balance	New Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the end of the year	Percentage of column 6 to 4
2004-05	2,25,408	69,914	2,95,332	75,582	2,19,750	74

1.8 Evasion of tax

In Commercial Taxes Department, out of 634 cases of evasion of tax detected as on 31 March 2005, assessment/investigation was completed in 376 cases and additional demand of Rs 1.05 crore including penalty was raised during the year 2004-05 leaving a balance of 258 cases pending finalisation.

Information from other departments, though called for in May and September 2005, has not been received (September 2005) .

1.9 Refunds

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2005), as reported by the departments are given below:

Sl. No.		Sales Tax		Tax on entry of goods into local areas	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	3,110	11.72	Nil	Nil
2	Claims received during the year	116	8.12	7	0.79
3	Refunds made during the year	94	9.18	3	0.59
4	Balance outstanding at the end of the year	3,132	10.66	4	0.20

1.10 Results of audit

Test check of records of sales tax, state excise, motor vehicles tax, stamps and registration fees, electricity duty, other tax receipts, forest receipts, interest receipts and other non tax receipts during the year 2004-05 revealed under assessment/short levy/loss of revenue of Rs 1,047.08 crore in 1,833 cases. During the year 2004-05, the concerned departments accepted under assessments etc. of Rs 337.92 crore involved in 60 cases. Of these, 54 cases involving Rs 329.54 crore were pointed out in audit during 2004-05 and rest in earlier years. The concerned departments also reported recovery in 10 cases involving Rs 67.35 lakh.

This report contains 25 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalties etc. involving Rs 176.92 crore. The departments/Government accepted audit observations involving Rs 56.63 crore in 54 cases. No replies have been received in remaining cases (September 2005).

1.11 Failure of senior officials to enforce accountability and protect interest of the Government

Principal Accountant General (Audit) Bihar (PAG) conducts periodical inspection of Government departments to test check transactions and verify the maintenance

of important accounts and other records as prescribed in the rules and procedures. Their inspections are followed up with inspection reports (IRs) incorporating irregularities etc. detected during inspection and not settled on the spot, which are issued to the heads of offices inspected with copies to next higher authorities for taking prompt corrective action. The heads of offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of IRs. Serious financial irregularities are reported to the heads of the departments and to Government.

Inspection reports issued upto December 2004 disclosed that 34,331 paragraphs involving Rs 3,780.24 crore relating to 8,275 IRs remained outstanding at the end of June 2005. Even first replies required to be received from the heads of offices within one month from the date of issue of IRs, were not received for 2,123 IRs issued upto December 2004.

- Outstanding audit observations relating to the following departments are given below:

(Rupees in crore)

Sl. No.	Department	Revenue head	Number of Outstanding		Year to which earliest IR relates	Amount involved
			IRs	Paras		
1	Revenue	Land revenue	4,593	14,770	1980-81	579.35
2	Finance (Commercial Taxes)	Taxes on sales, trade etc. minor Taxes	882	6,466	1982-83	647.96
3	Excise and prohibition	State excise	721	4,490	1991-92	738.20
4	Transport	Taxes on vehicles	497	3,772	1990-91	453.10
5	Mines and geology	Non ferrous mining and metallurgical industries	346	1,763	1982-83	212.26
6	Water resources	Water rates	422	1,317	1982-83	823.01
7	Cane	Taxes on sugarcane	196	325	1977-78	161.39
8	Forest and environment	Forest receipts	80	297	1981-82	78.71
9	Registration	Stamp and registration fees	538	1,131	1990-91	86.26
Total			8,275	34,331		3,780.24

- In the following cases, even the first replies of IR were not furnished by the Department.

Department	Revenue head	Number of I Rs to which even first reply has not been received	Year to which earliest I R relates
1. Revenue	Land revenue	1,440	1980-81
2. Excise and prohibition	State excise	66	1982-83
3. Transport	Taxes on vehicles	156	1990-91

Department	Revenue head	Number of I Rs to which even first reply has not been received	Year to which earliest I R relates
4. Finance (Commercial Taxes)	• Taxes on sales, trade etc.	92	1999-2000
	• Electricity duty • Taxes on goods and passengers • Entertainments tax	21	1999-2000
5. Registration department	Stamps and registration Fees	153	1990-91
6. Mines and geology	Non ferrous mining and metallurgical industries	77	1990-91
7. Cane	Taxes on sugarcane	61	1981-82
8. Water resources	Water rates	39	1998-99
9. Forest and environment	Forest receipts	18	1984-85
	Total	2, 123	

This large pendency of IRs due to non receipt of replies is indicative of the fact that the heads of offices and heads of departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

It is recommended that Government should take suitable steps to ensure that an effective procedure exists for prompt and appropriate response to audit observations, for action against officials/officers failing to send replies to the IRs/paras as per the prescribed time schedules and action to recover loss/outstanding demand in a time bound manner.

1.12 Departmental audit committee meetings

In order to expedite settlement of outstanding audit observations contained in IRs, the Government constituted departmental audit committees. The committees are chaired by the administrative secretary of the Department concerned and attended among others by the officers concerned of the State Government and of the office of the PAG.

The meetings for reviewing and monitoring the progress of settlement of audit observations/audit paras are required to be held quarterly. During the year 2004-05, not a single audit committee meeting was held. The Government departments did not take any initiative for settling outstanding audit observations through these meetings. Government should ensure periodical meetings of these committees for effective progress.

1.13 Response of the departments to draft audit paragraphs

Department of Finance had issued directions to all departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. Principal Accountant

General forwards the draft paragraphs to the Secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non receipt of replies from the Department is invariably indicated at the end of each paragraph included in the audit report.

Twenty five draft paragraphs including two reviews included in this Report for the year ended 31 March 2005 were forwarded to the Secretaries of the departments concerned between May and July 2005 through demi official letters.

The Secretaries of the various departments sent replies to 10 draft paragraphs, partial reply was received to four draft paragraphs including two reviews, while replies to 11 draft paragraphs have not been received. Therefore, 11 draft paragraphs have been included in this report without the response of the Department/Government.