

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Bihar during the year 2005-06, 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)

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue raised by the State Government						
I.	• Tax revenue	2,318.95	2,761.05	2,889.69	3,347.39	3,561.10
	• Non tax revenue	286.70	260.82	320.38	417.79	522.30
Total		2,605.65	3,021.87	3,210.07	3,765.18	4,083.40
Receipts from the Government of India						
II.	• States' share of divisible Union taxes	6,176.62	6,549.23	7,627.87	9,117.13	10,420.59
	• Grants in aid	1,057.02	1,397.32	1,617.62	2,831.83	3,332.72
Total		7,233.64	7,946.55	9,245.49	11,948.96	13,753.31
III.	Total receipts of the State Government¹ (I&II)	9,839.29	10,968.42	12,455.56	15,714.14	17,836.71
IV.	Percentage of I to III	26	28	26	24	23

The above table indicates that during the year 2005-06, the State Government could raise only 23 *per cent* of the total revenue receipts of Rs 17,836.71 crore and 77 *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 2003-04 to 2005-06.

1.1.2 The details of tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) / decrease (-) in 2005-06 over 2004-05
1	Taxes on sales, trade etc.	1,412.96	1,647.62	1,637.23	1,890.54	1,733.60	(-) 8.30
2	State excise	238.90	241.95	240.01	272.47	318.59	(+)16.93
3	Stamp duty and registration fees	304.44	348.21	417.56	429.14	505.29	(+)17.74
4	Taxes and duties on electricity	14.08	14.30	17.62	9.54	18.06	(+) 89.31

¹ For details, please see Statement No.11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2005-06. 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.

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) / decrease (-) in 2005-06 over 2004-05
5	Taxes on vehicles	141.54	177.98	209.50	212.78	302.44	(+) 42.14
6	Taxes on goods and passengers-tax on entry of goods into local areas	153.32	262.91	305.83	472.88	613.38	(+) 29.71
7	Other taxes and duties on commodities and services	19.62	27.98	28.14	26.65	14.72	(-) 44.77
8	Land revenue	34.08	36.15	33.80	33.39	55.02	(+) 64.78
9	Taxes on agricultural income	0.01	---	---	---	
10	Other taxes on income and expenditure, taxes on professions, trades, callings and employments	---	3.95	---	---	
	Total	2,318.95	2,761.05	2,889.69	3,347.39	3,561.10	(+) 6.38

Reasons for variation in receipts during 2005-06 as compared to 2004-05 as intimated by concerned department was as under:

Taxes and duties on electricity: The increase (89.31 *per cent*) was due to collection of arrears from the State Electricity Board.

The reasons for increase/shortfall, though called for from other departments, have not been received (October 2006).

1.1.3 The details of non tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) / decrease (-) in 2005-06 over 2004-05
1	Interest receipts	11.75	53.01	23.08	75.06	216.07	(+) 187.86
2	Forestry and wild life	17.07	10.04	6.29	7.16	8.89	(+) 24.16
3	Non ferrous mining and metallurgical industries	39.20	61.20	73.34	80.09	100.90	(+) 25.98
4	Miscellaneous general services (including lottery receipts)	13.95	0.60	0.15	9.07	11.77	(+) 29.77
5	Major and medium irrigation	15.58	15.43	26.22	20.82	10.82	(-) 48.03

(Rupees in crore)

Sl. No.	Head of Revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase (+) / decrease (-) in 2005-06 over 2004-05
6	Medical and public health	16.50	13.92	11.97	12.66	15.10	(+) 19.27
7	Fisheries	4.36	4.38	5.07	5.15	5.69	(+) 10.49
8	Roads and bridges	4.05	10.42	10.63	8.43	12.05	(+) 42.94
9	Police	3.98	22.71	16.86	13.72	6.00	(-) 56.27
10	Other administrative services	22.43	15.19	80.72	107.99	34.21	(-) 68.32
11	Other non tax receipts	137.83	53.92	66.05	77.64	100.80	(+) 29.83
	Total	286.70	260.82	320.38	417.79	522.30	(+) 25.01

The reasons for significant variations in receipts from that of previous year, though called for in May 2006 from the departments concerned, have not been received (October 2006).

1.2 Variation between budget estimates and actuals

The variation between budget estimates (BEs) of revenue receipts for the year 2005-06 and the actual receipts under the principal heads of revenue are given below:

(Rupees in crore)

Sl. No.	Revenue head	BEs	Revised estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
• Tax revenue						
1	Taxes on sales, trade etc.	2,356.31	2,356.31	1,733.60	(-) 622.71	(-) 26.43
2	State excise	335.00	335.00	318.59	(-) 16.41	(-) 4.90
3	Stamp duty and registration fees	600.00	550.00	505.29	(-) 94.71	(-) 15.79
4	Taxes on vehicles	310.00	310.00	302.44	(-) 7.56	(-) 2.44
5	Taxes and duties on electricity	16.30	16.30	18.06	(+) 1.76	(+) 10.80
6	Land revenue	35.00	35.00	55.02	(+) 20.02	(+) 57.20
7	Other taxes and duties on commodities and services	18.70	18.70	14.72	(-) 3.98	(-) 21.28
8	Taxes on goods and passengers -Tax on entry of goods into local areas	312.00	312.00	613.38	(+) 301.38	(+) 96.60
• Non tax revenue						
1	Non ferrous mining and metallurgical industries	81.00	81.00	100.90	(+) 19.90	(+) 24.57
2	Forestry and wild life	15.00	7.50	8.89	(-) 6.11	(-) 40.73
3	Interest receipts	57.61	57.61	216.07	(+) 158.46	(+) 275.06
4	Water rates (major and medium irrigation)	1.50	1.50	10.82	(+) 9.32	(+) 621.33

The reasons for variations between BEs and actual receipt as reported by the concerned departments was as under:

Taxes on sales, trade etc.: The shortfall (26.43 *per cent*) was due to introduction of VAT and consequent reduction of rates of taxes on various commodities.

Stamp duty and registration fees: The shortfall (15.79 *per cent*) was due to preparation of budget estimates at an enhanced level to achieve higher collection.

Taxes on goods and passengers-Taxes on entry of goods into local areas: The increase (96.60 *per cent*) was due to import of scheduled goods by Power Grid Corporation and Telecom companies and hike of crude oil prices.

The reasons for variation though called for from other departments; have not been received (October 2006).

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 2003-04 to 2005-06 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2004-05 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 2004-05
1	Taxes on sales, trade etc.	2003-04	1,637.23	21.46	1.31	0.95
		2004-05	1,890.54	21.46	1.14	
		2005-06	1,733.60	25.47	1.47	
2	State excise	2003-04	240.01	16.20	6.75	3.34
		2004-05	272.47	16.19	5.94	
		2005-06	318.59	14.78	4.64	
3	Stamp duty and registration fees	2003-04	417.56	22.52	5.39	3.44
		2004-05	429.14	22.02	5.13	
		2005-06	505.29	22.48	4.45	
4	Taxes on vehicles	2003-04	209.50	3.94	1.88	2.74
		2004-05	212.78	3.85	1.81	
		2005-06	302.44	5.09	1.68	

The above table indicates that the percentage of expenditure on collection for taxes on sales, trade etc., State excise and stamp duty and registration fees was more than all India average percentage.

1.4 Collection of sales tax per assessee

Year	No. of assessee	Sales tax revenue (Rupees in crore)	Revenue per assessee (Rupees in lakh)
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
2005-06	93,043	1,733.60	1.86

The above table reveals that revenue collection per assessee decreased from Rs 2.50 lakh in the year 2004-05 to Rs 1.86 lakh in 2005-06.

1.5 Analysis of collection

The breakup of total collection at pre assessment stage and after regular assessment of taxes on sales, trade etc. during the year 2005-06 and corresponding figures for preceding four years, as furnished by the Finance (Commercial Taxes) Department is 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
1.	2.	3.	4.	5.	6.	7.	8.	9.
Taxes on sales, trade etc.	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
	2005-06	1,664.13	69.92	0.89	17.36	1,716.70	1,733.60	95.99

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 under principal heads of revenue as reported by the departments was Rs 1,344.91 crore of which Rs 378.13 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 2006	Arrears more than five years old as on 31 March 2006	Remarks
1	2	3	4	5
1.	Taxes on sales, trades etc.	848.25	351.59	Out of Rs 848.25 crore, demands for Rs 266.77 crore were certified for recovery as arrears of land revenue. Recovery of Rs 263.51 crore and Rs 5.77 crore were stayed by court and Government respectively. Recovery of Rs 8.96 crore was held up due to rectification/review of applications. Specific action taken for the remaining arrears of Rs 303.24 crore, though called for in May and August 2006, has not been intimated (October 2006).
2.	Taxes on vehicles	152.09 ²	NA	Out of Rs 152.09 crore, demand for Rs 100.24 crore was certified for recovery as arrears of land revenue. Specific action taken for the remaining arrears of Rs 51.85 crore, though called for in May and July 2006, has not been intimated (October 2006)

² The amount of arrears does not include figures in respect of district transport offices, Araria, Bhagalpur, Chapra, Darbhanga, Gopalganj, Kaimur, Kishanganj, Lakhisarai, Madhubani, Nawada, Patna, Samastipur, Sheikhpura, Sheohar and Supaul.

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2006	Arrears more than five years old as on 31 March 2006	Remarks
3.	Land revenue	113.76	NA	Stages at which the arrears were pending for collection though called for in May 2006, has not been intimated (October 2006).
4.	State excise	21.79 ³	8.21	Out of Rs 21.79 crore , demands for Rs 10.45 crore were certified for recovery as arrears of land revenue. Recovery of Rs 0.94 crore and Rs 0.04 crore were stayed by court and Government respectively. Recovery of Rs 0.16 crore was held up due to rectification/review of applications. Rs 0.32 crore was likely to be written off. Specific action taken for the remaining arrears of Rs 9.88 crore, though called for in May and July 2006, has not been intimated (October 2006).
5.	Tax and duties on electricity	44.08	11.92	Out of Rs 44.08 crore, demands for Rs 0.20 crore were certified for recovery as arrears of land revenue. Specific action taken for the remaining arrears of Rs 43.88 crore, though called for in May and August 2006, has not been intimated (October 2006).
6.	Entry tax	20.90	1.95	Out of Rs 20.90 crore, recovery amounting to Rs 16.81 crore was stayed by courts. Specific action taken for the remaining arrears of Rs 4.09 crore though called for in May and August 2006, has not been intimated (October 2006).
7.	Entertainment tax	2.78	1.87	Out of Rs 2.78 crore, demands for Rs 2.09 crore were certified for recovery as arrears of land revenue. Recovery of Rs 0.02 crore was stayed by courts. Specific action taken for remaining arrears of Rs 0.67 crore though called for in May and August 2006, has not been intimated (October 2006).
8.	Taxes on sugarcane	15.93	2.15	Out of Rs 15.93 crore, demands for Rs 4.57 crore were certified for recovery as arrears of land revenue. Recovery of Rs 0.47 crore and Rs 10.89 crore were stayed by court and Government respectively.
9.	Non-ferrous mining and metallurgical industries	124.81	NA	Out of Rs 124.81 crore, demands for Rs 106.36 crore were certified for recovery as arrears of land revenue. Specific action taken for the remaining arrears of Rs 18.45 crore, though called for in May and July 2006, has not been intimated (October 2006).

³ The amount of arrears does not include figures in respect of district excise offices, Araria, Begusarai, Kishanganj, Nalanda, Nawada, Saharsa and McDowell Distillery, Hathidah.

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2006	Arrears more than five years old as on 31 March 2006	Remarks
10.	Forest and environment	0.52 ⁴	0.44	Out of Rs 0.52 crore, demand for Rs 0.36 crore was certified for recovery as arrears of land revenue. Recovery of Rs 0.57 lakh and Rs 7.43 lakh was stayed by court and Government respectively. Specific action taken for remaining arrears of Rs 7.75 lakh though called for in May and July 2006, has not been intimated (October 2006)
	Total	1344.91	378.13	

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 2001-02 to 2005-06 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
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
2004-05	2,25,408	69,914	2,95,332	75,582	2,19,750	74
2005-06	2,19,750	65,917	2,85,667	64,944	2,20,723	77

1.8 Evasion of tax

In Commercial Taxes Department, out of 273 cases of evasion of tax detected as on 31 March 2006, assessment/investigation was completed in 162 cases and additional demand of Rs 59.16 lakh including penalty was raised during the year 2005-06 leaving a balance of 111 cases pending finalisation.

Information from other departments, though called for in May and August 2006, has not been received (October 2006).

1.9 Refunds

The number of refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2006), as reported by the departments are given below:

⁴ Information regarding Bettiah Circle was not furnished, though called for in May 2006.

(Rupees in crore)

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	3,132	10.67	4	0.20
2	Claims received during the year	117	22.19	2	0.01
3	Refunds made during the year	941	17.36	1	0.01
4	Balance outstanding at the end of the year	2,308	15.50	5	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 2005-06 revealed under assessment/short levy/loss of revenue of Rs 781.66 crore in 3,833 cases. During the year 2005-06, the concerned departments accepted under assessments etc. of Rs 14.56 crore involved in 180 cases. Of these, 69 cases involving Rs 3.26 crore were pointed out in audit during 2005-06 and rest in earlier years. The concerned departments also reported recovery of Rs 1.25 crore.

This report contains 38 paragraphs including two reviews relating to non/short levy of taxes, duties, interest and penalties etc. involving Rs 304.68 crore. The departments/Government accepted audit observations involving Rs 8.07 crore in 23 cases. No replies have been received in remaining cases (October 2006).

1.11 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05 the department/Government accepted audit observations involving Rs 140.95 crore of which only an amount of Rs 1.34 crore was recovered as on 31 March 2006 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value of Audit Report	Accepted money value	Recovery made
2000-01	837.65	64.31	0.67
2001-02	273.55	--	Awaited
2002-03	175.15	0.48	Awaited
2003-04	1,117.71	19.53	Awaited
2004-05	176.92	56.63	0.67
Total	2,580.98	140.95	1.34

Information regarding upto date recovery though called for has not been received.

1.12 Failure of senior officials to enforce accountability and protect interest of 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. These 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 Government.

Inspection reports issued upto December 2005 disclosed that 15,324 paragraphs involving Rs 2,628.21 crore relating to 2,823 IRs remained outstanding at the end of August 2006. 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 1,973 IRs issued upto December 2005.

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.

1.13 Departmental audit committee meetings

In order to expedite settlement of outstanding audit observations contained in IRs, 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 2005-06, not a single audit committee meeting was held. 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.

1.14 Response of the departments to draft audit paragraphs

Department of Finance 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. PAG 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.

Thirty eight clubbed draft paragraphs including two reviews included in this Report for the year ended 31 March 2006 were forwarded to the secretaries of the departments concerned between April and August 2006 through demi official letters.

The secretaries of the various departments sent partial replies to five draft paragraphs, including one review, while replies to 33 draft paragraphs including reviews have not been received. Therefore, 33 draft paragraphs including reviews have been included in this report without the response of the department/Government.