

CHAPTER- 1: General

1.01 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Bihar during the year 2001-02, the State's 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 2 years are given below: -

(Rupees in crore)						
		1999-2000	1.4.2000 to 14.11.2000	15.11.2000 to 31.3.2001	2000-2001 ¹	2001-02
I.	Revenue raised by the State Government	4250.65	2277.46	1243.45	3520.91	2605.65
	(a) Tax revenue	3084.79	1722.51	1086.72	2809.23	2318.95
	(b) Non-tax revenue	1165.86	554.95	156.73	711.68	286.70
II.	Receipts from the Government of India	6408.88	4422.03	3234.38	7656.41	7233.64
	(a) State's share of divisible Union taxes	4962.59	3819.94	2755.69	6575.63	6176.62
	(b) Grants-in-aid	1446.29	602.09	478.69	1080.78	1057.02
III.	Total receipts of the State Government ² (I&II)	10659.53	6699.49	4477.83	11177.31	9839.29
IV.	Percentage of I to III	40	34	28	31	26

The above table indicates that during the year 2001-2002 the State Government could raise only 26 percent of the total revenue receipts (Rs 9839.29 crore) and 74 per cent of receipts were from the Government of India. The contribution of revenue raised by the State Government to the total revenue receipts remained almost stagnant during the period from 1999-2000 to 2001-2002.

(i) The details of the tax revenue raised during the year 2001-02 alongwith the figures for the preceding 2 years are given below: -

(Rupees in crore)							
Sl. No.	Head of Revenue	1999-2000	1.4.2000 to 14.11.2000	15.11.2000 to 31.3.2001	2000-2001	2001-02	Percentage of Increase (+) / decrease (-) in 2001-02 over 2000-01
1	Taxes on Sales, Trade etc.	2067.79	1115.98	705.49	1821.47	1412.96	(-) 22
2	State Excise	277.80	165.77	76.81	242.58	238.90	(-) 2
3	Stamps and Registration Fees	325.77	201.61	100.25	301.86	304.44	(+) 1

¹ The figures for 1999-2000 represent receipt for erstwhile Bihar (including Jharkhand) whereas the same for 2000-01 represent 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 2001-02. 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", "0044-Service Tax", "0037-Customs", "0038-Union Excise Duties" 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	1999-2000	1.4.2000 to 14.11.2000	15.11.2000 to 31.3.2001	2000-2001	2001-02	Percentage of Increase (+) / decrease (-) in 2001-02 over 2000-01
4	Taxes on Vehicles	178.47	113.87	110.11	223.98	141.54	(-)37
5	Taxes and Duties on Electricity	85.25	29.67	7.10	36.77	14.08	(-) 62
6	Land Revenue	28.67	11.38	22.95	34.33	34.08	(-) 1
7	Other Taxes and Duties on Commodities and Services	27.10	14.28	9.10	23.38	19.62	(-) 16
8	Taxes on Goods and Passengers- Tax on entry of goods into Local Areas	93.92	69.94	54.90	124.84	153.32	(+) 23
9	Taxes on Agricultural Income	0.02	00.01	0.01	0.02	0.01	(-) 50
	Total	3084.79	1722.51	1086.72	2809.23	2318.95	(-) 17

The main reason for variation during 2001-2002 over 2000-2001 was due to bifurcation of Bihar state on account of formation of Jharkhand state on 15.11.2000.

The reasons for significant variation in receipts from that of previous year, though called for (June 2002) from the concerned departments, have not been received (September 2003).

(ii) The details of non-tax revenue raised during the year 2001-02 alongwith figures for the preceding 2 years are given below:

(Rupees in crore)						
Head of Revenue	1999-2000	1.4.2000 to 14.11.2000	15.11.2000 to 31.3.2001	2000-2001	2001-02	Percentage of Increase (+) / decrease (-) in 2001-02 over 2000-2001
1. Non-ferrous Mining and Metallurgical Industries	707.56	382.57	27.35	409.92	39.20	(-) 90
2. Forestry and Wild Life	28.03	10.76	0.74	11.50	17.07	(+) 48
3. Interest Receipts	135.75	11.53	19.15	30.68	11.75	(-) 62
4. Social Security and Welfare	28.04	15.39	11.24	26.63	24.49	(-) 8
5. Others	266.48	134.70	98.25	232.95	194.19	(-) 17
Total	1165.86	554.95	156.73	711.68	286.70	(-) 60

The reasons for substantial variations in receipts from that of previous year, though called for (June 2002) from the concerned departments, have not been received (September 2003).

1.02 Variations between the budget estimates and actuals

The variations between Budget estimates of revenue for the year 2001-02 and the actual receipts under the principal heads of revenue are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates revised	Actual receipts	Variations increase (+) shortfall (-)	Percentage
A	Tax Revenue				
1	Taxes on Sales, Trade etc.	1450.00	1412.96	(-) 37.04	(-) 3
2	State Excise	275.00	238.90	(-) 36.10	(-) 13
3	Stamps and Registration fees	340.00	304.44	(-) 35.56	(-) 10
4	Taxes on Vehicles	150.00	141.54	(-) 8.46	(-) 6
5	Taxes and Duties on Electricity	34.96	14.08	(-) 20.88	(-) 60
6	Land Revenue	35.00	34.08	(-) 0.92	(-) 3
7	Other Taxes and Duties on Commodities and Services	19.19	19.62	(+) 0.43	(+) 2
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	138.21	153.32	(+) 15.11	(+) 11
B	Non-Tax Revenue				
1	Non-ferrous Mining and Metallurgical Industries	50.00	39.20	(-) 10.80	(-) 22
2	Forestry and Wild Life	5.07	17.07	(+) 12.00	(+) 237
3	Interest Receipts	89.08	11.75	(-) 77.33	(-) 87
4	Social Security & Welfare	17.67	24.49	(+) 6.82	(+) 39

The reasons for variation between the budget estimates and actual receipts though called for (June 2002) from concerned departments have not been received (September 2003).

1.03 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1999-2000, 2000-01 and 2001-02 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2000-01 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 2000-2001
1	Taxes on Sales, Trade etc.	1999-2000	2067.79	32.99	1.60	1.31
		2000-2001	1821.47	24.96	1.37	
		2001-02	1412.96	18.81	1.33	
2	State Excise	1999-2000	277.80	20.34	7.32	3.10
		2000-2001	242.58	17.03	7.02	
		2001-02	238.90	13.72	5.74	
3	Stamps and Registration fee	1999-2000	325.77	19.11	5.87	4.39
		2000-2001	301.86	17.41	5.76	
		2001-02	304.44	18.22	5.98	
4	Taxes on Vehicles	1999-2000	178.47	6.52	3.65	3.48
		2000-2001	223.98	4.88	2.18	
		2001-02	141.54	4.14	2.92	

The above table indicates that the percentage of expenditure on collection in respect of State Excise and Stamps and Registration Fees was more than the all India average percentage for the year 2000-01.

1.04 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 1997-98 to 2001-2002 as furnished by the department are given below:-

Year	Opening balance	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
1997-98	83059	96017	179076	83488	95588	53
1998-99	95588	103094	198682	127830	70852	36
1999-2000	70852	100654	171506	79938	91568	53
2000-2001	82902 ³	96560	179462	50407	129055	72
2001-2002	129055	123660	252715	55077	197638	78

The efforts made in 1998-99 to contain the arrears need to be sustained and stepped up to facilitate further reduction of arrears.

1.05 Frauds and evasions

The details of cases of frauds and evasion of taxes and duties pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 2002, as furnished by the concerned departments are given below: -

(Rupees in lakh)

Sl. No.	Department	Cases pending as on 31 March 2001	Cases detected during 2001-02	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2002
				No. of cases	Amount of demand	
1	Finance (Commercial Taxes)	225	719	605	252.92	339
2	Transport	-	268	-	14.67	268
3	Excise and Prohibition	12	-	-	53.23	12

Information from other departments, though called for (April 2002), have not been received (September 2003) despite several reminders to departmental heads and personal meetings.

³ Differ by 8666 from the closing balance 91568 given earlier by the department and shown in audit report for the year 1999-2000. The department attributed the difference due to exclusion of the cases relating to the Jharkhand state.

1.06 Analysis of collections

The break-up of the total collections (at pre-assessment stage and after regular assessment) of Taxes on Sales, Trade etc. during the year 2001-02 and the corresponding figures for preceding two years, as furnished by the Finance (Commercial Taxes) Department are given below: -

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment		Total collection of taxes	Total collected as per Finance Account	Percentage of pre-assessment collection to total collection (Col 2 to 5)
		Additional demand	Penalty for delay in payment of Taxes and Duties			
1999-2000	1995.22	58.03	1.04	2054.29	2067.79	97
2000-2001	1794.11	19.11	1.55	1814.77	1821.47	99
2001-2002	1387.17	7.94	-	1395.06	1412.96	99

Thus the tax including penalties collected after regular assessment constituted a rather low proportion of the total collection.

1.07 Arrears of revenue

As on 31 March 2002, arrears of revenue under principal heads of revenue, as reported by the departments, were as under: -

Sl. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
1	2	3	4	5
		(Rupees in crore)		
1.	Taxes on Sales, Trade etc.	905.06	213.25.	Out of Rs 905.06 crore, demands for Rs 249.93 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 464.60 crore had been stayed by the Court Recovery of Rs 1.71 crore, was held up due to rectification/ Review of application. Specific action taken in respect of the remaining arrears of Rs 188.82 crore though called for (April 2002), has not been intimated (September 2003).
2.	Non ferrous mining and metallurgical Industries	75.28	31.55	Out of Rs 75.28 crore, demand for Rs 62.63 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 1.14 crore had been stayed by the Court. Specific action taken in respect of the remaining arrear of Rs 11.51 crore though called for (April 2002), has not been intimated (September 2003).
3.	Taxes on Vehicles	80.32	N.A	Out of Rs 80.32 crore, demand for Rs 48.72 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 1.40 lakh and Rs 3.68 lakh had been stayed by the Court and Government respectively Specific action taken in respect of remaining arrears of Rs 31.55 crore, though called for (April 2002), has not been intimated (September 2003).
4.	Taxes on Sugarcane	16.18	12.50	Out of Rs 16.18 crore, demand for Rs 4.82 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 0.47 crore and Rs 10.89 crore had been stayed by the court and the Government respectively.

Sl. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
1	2	3	4	5
		(Rupees in crore)		
5	Taxes and duties on Electricity	9.03	5.32	Specific action taken in respect of arrears, of Rs 9.03 crores though called for (April 2002) has not been intimated (September 2003).
6	Entry tax	7.03	1.48	Out of Rs 7.03 crore, amounting to Rs 2.52 lakh was likely to be written off. Specific action taken in respect of the remaining arrears of Rs 6.97 crore, though called for (April 2002), has not been intimated (September 2003).
7	State Excise	44.74	37.96	Out of Rs 44.74 crore, demands for Rs 3.36 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 02.64 crore and Rs 0.04 crore had been stayed by the courts and Government respectively. Recovery of Rs 0.07 crore was held up due to rectification/ review of application Amount of Rs 0.12 crore was liable to be written off. Specific action taken in respect of the remaining arrears of Rs 38.51 crore though called for (April 2002) has not been intimated (September 2003).
8	Entertainments Tax	3.42	0.97	Out of Rs 03.42 crore, demands for Rs 1.94 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 0.36 crore had been stayed by the Courts. Specific action taken in respect of the remaining arrears of Rs 1.12 crore, though called for (April 2002) has not been intimated (September 2003).

The position of arrears of revenue pending collection at the end of 2001-2002 in respect of other departments, though called for (April 2002), has not been furnished by the Government (September 2003).

1.08 Pending appeals

As per the information furnished (December 2002) by the Commercial Taxes Department, number of appeals filed under Taxes on Sales, Trade etc. and other Taxation Acts administered, number of appeals finalised and number of cases pending with the appellate authorities, at the end of each year during the period from 1997-98 to 2001-2002 were as under: -

Year	Opening balance	Number of appeals filed during the year	Total	Number of appeals finalised during the year	Balance at the end of the year	Percentage of cases finalised to total number of cases
1997-98	9614	2498	12112	3406	8706	28
1998-99	8706	2641	11347	4356	6991	38
1999-2000	6991	5390	12381	3406	8975	28
2000-2001	2248 ⁴	534	2782	606	2176	22
2001-2002	2176	1417	3593	1824	1769	51

⁴ Differs by 6727 from the closing balance 8975 given earlier by the department and shown in the Audit Report for the year 1999-2000. The department attributed the difference due to exclusion of cases of Jharkhand State.

1.09 Results of audit

Test check of the records of Commercial Taxes, State Excise, Taxes on Vehicles, Land Revenue, Non-ferrous Mining and Metallurgical Industries and other departmental offices conducted during the year 2001-2002 revealed under-assessment/short levy/loss of revenue amounting to Rs. 450.25 crore in 34785 cases. During the course of the year 2001-2002, the concerned departments accepted under-assessments etc., of Rs. 40.23 crore involved in 6095 cases of which 1435 cases involving Rs. 14.06 crore had been pointed out in audit during 2001-2002 and the rest in earlier years.

This Report contains 27 paragraphs including 2 reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs. 273.55 crore. These cases represent the important cases out of the cases of under-assessment and other irregularities pointed out by Audit. Final reply has not been received in other cases (September 2003).

1.10 Outstanding Inspection reports and audit observations

(a) Audit observations on financial irregularities and defects in initial records, noticed during local audit and not settled on the spot, are communicated to the heads of offices and to the higher departmental authorities through audit inspection reports for prompt action. The more important irregularities are reported to the heads of departments and to Government for initiating immediate corrective action. Besides, half yearly reports of such observations outstanding for more than 6 months are forwarded to government to expedite their settlement.

The number of inspection reports and audit observations issued upto December 2001 which were pending settlement by the Department as on 30 June 2002 alongwith corresponding figures of the preceding 2 years, are given below:-

	As at the end of June		
	2000	2001	2002
1. Number of outstanding inspection reports	10324	7356	8291
2. Number of outstanding audit observations	43703	40695	37528
3. Revenue effect involved (Rupees in crore)	3492.50	2483.90	3144.95

(b) Outstanding audit observations relating to the following departments were notably large: -

Sl. No.	Department	Revenue Head	Number of Outstanding		Year to which earliest pending report relates	Amount involved
			Inspection Reports	Audit Observation		
1	Revenue	Land Revenue	4193	13802	1980-81	544.52
2	Finance (Commercial Taxes)	Taxes on Sales, Trade etc.	1304	11153	1980-81	796.23
3	Excise and Prohibition	State Excise	653	4182	1981-82	650.37

(Rupees in crore)

Sl. No.	Department	Revenue Head	Number of Outstanding		Year to which earliest pending report relates	Amount involved
			Inspection Reports	Audit Observation		
4	Transport	Taxes on Vehicles	417	3319	1981-82	341.68
5	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	293	1468	1982-83	69.33
6	Water Resources	Water Rates	387	1586	1982-83	563.20
7	Cane	Taxes on Sugarcane	181	459	1981-82	87.01
8	Forest and Environment	Forest receipts	47	125	1981-82	27.27

(c) Although government have instructed that first replies to the inspection reports should be furnished by the Departmental Officers within one month of the receipt of the inspection reports, in respect of 1828 inspection reports issued upto December 2001, even the first replies had not been received from the following departments till June 2002.

Department	Revenue Head	Number of inspection reports to which even first reply has not been received	Year to which earliest pending report relates
1. Revenue	Land Revenue	1341	1982-83
2. Excise and Prohibition	State Excise	44	1982-83
3. Transport	Taxes on vehicles	123	1981-82
4. Finance (Commercial Taxes)	(i) Taxes on Sales, Trade etc.	38	1999-2000
	(ii) Electricity Duty	20	1999-2000
	(iii) Taxes on Goods and Passengers		
	(iv) Entertainments Tax		
5. Revenue (Registration Department)	Stamps and Registration Fees	132	1984-85
6. Mines and Geology	Non-ferrous Mining And Metallurgical Industries	46	1982-83
7. Cane	Taxes on sugarcane	55	1981-82
8. Water Resources	Water Rates	18	1998-99
9. Forest and Environment	Forest Receipts	11	1984-85
	Total	1828	

The above position was brought to the notice of the Chief Secretary to the Government (July and August 2002) but no reply has been received (September 2003). Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of outstanding audit observations and inspection reports.