

## OVERVIEW

This Report contains 27 paragraphs including 2 reviews relating to non-levy/short levy/loss of tax involving Rs. 273.55 crore. Some of the major findings are mentioned below: -

### 1. GENERAL

The total receipts of the Government of Bihar for the year 2001-2002 were Rs.9839.29 crore. The revenue raised by the State Government amounted to Rs. 2605.65 crore comprising tax revenue of Rs. 2318.95 crore and non-tax revenue of Rs. 286.70 crore. The receipts from the Government of India were Rs. 7233.64 crore (State's share of divisible Union taxes Rs. 6176.62 crore and grants-in-aid Rs 1057.02 crore). Thus, the State Government could raise only 26 per cent of total revenue. Taxes on Sales, Trade etc. (Rs. 1412.96 crore) and Non-ferrous Mining and Metallurgical Industries (Rs. 39.20 crore) were the major source of tax and non-tax revenue respectively during the year 2001-02.

*(Paragraph 1.01(i) and (ii))*

The percentage of cost of collection in respect of State Excise and Stamps and Registration fee during the year 2001-2002 was notably higher than that of all India average for the corresponding period.

*(Paragraph 1.03)*

Test check of the records of Commercial Taxes, State Excise, Taxes on Vehicle, Land Revenue, Non-ferrous Mining and Metallurgical Industries and other departmental offices conducted during the year 2001-02 revealed under assessment/ short levy/loss of revenue amounting to Rs. 450.25 crore in 34785 cases. During the course of the year 2001-02 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 2001-02 and the rest in earlier years.

*(Paragraph 1.09)*

The number of Inspection Reports and audit observation issued upto December, 2001 but not settled by June, 2002 stood at 8291 and 37528 respectively involving Rs. 3144.95 crore. In respect of 1828 Inspection Reports, even first replies have not been received although these were required to be furnished within one month of their receipts.

*(Paragraph 1.10)*

## **2. Taxes on Sales, Trade etc.**

A review on 'Internal control mechanism in Commercial Taxes Department' revealed as under: -

- In 3 Circles, non-adherence to codal provisions of granting registration within one month of receipt of application resulted in pendency of registration ranging from 17 to 37 per cent during 1996-97 to 2000-01. Further, in the case of 94 dealers in 11 circles security initially fixed was not revised and in case of 31 dealers the security was short revised. The department neither prescribed nor the circles maintained any control register to watch, review and revise security indicating non-institution of appropriate internal control mechanism.

*(Paragraph 2.02.06(ii) and (iii)(b))*

- Non-adherence to internal control mechanism instituted for review of return for watching the payment of admitted tax resulted in non-levy of minimum penalty of Rs.27.32 crore for delay in payment of admitted tax by 11 dealers in 5 Circles.

*(Paragraph 2.02.07(A))*

- Non-adherence to the prescribed norms with regard to completion of assessment resulted in pendency of assessment ranging between 25 per cent and 61 per cent during 1996-97 to 2000-01.

*(Paragraph 2.02.08)*

- Non-adherence to the CCT's instruction for cross verification of data/information collected from different Central/State Government/ departments resulted in non/short levy of tax of Rs.24 crore including penalty in case of 17 dealers of 4 Circles. Further, cross verification of information collected by audit in respect of incoming goods from outside the State revealed fraud and evasion of tax of Rs 5.84 crore including penalty.

*(Paragraph 2.02.08(A)(i)(ii) and (B))*

- In the case of 5 circles, the assessing officers did not levy/short levied penalty of Rs. 46.08 crore due to default in payment of assessed tax of Rs. 22.62 crore by 12 dealers. Further, in 5 circles, the assessing officers failed to institute certificate proceedings for the actual amount, which resulted in short institution of proceeding by Rs. 22.70 crore against 5 dealers.

*(Paragraph 2.02.09(B) and (C))*

- Incorrect grant of exemption to 7 dealers of 4 Circles, on account of tax paid sale and on defective/invalid declaration resulted in non-levy of tax amounting to Rs. 1.29 crore during 1996-97 to 1999-2000.

*(Paragraph 2.02.10(i))*

- No internal audit was conducted since 1990 indicating absence of a vital component of internal control.

(Paragraph 2.02.12)

- In case of 3 dealers of 3 Circles, the interest leviable for delay in deposit of deferred tax amounting to Rs. 2.13 crore by due dates, worked out to Rs.1.70 crore.

(Paragraph 2.03)

In 4 Circles, suppression of purchase/sales turnover of Rs.28.69 crore by 9 dealers resulted in short levy of tax amounting to Rs.4.26 crore (including additional tax, surcharge and minimum leviable penalty).

(Paragraph 2.04)

### **3. State Excise**

Non-settlement of 357 excise shops in 19 excise districts and failure of the department to run them departmentally resulted in loss of excise revenue amounting to Rs.15.36 crore.

(Paragraph 3.02)

In 5 excise districts, administrative charges of Rs.8.38 crore on sale of molasses to 6 distilleries were either not realised or realised short.

(Paragraph 3.03)

### **4. Taxes on Vehicles**

In one District Transport Office, in case of 12 motor vehicles, tax was realised at lower rate resulting in short realisation of tax amounting to Rs.6.22 lakh.

(Paragraph 4.04)

### **5. Land Revenue**

In Additional Collector's office of a district, no action was taken either to regularise or evict encroachment by 196 persons on 10.11 acres of land resulting in non realisation/non fixation of *salami* and residential rent of Rs. 4.50 crore.

(Paragraph 5.02)

In 6 Revenue Anchals in 3 districts, 96 *raiya*s (tenants) converted 57.9708 acres of agricultural land for commercial purposes by constructing/installing thereon Brick kiln/crusher machines/shops, petrol pumps etc. resulting in non realisation of revenue of Rs. 1.05 crore.

(Paragraph 5.03)

## **6. Other Tax Receipts**

In one Circle, a dealer failed to deposit the admitted entry tax of Rs.52.63 crore by due dates resulting in non-levy of penalty of Rs.27.46 crore

*(Paragraph 6.02)*

## **7. Mineral concession, Fees and Royalties**

A review on “Mineral Receipts” revealed as under:

- In 5 Districts, 29 sand bearing areas with reserve *zama* of Rs.53.18 lakh remained unsettled and resulted in loss of revenue to that extent.

*(Paragraph 7.02.07)*

- In 8 districts, penalty of Rs. 3 crore was not imposed on works contracts for minerals illegally mined and used in execution of works.

*(Paragraph 7.02.09)*

- In 4 districts, certified dues of Rs. 3.32 crore instead of Rs.5.33 crore was reported to government resulting in under exhibition of the same to the extent of Rs. 2.01 crore.

*(Paragraph 7.02.11)*

- In 9 districts, 136 brick kiln owners continued to operate their brick kilns without paying consolidated amount of royalty of Rs.1.78 crore.

*(Paragraph 7.02.12)*

In 7 districts, penalty of Rs.4.90 crore was either not levied or short levied for operation of brick kilns without payment of royalty and valid permit.

*(Paragraph 7.03)*

## **8. Other Non-Tax Receipts**

In a forest division, the Divisional Forest Officer did not utilise powers conferred under the Act to evict encroached forest land of 113.0536 hectares in 116 cases resulting in blockade of revenue to the extent of Rs.81.41 lakh in shape of royalty and compensation of forest produce.

*(Paragraph 8.02)*