

CHAPTER I - GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jharkhand during 2007-08, 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 period 2003-04 to 2007-08 were as under:

(Rupees in crore)

Sl. No.		2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	• Tax revenue	1,986.22	2,382.79	2,758.04	3,188.50	3,473.55
	• Non-tax revenue	1,105.55	1,052.45	1,426.53 ¹	1,250.40	1,601.40
	Total	3,091.77	3,435.24	4,184.57	4,438.90	5,074.95
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	1,979.73	2,366.40	3,175.89	4,050.90	5,109.83
	• Grants-in-aid	566.27	858.87	1,103.42	1,520.02	1,841.77
	Total	2,546.00	3,225.27	4,279.31	5,570.92	6,951.60
III.	Total receipts of the State Government (I & II)²	5,637.77	6,660.51	8,463.88	10,009.82	12,026.55
IV.	Percentage of I to III	55	52	49	44	42

The above table indicates that during 2007-08, the revenue raised by the State Government was 42 per cent of the total revenue receipts (Rs. 12,026.55 crore) against 44 per cent in the preceding year. The balance 58 per cent of receipts during 2007-08 was from the Government of India.

1.1.1 The following table presents the details of the tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase/decrease in 2007-08 over 2006-07
1.	Taxes on sales, trade etc.	1,601.02	1,881.53	2,212.03	2,556.90	2,845.88	(+) 11
2.	State excise	96.49	145.76	161.64	129.62	156.86	(+) 21

¹ Adjustment entry of Rs. 1 lakh.

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 2007-08. 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 the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

3.	Stamp duty and registration fees	81.75	86.59	91.93	122.02	156.26	(+) 28
4.	Taxes on vehicles	98.66	130.24	138.32	218.27	135.67	(-) 38
5.	Taxes and duties on electricity	30.85	36.14	33.87	45.14	76.47	(+) 69
6.	Taxes on goods and passengers - Tax on entry of goods into local areas	53.78	78.19	96.66	74.19	71.07	(-) 4
7.	Other taxes and duties on commodities and services	6.70	6.87	5.93	6.01	5.08	(-) 15
8.	Land revenue	16.97	17.47	17.66	36.35	26.26	(-) 28
Total		1,986.22	2,382.79	2,758.04	3,188.50	3,473.55	(+) 9

The reasons for variation in receipt for 2007-08 from those of 2006-07 in respect of principal heads of revenue were as under:

Taxes on sales, trade etc.: The increase of 11 *per cent* was attributed to growth in Gross State Domestic Product and better tax administration. However, the growth decelerated from 16 *per cent* in 2006-07 to 11 *per cent* in 2007-08.

Stamp duty and registration fees: The increase was due to increase in the number of registrations.

Land revenue: The decrease was attributed to delay in acquisition/transfer of land and thereby delay in grant of lease/settlement of land to different projects by the Government.

Taxes on vehicles: No reason was furnished for the steep decline of taxes on vehicles in 2007-08 over 2006-07. The sharp decline in revenue collection requires investigation as there was increase in registration of new vehicles, recovery of arrears and frequent checking of vehicles made during the year.

Taxes and duties on electricity: The increase of 69 *per cent* was attributed to growth in Gross State Domestic Product, better tax administration and realisation of pending dues.

The remaining departments did not inform (November 2008) the reasons for variations despite being requested (October 2008).

1.1.2 The following table presents the details of non-tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)							
Sl. No.	Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase/decrease in 2007-08 over 2006-07
1.	Non-ferrous mining and metallurgical industries	919.94	937.41	1,013.15	1,022.12	1,177.77	(+) 15
2.	Forestry and wild life	21.74	4.51	40.84	3.68	4.06	(+) 10
3.	Interest receipts	46.65	18.63	71.49	38.09	87.14	(+) 129

4.	Social security and welfare	14.02	8.48	17.94	11.65	12.57	(+) 8
5.	Others	103.20	83.42	283.11	174.86	319.86	(+) 83
Total		1,105.55	1,052.45	1,426.53	1,250.40	1,601.40	(+) 28

The concerned departments did not inform (November 2008) the reasons for variations despite being requested (October 2008).

1.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for 2007-08 under the principal heads of tax and non-tax revenue were as under:

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actual receipts	Variations (+) increase (-) shortfall	Percentage of variation (+) increase (-) decrease
A. Tax revenue					
1.	Taxes on sales, trade etc.	2,789.83	2,845.88	(+) 56.05	(+) 2
2.	State excise	211.11	156.86	(-) 54.25	(-) 26
3.	Stamp duty and registration fees	108.11	156.26	(+) 48.15	(+) 45
4.	Taxes on vehicles	184.78	135.66	(-) 49.12	(-) 27
5.	Taxes and duties on electricity	68.10	76.47	(+) 8.37	(+) 12
6.	Land revenue	37.45	26.26	(-) 11.19	(-) 30
7.	Other taxes and duties on commodities and services	14.98	5.08	(-) 9.90	(-) 66
8.	Taxes on goods and passengers – Tax on entry of goods into local areas	136.20	71.07	(-) 65.13	(-) 48
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	1,362.00	1,177.77	(-) 184.23	(-) 14
2.	Forestry and wild life	28.38	4.06	(-) 24.32	(-) 86
3.	Interest receipts	61.48	87.14	(+) 25.66	(+) 42
4.	Social security and welfare	17.03	12.57	(-) 4.46	(-) 26

The reasons for variation reported by the concerned departments in respect of some principal heads of revenue were as under:

Forestry and wild life: The variation was attributed to non-exploitation of forest produce.

Land Revenue: The variation was attributed to fixation of high target by Finance Department, Government of Jharkhand.

Stamp duty and registration fees: The variation was attributed to the increase in number in registration of documents.

State Excise: The variation was attributed to non-realisation of revenue, due to non-renewal of licence of Group-I and Group-II in most of the districts.

Taxes on vehicles: The variation was attributed to low rate of permit fee and fixation of higher target.

The remaining departments did not inform (November 2008) the reasons for variation despite being requested (October 2008).

1.3 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services for the period 2007-08 and figures of tax for the period 2005-06 and 2006-07 as furnished by the department was as under:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre assessment stage	Amount collected after regular assessment	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.	2005-06	2,352.95	28.36	1.08	43.27	2,348.50	100.19
	2006-07	2,574.69	22.95	0.87	9.55	2,682.24 ³	95.59
	2007-08	3,336.78	54.52	1.58	4.15	3,387.14	98.51

It would be seen from above that the percentage of collection of taxes at pre-assessment stage over net collection ranged between 96 and 100 per cent during 2005-06 to 2007-08.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2005-06 to 2007-08 alongwith the all India average percentage of expenditure on collection to gross collection for 2006-07 were as under:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Taxes on sales, trade etc.	2005-06	2,212.03	14.53	0.66	0.82
		2006-07	2,556.90	14.29	0.56	
		2007-08	2,845.88	16.66	0.59	

³ The figures furnished by department are different from those reflected in the Finance Account and referred to Paragraph 1.1.2.

2.	Taxes on vehicles	2005-06	138.32	2.50	1.81	2.47
		2006-07	218.27	2.49	1.14	
		2007-08	135.66	2.90	2.14	
3.	State excise	2005-06	161.64	6.51	4.03	3.30
		2006-07	129.62	7.38	5.69	
		2007-08	156.86	7.51	4.79	
4.	Stamp duty & registration fees	2005-06	91.93	5.21	5.67	2.33
		2006-07	122.02	9.86	8.08	
		2007-08	156.26	7.81	5.00	

The above table indicates that the percentage of expenditure on collection in respect of State excise and Stamp duty and Registration fees was higher than the all India average.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs. 1,758.40 crore; of which Rs. 521.59 crore were outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008	Remarks
1.	State excise	29.16	NA	Out of Rs. 29.16 crore, demand for Rs. 11.30 crore was certified for recovery as arrears of land revenue. Recovery of Rs. 16.38 crore was stayed by the Courts and other judicial authorities. Rs. 24 lakh was likely to be written off. Specific action taken in respect of the balance arrears of Rs. 1.24 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
2.	Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	1,261.41	489.08	Out of Rs. 1,261.41 crore, demands totalling Rs. 150.21 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 243.22 crore and Rs. 67.78 crore were stayed by Courts and the Government respectively. Recovery of Rs. 0.34 crore was held up due to rectification/review of applications. Specific action taken in respect of the remaining arrears of Rs. 799.86 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
3.	Non-ferrous mining and metallurgical industries	290.72	5.01	Out of Rs. 290.72 crore, demands totalling Rs. 205.24 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 56.01 crore and Rs. 5.20 crore were stayed by the Courts and the Government respectively. Recovery of Rs. 53 lakh was held up due to

				rectification/review of applications. Rs. 1.71 crore could not be recovered due to dealers/party becoming insolvent. Rs. 9 lakh was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 21.94 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
4.	Stamp duty & registration fees	1.63	NA	Specific action taken in respect of the arrears of Rs. 1.63 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
5.	Land revenue	1.18	NA	Specific action taken in respect of the arrears of Rs. 1.18 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
6.	Taxes on vehicles	174.30	27.50	Out of Rs. 174.30 crore, demand for Rs. 6.11 crore was certified for recovery as arrears of land revenue. Recovery of Rs. 1.05 crore had been stayed by Courts and other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 167.14 crore has not been intimated by the department (November 2008) despite being requested (August 2008).
Total		1,758.40	521.29	

The position of arrears of revenue pending collection at the end of 2007-08 in respect of other departments was not furnished (November 2008) despite several reminders and personal meetings/requests.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes and State Excise departments, cases finalised and the demands for additional tax raised as reported by the departments was as under:

(Rupees in lakh)

Sl. No.	Heads of revenue	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2008
					No. of cases	Amount of demand	
1.	Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	9	19	28	7	1.58	21
2.	State excise	1	NIL	1	NIL	NIL	1

It would be seen from the above table that no efforts were made by the State Excise Department during 2007-08 for settlement of the pending cases and only seven cases were settled by the Commercial Taxes Department. The Government may, therefore, take effective steps to dispose off the cases.

1.7 Refunds

The refund cases pending at the beginning of 2007-08, claims received during the year, refunds allowed during the year and cases pending at the close of the year as reported by the State excise and Commercial Taxes departments was as under:

(Rupees in crore)					
Sl. No.	Particulars	State excise		Sales tax	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	201	0.49	783	17.53
2.	Claims received during the year	19	NIL	74	5.36
3.	Refunds made during the year	3	0.05	129	4.15
4.	Balance outstanding at the end of the year	217	0.44	728	18.74
5.	Interest paid due to belated refunds	NIL	NIL	NIL	NIL

The pendency of refund cases under sales tax, beyond six months entails mandatory payment of interest at the rate of nine *per cent* per annum. The Government may, therefore, take effective steps to dispose the cases within six months.

1.8 Results of audit

Test check of the records of sales tax, land revenue, state excise, taxes on vehicles, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2007-08 revealed underassessment/short levy/loss of revenue amounting to Rs. 3,211.84 crore in 86,873 cases. During the year, the concerned departments accepted underassessments and other deficiencies amounting to Rs. 464.81 crore involved in 69,792 cases of which 69,686 cases amounting to Rs. 426.97 crore were pointed out in audit during 2007-08 and the rest in earlier years.

This report contains 42 paragraphs including two reviews bringing out deficiencies in different aspects of tax administration involving a revenue effect of Rs. 842.65 crore. Of these, the departments/Government accepted audit observations amounting to Rs. 153.76 crore, out of which Rs. 41 lakh have been recovered. Final reply has not been received in other cases.

1.9 Failure of senior officials to enforce accountability and protect interest of Government

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 the Government for initiating immediate corrective action. Besides, half yearly reports of such observations outstanding for more than six months are forwarded to the Government to expedite their settlement.

Inspection reports issued up to December 2007 disclosed that 18,957 paragraphs involving money value of Rs. 5,812.93 crore relating to 3,645 inspection reports remained outstanding at the end of June 2008. Even the first replies, required to be received within one month of the receipt of the inspection reports, were not received in respect of 661 inspection reports issued between 1984-85 and 2005-06.

The position was brought to the notice of the Chief Secretary to Government in August 2008 but no reply has been received (November 2008). Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of outstanding audit observations and inspection reports.

The large pendency of inspection reports due to non-receipt of replies indicates that heads of offices and heads of departments did not initiate action to rectify defects, omission and irregularities pointed out in the inspection reports. It is recommended that the Government should take suitable steps to ensure that effective procedure exists for prompt and appropriate response to the audit observations, action against officials/officers failing to send replies to inspection reports/paras as per the prescribed time schedule and action to recover loss/outstanding demands in a time bound manner.

1.10 Departmental audit committee meetings

In order to expedite the settlement of outstanding audit observations contained in the inspection reports, departmental audit committees are constituted by the Government. These committees consist of representatives of the concerned administrative department and are attended, among others, by the concerned officers and officers from the office of the Accountant General. To expedite clearance of outstanding observations, it is necessary that audit committees meet regularly and ensure that final action is taken in respect of all the audit observations outstanding for more than a year, leading to their settlement. During 2007-08, 14 audit committee meetings were held between May 2007 and March 2008 in which 781 paragraphs involving Rs. 9.72 crore were settled.

1.11 Response of the departments to draft audit paragraphs

According to the instructions issued (1966) by the Government of Bihar, replies to the draft audit paragraphs are required to be communicated to the Accountant General within six weeks from the date of receipt of the same. The

draft paragraphs are forwarded to the Secretaries of the departments drawing their attention to the audit findings requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government is indicated at the end of each paragraph included in the Audit Report.

Forty two paragraphs including two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008 (Revenue Receipts), Government of Jharkhand, were forwarded to the Secretaries to the Government of the departments concerned between April and June 2008. The reviews and draft paragraphs were discussed with the Principal Secretary/Secretaries to the Government. The Principal Secretary, Finance Department expressed her concern over delays by the departments in furnishing replies to audit. She directed the concerned departments to furnish the replies to the Accountant General in respect of the audit observations.

1.12 Compliance with the earlier audit reports

During the years 2002-03 to 2006-07, the department/Government accepted audit observations amounting to Rs. 1,060.43 crore of which Rs. 418.06 crore has been recovered as on 31 March 2008 was as under:

(Rupees in crore)			
Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	392.30	84.23	94.19 ⁴
2003-04	319.72	265.50	32.48
2004-05	508.13	417.61	105.42
2005-06	520.78	92.01	116.98 ⁴
2006-07	591.10	201.08	68.99
Total	2,332.03	1,060.43	418.06

The recovery in respect of the accepted cases was 39.42 *per cent* of accepted money value. The Government may advise the concerned departments to take necessary steps for prompt recovery.

1.13 Amendment to Act/Rules

Reference to Audit Report (AR) paragraph	Issue raised in audit	Amendment to Act/Rules etc.
Paragraph 4.5 of the Comptroller and Auditor General of India Report (Revenue Receipts) for the year ending 31 March 2007.	Non-levy of additional amount of tax on smart card.	The department issued a circular in November 2007 clarifying the provisions of Rule 81 of Central Motor Vehicles Rules, 1989 for levy of additional fee.

⁴ Though the accepted money value were Rs. 84.23 crore and Rs. 92.01 crore for the Audit Report 2002-03 and 2005-06 respectively the Government effected recovery of Rs. 94.19 crore and Rs. 116.98 crore respectively after reviewing and accepting the cases pointed out in audit.

1.14 Follow up on Audit Reports- Summarised position

Sl. No.	Audit Report ending on	Date of presentation in legislature	No. of draft Paragraphs	No. of draft paragraphs ⁵ discussed	No. of DP where Action taken note not received
1.	31 March 2000	21.03.2002	36	20	34
2.	31 March 2001	17.12.2003	35	8	33
3.	31 March 2002	03.08.2004	27	7	27
4.	31 March 2003	24.03.2005	42	8	42
5.	31 March 2004	19.12.2005	31	4	31
6.	31 March 2005	24.08.2006	29	Discussion not started	-
7.	31 March 2006	04.04.2007	27	Discussion not started	-
8.	31 March 2007	26.03.2008	36	Discussion not started	-

N.B. Audit had no information about any decision taken by the competent authority about discussion by PAC of the pending paragraphs of the Audit Reports relating to the areas/districts falling under the jurisdiction of Jharkhand, for the periods prior to the constitution of the State of Jharkhand.

⁵ During 2006-07, 47 paragraphs including review of Audit Report (Revenue Receipts) 1999-2000 to 2003-04 were discussed in the Public Accounts Committee (PAC) of Jharkhand. Action taken note on four paragraphs have been received. PAC has not taken any decision regarding settlement of other paragraphs.