

CHAPTER- 1: General

1.01 Trend of revenue receipts¹

The tax and non-tax revenue raised by the Government of Jharkhand during the year 2001-2002, 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 15.11.2000 to 31.3.2001 are given below: -

(Rupees in crore)			
		15.11.2000 to 31.3.2001	2001-02
I.	Revenue raised by the State Government	1045.69	2437.36
	(a) Tax revenue	697.10	1585.48
	(b) Non-tax revenue	348.59	851.88
II	Receipts from the Government of India	918.48	2057.66
	(a) State's share of divisible Union taxes	582.42	1603.19
	(b) Grants in aid	336.06	454.47
III	Total receipts of the State Government (I & II) ²	1964.17	4495.02
IV	Percentage of I to III	53	54

(i) The details of the tax revenue raised during the year 2001-2002 along with the figures for the period 15.11.2000 to 31.3.2001 are given below: -

(Rupees in crore)			
Sl. No.	Head of Revenue	15.11.2000 to 31.3.2001	2001-2002
1	Taxes on Sales, Trade etc.	584.95	1238.70
2	State Excise	37.45	100.21
3	Stamps and Registration Fees	24.83	63.88
4	Taxes on Vehicles	18.27	86.10
5	Taxes and Duties on Electricity	16.34	57.18
6	Land Revenue	3.04	9.98
7	Other Taxes and Duties on Commodities and Services	3.04	7.20
8	Taxes on Goods and Passengers- Tax on entry of goods into Local Areas	9.18	22.23
	Total	697.10	1585.48

¹ Being a new State there is no figure for prior completed years for comparison in different paras of this Chapter.

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.

(ii) The details of non-tax revenue raised during the year 2001-2002 alongwith figures for the period 15.11.2000 to 31.3.2001 are given below:

(Rupees in crore)		
Head of Revenue	15.11.2000 to 31.3.2001	2001-02
1. Non-ferrous Mining and Metallurgical Industries	325.16	709.13
2. Forestry and Wild Life	4.81	15.70
3. Interest Receipts	0.08	61.06
4. Social Security and Welfare	1.38	2.47
5. Others	17.16	63.52
Total	348.59	851.88

1.02 Variations between the Budget estimates and actuals

The variations between Revised estimates of revenue for the year 2001-2002 and the actual receipts under the principal heads of revenue are given below: -

(Rupees in crore)					
Sl. No.	Head of Revenue	Revised estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
A	Tax Revenue				
1	Taxes on Sales, Trade etc.	1515.00	1238.70	(-) 276.30	(-) 18
2	State Excise	200.00	100.21	(-) 99.79	(-) 50
3	Stamps and Registration Fees	80.00	63.88	(-) 16.12	(-) 20
4	Taxes on Vehicles	140.00	86.10	(-) 53.90	(-) 39
5	Taxes and Duties on Electricity	74.37	57.18	(-) 17.19	(-) 23
6	Land Revenue	6.44	9.98	(+) 3.54	(+ 55
7	Other Taxes and Duties on Commodities and Services	18.81	7.20	(-) 11.61	(-) 62
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	41.33	22.23	(-) 19.10	(-) 46
B	Non-Tax Revenue				
1	Non-ferrous Mining and Metallurgical Industries	827.00	709.13	(-) 117.87	(-) 14
2	Forestry and Wild Life	22.00	15.70	(-) 6.30	(-) 29
3	Interest Receipts	50.00	61.06	(+) 11.06	(+ 22
4	Social security and welfare	10.57	2.47	(-) 8.10	(-) 77

The reasons for variation between the revised estimates and actual receipts as reported by the concerned departments were as under:

a) The department of Excise and Prohibition attributed the shortfall to shortage of resources and target being set more than the sources available.

b) The department of Mines and Geology attributed the shortfall to reduction of demand of coal from that projected at the beginning of the year and postponement of auction of sand ghats till *Panchayat* elections.

Information from other departments, though called for (June 2002), have not been received (January 2004) despite several reminders and personal meetings. The general trend shows that the Revised figures were assumed on unrealistic basis.

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 year 2001-02 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2000-2001 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.	2001-02	1238.70	11.67	0.94	1.31
2	State Excise	2001-02	100.21	5.61	5.60	3.10
3	Stamps and Registration fee	2001-02	63.88	3.96	6.20	4.39
4	Taxes on Vehicles	2001-02	86.10	1.69	1.96	3.48

The above table indicates that the percentage of expenditure on collection in respect of State Excise and Stamps & Registration was more than the all India average percentage for the year 2000-2001.

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 2000-01 and 2001-2002 as furnished by the department are given below:-

Year	Cases pending at the beginning of the year	Cases due for assessment during the year	Total	Cases finalised during the year	Cases pending at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2000-01	34983	23233	58216	17709	40507	70
2001-02	40507	45372	85879	44681	41198	48

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 department are given below: -

(Rupees in lakh)

Sl. No.	Department	Cases pending as on 31 March 2001	Cases detected during 2001-2002	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	Water Resources	2	Nil	Nil	Nil	2
2	Finance (Commercial Taxes)	97	113	131	24.08	79

Information from other departments, though called for (June 2002), have not been received (January 2004) despite several reminders to departmental heads and personal meetings.

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 2001-2002 and the corresponding figures for period 15.11.2000 to 31.3.2001, as furnished by the Finance (Commercial Taxes) Department are given below: -

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment		Total collection of taxes	Percentage of pre-assessment collection to total collection (Col 2 to 5)
		Additional demand	Penalty for delay in payment of Taxes and Duties		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
2000-01	598.76	16.20	0.19	615.15	97
2001-02	1793.83	109.98	3.06	1906.87 ³	94

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

³ The figures supplied by department are different from Finance Account. Please see para 1.01 (i).

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: -

(Rupees in crore)

Sl. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
1	2	3	4	5
1.	Taxes on Sales, Trade etc.	1243.44	603.93	Out of Rs. 1243.44 crore, demands for Rs. 133.37 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs.897 crore and Rs. 5.94 crore had been stayed by Courts and government respectively. Action taken in respect of remaining arrears of Rs. 207.13 crore, though called for (June 2002), has not been intimated (January 2004).
2.	Non-Ferrous Mining and Metallurgical Industries	370.75	277.94	Out of Rs. 370.75 crore, demands for Rs. 254.54 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs. 4.43 crore and Rs 16.74 crore had been stayed by Courts and Government respectively. Recovery of Rs. 5.32 crore was held up due to rectification/ review of applications. Amount of Rs. 1.65 crore was held up due to dealer/party becoming insolvent. Amount of Rs. 9.86 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 78.21 crore, though called for (June 2002) has not been intimated (January 2004).
3.	Taxes on Vehicles	114.96	NA	Out of Rs. 114.96 crore, demands for Rs. 2.67 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs. 0.01 crore had been stayed by Courts. Specific action taken in respect of the remaining arrears of Rs. 112.28 crore, though called for (June 2002), has not been intimated (January 2004).
4.	Electricity Duty	18.38	Nil	Specific action taken in respect of arrears of Rs 18.38 crore though called for (June 2002) has not been intimated (January 2004).
5.	State Excise	5.83	NA	Specific action taken in respect of arrears, though called for (June 2002) has not been intimated (January 2004).

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
6.	Water Rates	5.30	NA	Out of Rs.5.30 crore, demands for Rs.0.06 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs. 5.24 crore, though called for (June 2002), has not been intimated (January 2004).
7.	Entry Tax	2.03	Nil	Specific action taken in respect of arrears of Rs 2.03 crore though called for (June 2002) has not been intimated (January 2004).
8.	Stamps & Registration	0.63	NA	Specific action taken in respect of arrears, though called for (June 2002) has not been intimated (January 2004).
9.	Land Revenue	0.31	NA	Specific action taken in respect of arrears, though called for (June 2002) has not been intimated (January 2004).

The position of arrears of revenue pending collection at the end of 2001-2002 in respect of other departments, though called for (June 2002), has not been furnished by the Government (January 2004).

1.08 Pending appeals

As per the information furnished (May 2003) 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 2000-2001 and 2001-02 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
2000-01	5704	2055	7759	1717	6042	22
2001-02	6042	455	6497	448	6049	07

1.09 Refunds of Revenue

The number of refund cases pending at the beginning of the year 2001-02, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2001-02, as reported by the departments are given below:

(Rupees in crore)

Head of Revenue	Claims outstanding at the beginning of the year		Claims received during the year		Refunds made during the year		Balance outstanding at the end of the year	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Taxes on Sales, Trade etc.	1307	4.08	908	6.30	102	5.36	2113	5.02
State Excise	1523	2.87	282	1.27	299	0.28	1506	3.86

1.10 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. 922.19 crore in 1349 cases. During the course of the year 2001-2002, the concerned departments accepted under-assessments etc., of Rs.363.39 crore involved in 319 cases of which 106 cases involving Rs.337.50 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.289.37 crore. These cases represent the important cases out of the cases of under-assessment and other irregularities pointed out by Audit. Of these, the department/ government have accepted audit observations involving Rs.8.51 crore. Audit observations with a total revenue effect of Rs.0.81 crore have not been accepted by the government. However, as the grounds attributed were at variance with the facts or legal provisions, these have not been accepted by Audit for reasons indicated in the relevant paragraphs/ reviews. Final reply has not been received in other cases (January 2004).

1.11 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 as on 30 June 2002 are given below:-

	As at the end of June 2002
1. Number of outstanding inspection reports	3347
2. Number of outstanding audit observations	14996
3. Revenue effect involved (Rupees in crore)	2617.59

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

(Rupees in crore)						
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	1311	4007	1980-81	592.12
2	Finance (Commercial Taxes)	Taxes on Sales, Trade etc.	423	3229	1982-83	509.80
		Minor Taxes	279	469	1984-85	33.91
3	Excise and Prohibition	State Excise	185	1107	1985-86	69.13
4	Transport	Taxes on Vehicles	175	1824	1984-85	182.72
5	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	380	3129	1980-81	810.90
6	Water Resources	Water Rates	230	372	1982-83	99.44
7	Revenue (Registration Department)	Stamps and Registration	147	314	1984-85	20.05
8	Forest and Environment	Forest receipts	217	545	1984-85	299.52

(c) Although government have instructed that first replies to the inspection reports should be furnished within one month of the receipt of the inspection reports, in respect of 1131 inspection reports issued upto December 2001, even 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	2	3	4
1. Revenue	Land Revenue	804	1980-81
2. Excise and Prohibition	State Excise	26	1985-86
3. Transport	Taxes on vehicles	55	1984-85

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
4. Finance (Commercial Taxes)	(i) Taxes on Sales, Trade etc.	35	1999-2000
	(ii) Electricity Duty	18	1998-99
	(iii) Taxes on Goods and Passengers		
	(iv) Entertainments Tax		
5. Revenue (Registration Department)	Stamps and Registration Fees	35	1995-96
6. Mines and Geology	Non-ferrous Mining And Metallurgical Industries	49	1982-83
7. Water Resources	Water Rates	7	1998-99
8. Forest and Environment	Forest Receipts	102	1981-82
	Total	1131	

The above position was brought to the notice of the Chief Secretary to the Government (between July and September 2002) but no reply has been received (January 2004). Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of outstanding audit observations and inspection reports.

1.12 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 representative of the concerned administrative department and attended among others by the concerned officers and the officers from office of the Accountant General.

To expedite the clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken in all audit observations outstanding for more than a year, leading to their settlement. During the year 2001-02, the government departments were requested (August 2001) to hold 4 audit committee meetings but only one meeting was held (December 2001) in which 68 paragraphs involving Rs 50.86 lakh were settled. This indicated lack of interest on the part of government towards settlement of outstanding audit observations (14996 Nos.) involving Rs.2617.59 crore as on 30 June 2002.

1.13 Response of the departments to draft audit paragraphs

According to the instructions issued (1966) by government of Bihar, replies to draft audit paragraphs are required to be communicated to the Accountant General within six weeks from the date of receipt of the same. Draft paragraphs are forwarded to the secretaries drawing their attention to the audit findings requesting them to send their response within six weeks. The fact of

non-receipt of replies from government is indicated at the end of each paragraph included in the Audit Report.

27 draft paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Revenue Receipts)-Government of Jharkhand were forwarded to the Secretaries to Government.

The Secretaries of the various departments did not send replies to 27 draft paragraphs. Therefore all the 27 paragraphs have been included in this report without the response of the Government.