

CHAPTER –I : General

1.1 Trend of revenue receipts¹

The tax and non-tax revenue raised by the Government of Jharkhand during the year 2002-2003, 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 and 2001-2002 are given below: -

(Rupees in crore)				
		15.11.2000 to 31.3.2001	2001-2002	2002-2003
I.	Revenue raised by the State Government			
	(a) Tax revenue	697.10	1585.48	1750.30
	(b) Non-tax revenue	348.59	851.88	987.14
	Total	1045.69	2437.36	2737.44
II	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	582.42	1603.19	1702.52
	(b) Grants- in –aid	336.06	454.47	496.82
	Total	918.48	2057.66	2199.34
III	Total receipts of the State Government (I & II)²	1964.17	4495.02	4936.78
IV	Percentage of I to III	53	54	55

The above table indicates that during 2002-2003 the state Government could raise only 55 per cent of the total revenue receipts (Rs 4936.78 crore) and 45 per cent of receipts were from Government of India. The contribution of revenue raised by the State Government to total revenue receipts remained almost stagnant during the period 2001-2002 and 2002-2003.

¹ Being a new State there is no figure for completed years prior to 2001-02 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 2002-03. 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.

1.1.1 Grants- in -aid

Details of grants- in- aid received from Government of India are as under:

(Rupees in crore)

Particulars of grants -in -aid	2000-2001 (from 15.11.2000 to 31.3.2001)		2001-2002		2002-2003	
	Amount/	percentage	Amount/	percentage	Amount/	percentage
Non- plan	83.04	(24.71)	95.65	(21.05)	42.11	(8.48)
Plan	253.02	(75.29)	358.82	(78.95)	454.71	(91.52)
Total	336.06	(100)	454.47	(100)	496.82	(100)

1.1.2 The details of the tax revenue raised during the year 2002-2003 alongwith the figures for the period 15.11.2000 to 31.3.2001 and 2001-2002 are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	15.11.2000 to 31.3.2001	2001-2002	2002-2003	Percentage of increase or decrease in 2002-2003 over 2001-2002
1	Taxes on Sales, Trade etc.	584.95	1238.70	1366.14	(+) 10.
2	State Excise	37.45	100.21	98.51	(-) 2
3	Stamps and Registration Fees	24.83	63.88	82.87	(+) 30
4	Taxes on Vehicles	18.27	86.10	104.91	(+) 22
5	Taxes and Duties on Electricity	16.34	57.18	34.70	(-) 39
6	Taxes on Goods and Passengers- Tax on entry of goods into local area	9.18	22.23	38.65	(+) 74
7	Other Taxes and Duties on Commodities and Services	3.04	7.20	9.37	(+) 30
8	Land Revenue	3.04	9.98	15.15	(+) 52
	Total	697.10	1585.48	1750.30	(+) 10

The reasons for variations in receipts from that of previous year, though called for (December 2003) from the concerned departments, have not been furnished (October 2004).

1.1.3 The details of non-tax revenue raised during the year 2002-2003 alongwith the figures for the period 15.11.2000 to 31.3.2001 and 2001-2002 are given below:

(Rupees in crore)

Sl. No	Head of Revenue	15.11.2000 to 31.3.2001	2001-2002	2002-2003	Percentage of increase or decrease in 2002-2003 over 2001-2002
1	Non-ferrous Mining and Metallurgical Industries	325.16	709.13	802.72	(+) 13
2	Forestry and Wild Life	4.81	15.70	22.50	(+) 43
3	Interest Receipts	0.08	61.06	96.08	(+) 57
4	Social Security and Welfare	1.38	2.47	5.31	(+) 115
5	Others	17.16	63.52	60.53	(-) 5
	Total	348.59	851.88	987.14	(+) 16

The reasons for variations in receipts from that of previous year, though called for (December 2003) from the concerned departments, have not been furnished (October 2004).

1.2 Variations between the budget estimates and actuals

The variations between revised estimates of revenue receipts for the year 2002-2003 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 of variation
A	Tax Revenue				
1	Taxes on Sales, Trade etc	1621.54	1366.14	(-) 255.40	(-) 16
2	State Excise	224.10	98.51	(-) 125.59	(-) 56
3	Stamps and Registration Fees	91.65	82.87	(-) 8.78	(-) 10
4	Taxes on Vehicles	182.75	104.91	(-) 77.84	(-) 43
5	Taxes and Duties on Electricity	83.33	34.70	(-) 48.63	(-) 58
6	Land Revenue	7.08	15.15	(+) 8.07	(+) 114
7	Other Taxes and Duties on Commodities and Services	27.02	9.37	(-) 17.65	(-) 65.
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	46.31	38.65	(-) 7.66	(-) 17
B	Non-Tax Revenue				
1	Non-ferrous Mining and Metallurgical Industries	813.13	802.72	(-) 10.41	(-) 1
2	Forestry and Wild Life	4.85	22.50	(+) 17.65	(+) 364
3.	Interest Receipts	56.03	96.08	(+) 40.05	(+) 71
4	Social security and welfare	11.84	5.31	(-) 6.53	(-) 55

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

- **State Excise:** Excise and Prohibition Department attributed the shortfall to shortage of resources and target being set more than the sources available.
- **Forest and Wild Life:** Forest and Environment Department attributed the increase to receipt of Net Present Value (NPV) of forest land diverted for non forestry purpose.
- **Commercial taxes:** Commercial Taxes Department attributed the shortfall to excess fixation of target in comparison to 2001-2002 in respect of revenue under the head 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.

Information from other departments, though called for in December 2003, have not been received till October 2004.

1.3 Analysis of collections

Break-up of total collections 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 2002-2003 and the figures of tax for the period 15.11.2000 to 31.3.2001 and 2001-2002 as furnished by the Department is given below: -

(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
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
Taxes on Sales, Trade etc	2000-2001	598.76	16.20	0.19	-	615.15	97
	2001-2002	1,793.83	109.98	3.06	-	1,906.87 ³	94
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	2002-2003	1,400.06	19.57	0.73	6.38	1,413.98 ⁴	99

It would be seen from above that collection of taxes at pre – assessment stage was between 94 per cent and 99 per cent during the last three years.

³ The figures supplied by department are different from the Finance Account. Please see para 1.1.2.

⁴ The above figures includes revenue under the major heads 0040, 0042, 0043 and 0045 as the department failed to supply bifurcated figures under each revenue head separately.

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 the years 2001-2002 and 2002-2003 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2001-2002 were as follow:-

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2001-2002
1	Taxes on Sales, Trade etc	2001-2002	1,238.70	11.67	0.94	1.26
		2002-2003	1,366.14	12.20	0.89	
2	Taxes on Vehicles	2001-2002	86.10	1.69	1.96	2.99
		2002-2003	104.91	1.91	1.82	
3	State Excise	2001-2002	100.21	5.61	5.60	3.21
		2002-2003	98.51	5.31	5.39	
4	Stamps & Registration fees	2001-2002	63.88	3.96	6.20	3.51
		2002-2003	82.87	3.78	4.56	

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 2001-2002.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs 2943.57 crore of which Rs 596.59 crore were outstanding for more than five years as detailed in the following table: -

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than five years as on 31 March 2003	Remarks
1	2	3	4	5
1.	Taxes on Sales, Trade etc Taxes on Entry of Goods and passengers, Taxes and Duties on Electricity and Other Taxes and Duties on	2,568.83	316.16	Total arrears of revenue as on 31.3.2003 as reported by the Department was Rs 2,568.83 crore but breakup of Rs 1,334.73 crore only was furnished. Out of Rs 1,334.73 crore, demand for Rs 146.41crore had been certified for recovery as arrears of land revenue. Recovery of Rs 606.73 crore and Rs 483.75 crore had been stayed by Courts and Government respectively. Amount of Rs 1.36 crore was held up due to dealers / party

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
	commodities and services			becoming insolvent. Specific action taken in respect of the remaining arrears of Rs 96.48 crore though called for (December 2003) has not been intimated till October 2004.
2.	Non-Ferrous Mining and Metallurgical Industries	365.26 ⁵	280.43	Out of Rs 365.26 crore, demand for Rs 233.86 crore and Rs 3.33 crore had been stayed by Courts and Government respectively. Recovery of Rs 18.01 crore was held up due to rectification/ review of applications. Amount of Rs 0.01 crore was held up due to dealer/ party becoming insolvent. Amount of Rs 6.27 crore was likely to be written off. Recovery of amount of Rs 12.78 crore was pending in other stages. Specific action taken in respect of remaining arrears of Rs 91.00 crore, though called for (December 2003) has not been intimated till October 2004.
3.	State Excise	6.12	NA	Specific action taken in respect of arrears of Rs 6.12 crore though called for (December 2003) has not been intimated till October 2004.
4.	Stamps & Registration	2.39	NA	Specific action taken in respect of arrears of Rs 2.39 crore though called for (December 2003) has not been intimated till October 2004.
5.	Land Revenue	0.97	NA	Specific action taken in respect of arrears of Rs 0.97 crore though called for (December 2003) has not been intimated till October 2004.
Total		2,943.57	596.59	

The position of arrears of revenue pending collection at the end of 2002-2003 in respect of other departments, though called for (December 2003) has not been furnished by the Government (October 2004).

1.6 Arrears in assessments

The details of cases pending at the beginning of the year 2002-2003 cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of year as furnished by the Commercial Taxes Department are as follows:

⁵ Provisional figure (excluding Bokaro, Chatra, Ranchi and Jamshedpur)

Head of revenue	Opening balance	New cases due for assessment during 2002-03	Total assessments due	Cases disposed of during 2002-03	Balance at the end of the year	Percentage of Column 6 to 4
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
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	43,844	49,346	93,190	52,738	40,452 ⁶	43

From the above it could be seen that pendency in finalisation of assessments was 43 per cent under various heads of revenue, resulting in delay in corresponding realisation of revenue in these cases.

1.7 Evasions of tax

The details of cases of evasion of tax detected by Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the department are given below: -

Sl. No.	Head of revenue	Cases pending as on 31 March 2002	Cases detected during 2002-2003	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 2003
					No. of cases	Amount of demand	
					(Rupees in lakh)		
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	54 ⁷	43	97	42	14.03	55

It would be seen from the above that the department could finalise 42 cases only which is 34 per cent of the total number of cases pending for settlement

⁶ Number of assessment pending finalisation as on 31.3.2003 as reported by the department was 41,283 cases instead of correct figures worked out to 40,452 cases.

⁷ Differs by 25 from the closing balance of 79 given earlier by the Departments shown in the Audit Report for the year 2001-2002.

taking into account the closing balance as reflected in Audit Report 2001-2002.

1.8 Refunds

The refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year as reported by the departments are given below:

Sl.No.	Particulars	(Rupees in crore)	
		Sales Tax, Taxes on Entry of Goods and passengers, Taxes and Duties on Electricity and Other Taxes and Duties on commodities and services	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	1,210 ⁸	7.01
2	Claims received during the year	222	9.20
3	Refunds made during the year	253	6.43
4	Balance outstanding at the end of the year	1,179 ⁹	9.78

1.9 Results of audit

Test check of the records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and Other Non- Tax Receipts conducted during the year 2002-2003 revealed under-assessment/short levy/loss of revenue amounting to Rs 627.41 crore in 10,721 cases. During the year the concerned departments accepted under-assessments etc., of Rs 101.19 crore involved in 157 cases of which 44 cases involving Rs 90.85 crore had been pointed out in audit during 2002-2003 and the rest in earlier years.

This Report contains 42 paragraphs including three reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs 392.30 crore. Of these, the Department/ Government have accepted audit observations involving Rs 84.23 crore. Audit observations with a total revenue effect of Rs 16.85 crore have not been accepted by the Government. Final reply has not been received in other cases.

⁸ Differs by (+) Rs 1.99 crore in (-) 903 cases from the closing balance of Rs 5.02 crore in 2113 cases given earlier by the department and shown in the Audit Report for the year 2001-2002.

⁹ Balance outstanding as on 31.3.2003 as reported by the Department was 1,171 cases and Rs 734.68 lakh.

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

Audit observation on financial irregularities and defects in initial records, noticed during local audit and not settled on the spot, are communicated to the head 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 actions. Besides, half yearly reports of such observation outstanding for more than six months are forwarded to Government to expedite their settlement.

Inspection Reports issued upto December 2002 disclosed that 16,712 paragraphs involving money value of Rs 1,677.38 crore relating to 3,218 Inspection Reports remained outstanding at the end of June 2003. Even the first replies, required to be received within one month of the receipt of the Inspection Reports, were not received in respect of 1,311 IRs issued between 1980-1981 and 1999-2000.

Department wise break up of Inspection Reports and audit observations outstanding as on 30 June 2003 is given below:

Sl. No.	Department	Revenue head	Position of Inspection Reports issued upto Dec 2002 but not settled at the end of June 2003			Year to which earliest pending Inspection Reports relate	Position of Inspection Reports in respect of which first reply not received	
			IRs	Paras	Money value (Rs in crore)		IRs	earliest year to which IR relates
1	Revenue	Land Revenue	1349	4245	194.58	1980-81	921	1980-81
2	Finance (Commercial taxes)	Taxes on Sales Trade etc	466	5638	305.62	1982-83	39	1999-2000
		Minor taxes	153	234	38.33	1984-85	55	1998-99
3	Excise & Prohibition	State Excise	197	1165	85.02	1985-86	21	1985-86
4	Transport	Taxes on vehicles	190	1818	186.83	1984-85	42	1984-85
5	Mines & Geology	Non-ferrous mining and metallurgical industries	306	2679	444.15	1980-81	42	1984-85
6	Water resources	Water rates	193	299	99.83	1982-83	10	1998-99
7	Revenue (Registration Department)	Stamps and Registration fees	158	330	20.88	1984-85	39	1995-96
8	Forest & Environment	Forest Receipts	206	304	302.14	1984-85	142	1984-85
Total			3218	16712	1677.38		1311	

The above position was brought to the notice of the Chief Secretary to the Government in December 2003 but no reply has been received till October 2004. Unsatisfactory compliance by the Departments in settlement of audit observations resulted in increasing trend of audit observations and inspection reports.

The large pendency of IRs due to non receipt of replies indicate that Heads of Offices and Heads of Department have failed to initiate action to rectify the defects, omission and irregularities pointed out in the Inspection Reports. It is recommended that Government should take suitable steps to ensure that effective procedure exists for (a) prompt and appropriate response to the audit observations (b) action against officials/ officers failing to send replies to IRs/ paras as per the prescribed time scheduled.(c) action to recover loss/ outstanding demands in a time bound manner.

1.11 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 officers from office of the Accountant General. To expedite the clearance of the outstanding 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 2002-2003, the Government departments were requested (between June and December 2002) to hold audit committee meetings and four meetings were held between August 2002 and February 2003 in which 181 Paragraphs involving Rs 437.54 crore were settled.

1.12 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.

42 paragraphs including three reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Revenue Receipts), Government of Jharkhand were forwarded to the Secretaries to Government. Replies in respect of 14 draft paragraphs were received from the Department.

1.13 Follow up on Audit Reports- Summarized position

36 paragraphs related to Audit Report (Revenue Receipts) 1999-2000 are under discussion in the Public Accounts Committee (PAC) of Jharkhand.