

## Chapter –I : General

### 1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jharkhand during the year 2003-2004, 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 two years are given below: -

		(Rupees in crore)		
		2001-2002	2002-2003	2003-04
<b>I.</b>	<b>Revenue raised by the State Government</b>			
	(a) Tax revenue	1,585.48	1,750.30	1,986.22
	(b) Non-tax revenue	851.88	987.14	1,105.55
	<b>Total</b>	<b>2,437.36</b>	<b>2,737.44</b>	<b>3,091.77</b>
<b>II.</b>	<b>Receipts from the Government of India</b>			
	(a) State's share of divisible Union taxes	1,603.19	1,702.52	1,979.73
	(b) Grants-in-aid	454.47	496.82	566.27
	<b>Total</b>	<b>2,057.66</b>	<b>2,199.34</b>	<b>2,546.00</b>
<b>III.</b>	<b>Total receipts of the State Government (I &amp; II)<sup>1</sup></b>	<b>4,495.02</b>	<b>4,936.78</b>	<b>5,637.77</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>54</b>	<b>55</b>	<b>55</b>

The above table indicates that during 2003-2004 the state Government could raise only 55 *per cent* of the total revenue receipts (Rs 5,637.77 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 stagnant during the period 2002-2003 and 2003-2004.

**1.1.1** The details of the tax revenue raised during the year 2003-2004 alongwith the figures for the preceding two years are given below: -

		(Rupees in crore)			
Sl. No.	Head of Revenue	2001-2002	2002-2003	2003-2004	Percentage of increase or decrease in 2003-2004 over 2002-2003
1	Taxes on Sales, Trade etc.	1,238.70	1,366.14	1,601.02	(+) 17
2	State Excise	100.21	98.51	96.49	(-) 2
3	Stamps and Registration Fees	63.88	82.87	81.75	(-) 1
4	Taxes on Vehicles	86.10	104.91	98.66	(-) 6

<sup>1</sup> For details, please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government for the year 2003-04. 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	2	3	4	5	6
5	Taxes and Duties on Electricity	57.18	34.70	30.85	(-) 11
6	Taxes on Goods and Passengers-Tax on entry of goods into local area	22.23	38.65	53.78	(+) 39
7	Other Taxes and Duties on Commodities and Services	7.20	9.37	6.70	(-) 28
8	Land Revenue	9.98	15.15	16.97	(+) 12
	<b>Total</b>	<b>1,585.48</b>	<b>1,750.30</b>	<b>1,986.22</b>	<b>(+) 13</b>

The reasons for variation in receipts from that of previous year, though called for in July 2004 from the concerned departments, have not been received (April 2005).

1.1.2 The details of non-tax revenue raised during the year 2003-2004 alongwith the figures for the preceding two years are given below:

(Rupees in crore)

Sl. No	Head of Revenue	2001-2002	2002-2003	2003-2004	Percentage of increase or decrease in 2003-2004 over 2002-2003
1	Non-ferrous Mining and Metallurgical Industries	709.13	802.72	919.94	(+)15
2	Forestry and Wild Life	15.70	22.50	21.74	(-) 3
3	Interest Receipts	61.06	96.08	46.65	(-) 51
4	Social Security and Welfare	2.47	5.31	14.02	(+) 164
5	Others	63.52	60.53	103.20	(+)70
	<b>Total</b>	<b>851.88</b>	<b>987.14</b>	<b>1,105.55</b>	<b>(+) 12</b>

The reasons for variations in receipts from that of previous year, though called for in July 2004 from the concerned departments, have not been received (April 2005).

## 1.2 Variations between the budget estimates and actuals

The variations between revised estimates and actuals of revenue receipts for the year 2003-2004 in respect of 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
1	2	3	4	5	6
<b>A</b>	<b>Tax Revenue</b>				
1	Taxes on Sales, Trade etc	1,549.97	1,601.02	(+) 51.05	(+) 3
2	State Excise	252.47	96.49	(-) 155.98	(-) 62
3	Stamps and Registration Fees	108.00	81.75	(-) 26.25	(-) 24
4	Taxes on Vehicles	207.95	98.66	(-) 109.29	(-) 53

1	2	3	4	5	6
5	Taxes and Duties on Electricity	83.71	30.85	(-) 52.86	(-) 63
6	Land Revenue	7.79	16.97	(+) 9.18	(+) 118
7	Other Taxes and Duties on Commodities and Services	27.88	6.70	(-) 21.18	(-) 76
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	46.52	53.78	(+) 7.26	(+) 16
<b>B</b>	<b>Non-Tax Revenue</b>				
1	Non-ferrous Mining and Metallurgical Industries	975.31	919.94	(-) 55.37	(-) 6
2	Forestry and Wild Life	2.82	21.74	(+) 18.92	(+) 671
3.	Interest Receipts	56.03	46.65	(-) 9.38	(-) 17
4	Social security and welfare	11.90	14.02	(+) 2.12	(+) 18

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.
- **Forestry 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.
- **Land Revenue:** Revenue and Land Reforms Department attributed the increase to land acquisition and excess transfer of land for the projects/renewal of leases.

Besides reasons for variation wherever found substantial in respect of other departments, though called for in July 2004, have not been received (April 2005).

### 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 2003-04 and the corresponding figures for the preceding two years as furnished by the Department was as follows:

(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.	2001-2002	1,793.83	109.98	3.06	NA	1,906.87	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	99
	2003-2004	1,655.93	43.46	0.85	14.07	1,686.17 <sup>2</sup>	98

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

#### 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 2002-2003 and 2003-2004 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2002-2003 were as follows:

(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 2002-03
1	Taxes on Sales, Trade etc	2002-2003	1,366.14	12.20	0.89	1.18
		2003-2004	1,601.02	12.21	0.76	
2	Taxes on Vehicles	2002-2003	104.91	1.91	1.82	2.86
		2003-2004	98.66	1.94	1.97	
3	State Excise	2002-2003	98.51	5.31	5.39	2.92
		2003-2004	96.49	5.59	5.79	
4	Stamps & Registration fees	2002-2003	82.87	3.78	4.56	3.46
		2003-2004	81.75	3.39	4.15	

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

<sup>2</sup> The figures supplied by department are different from the Finance Account. Please see para 1.1.1.

### 1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs 1,626.59 crore of which Rs 1,169.18 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 2004	Amount outstanding for more than five years as on 31 March 2004	Remarks
1	2	3	4	5
1.	Taxes on Sales, Trade etc.	1,286.08	1,053.87	Out of the arrears of Rs 1,286.08 crore, demand for Rs 134.75 crore had been certified for recovery as arrears of land revenue. Recovery of Rs 468.35 crore and Rs 523.30 crore had been stayed by Courts and other appellate authorities. Amount of Rs 1.37 crore was held up due to dealers/ party becoming insolvent. Specific action taken in respect of the remaining arrears of Rs 158.31 crore though called for in July 2004 has not been intimated (April 2005)
2.	Non-Ferrous Mining and Metallurgical Industries	166.34 <sup>3</sup>	113.71	Out of Rs 166.34 crore, demand for Rs 81.85 crore had been certified for recovery as arrear of land revenue. Recovery for Rs 61.47 crore and Rs 2.74 crore had been stayed by Courts and other appellate authorities. Recovery of Rs 2.07 crore was held up due to rectification/ review of applications. Amount of Rs 0.07 core was held up due to dealer/ party becoming insolvent. Amount of Rs 3.79 crore was likely to be written off. Specific action taken in respect of remaining arrears of Rs 14.35 crore, though called for in July 2004 has not been intimated (April 2005).
3.	State Excise	6.27	NA	Specific action taken in respect of arrears of Rs 6.27 crore though called for in July 2004 has not been intimated (April 2005).
4.	Stamps & Registration	1.40	NA	Specific action taken in respect of arrears of Rs 1.40 crore though called for in July 2004 has not been intimated (April 2005).
5.	Land Revenue	2.03	NA	Specific action taken in respect of arrears of Rs 2.03 crore though called for in July 2004 has not been intimated (April 2005).
6	Water Rates	129.04	NA	Out of Rs 129.04 crore, demands for Rs 0.06 crore had been certified for recovery of land revenue. Recovery amounting to Rs 123.09 crore and Rs 5.89 crore had been stayed by Court and the appellate authorities.
7.	Taxes on Entry of Goods and Passengers	2.35	1.22	Out of total arrears of Rs 2.35 crore, demand for Rs 0.25 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs 2.10 crore though called for in July 2004 has not been intimated (April 2005).

<sup>3</sup> Total arrears of revenue as on 31.3.2004 is shown Rs 166.34 crore whereas its break up reflects Rs 166.31 crore only.

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
8.	Taxes and Duties on Electricity	18.34	0.26	Out of total arrears of Rs 18.34 crore, demand for Rs 0.17 crore had been certified for recovery as arrears of land revenue. Recovery of Rs 5.20 crore had been stayed by the court. Specific action taken in respect of the remaining arrears of Rs 12.97 crore though called for in July 2004 has not been intimated (April 2005).
9.	Other Taxes and Duties on Commodities and Services	14.74	0.12	Out of total arrears of Rs 14.74 crore, demand for Rs 5.98 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs 8.76 crore though called for in July 2004 has not been intimated (April 2005).
<b>Total</b>		<b>1,626.59</b>	<b>1,169.18</b>	

The position of arrears of revenue pending collection at the end of 2003-2004 in respect of other departments, though called for (July 2004) has not been furnished by the Government (April 2005).

### **1.6 Collection of sales tax per assessee**

(Rupees in lakh)			
Year	No of assessee	Sales tax Revenue <sup>4</sup>	Revenue per assessee
2001-02	46,121	1,33,012.54	2.88
2002-03	49,136	1,44,453.68	2.94
2003-04	52,315	1,69,938.70	3.25

The above table reveals that revenue collection per assessee increased from Rs 2.88 lakh in the year 2001-2002 to Rs 3.25 lakh in 2003-2004.

### **1.7 Arrears in assessments**

The details of cases pending at the beginning of the year 2003-04, 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:

<sup>4</sup> Figures as furnished by the Department differ from those in Finance Accounts. Please see paragraph 1.1.1

Head of revenue	Opening balance	New cases due for assessment during 2003-04	Total assessments due	Cases disposed of during 2003-04	Balance at the end of the year	Percentage of Column 6 to 4
1	2	3	4	5	6	7
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	40,667 <sup>5</sup>	46,434	87,101	47,255	39,846	46

From the above it could be seen that pendency in finalisation of assessments was 46 per cent under various heads of revenue, resulting in delay in corresponding realisation of revenue in these cases.

### 1.8 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: -

(Rupees in lakh)

Sl. No.	Head of revenue	Cases pending as on 31 March 2003	Cases detected during 2003-2004	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 2004
					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	67 <sup>6</sup>	124	191	138	33.01	53
2.	Water Rates	02	--	--	--	--	02

It would be seen from the above that the Commercial Taxes Department could finalise 138 cases only which is 72 per cent of the total number of cases pending for settlement, while the Water Resources Department could not finalise any case during 2003-2004 which were pending for settlement as on 31.3.2003.

### 1.9 Refunds

<sup>5</sup> Differs by 215 cases from closing balance of 40,452 cases given earlier by the Department as shown in Audit Report for the year 2002-2003.

<sup>6</sup> Differs by 12 cases from the closing balance of 55 cases given earlier by the Departments as shown in the Audit Report for the year 2002-2003.

The refund cases pending at the beginning of the year 2003-04, 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:

(Rupees in crore)			
Sl.No.	Particulars	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	1,260 <sup>7</sup>	15.01
2	Claims received during the year	201	16.51
3	Refunds made during the year	260	14.07
4	Balance outstanding at the end of the year	1,201	17.45

### 1.10 Results of audit

Test check of the records of Sales Tax, Land Revenue, State Excise, Taxes on Vehicles, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and Other Non- Tax Receipts conducted during the year 2003-2004 revealed under-assessment/short levy/loss of revenue amounting to Rs 808.02 crore in 65,000 cases. During the year the concerned departments accepted under-assessments etc., of Rs 157.65 crore involved in 2,324 cases of which 1,709 cases involving Rs 112.12 crore had been pointed out in audit during 2003-2004 and the rest in earlier years.

This Report contains 31 paragraphs including two reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs 319.72 crore. Of these, the Department/ Government have accepted audit observations involving Rs 265.50 crore. Audit observations with a total revenue effect of Rs 4.98 crore have not been accepted by the Government. Final reply has not been received in other cases.

### 1.11 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 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 2003 disclosed that 16,999 paragraphs involving money value of Rs 3,416.70 crore relating to 3,404 Inspection Reports remained outstanding at the end of June 2004. Even the

<sup>7</sup> Differs by (+) Rs 5.23 crore in (+) 81 cases from the closing balance of Rs 9.78 crore in 1179 cases as furnished earlier by the department and shown in Audit Report 2002-2003.



first replies, required to be received within one month of the receipt of the Inspection Reports, were not received in respect of 1,195 IRs issued between 1980-1981 and 1999-2000.

Department wise break up of Inspection Reports and audit observations outstanding as on 30 June 2004 is given below:

Sl. No.	Department	Revenue head	Position of Inspection Reports issued upto Dec 2003 but not settled at the end of June 2004			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	1,389	4,332	197.32	1980-81	809	1980-81
2	Finance (Commercial taxes)	Taxes on Sales Trade etc.	464	5,466	726.88	1982-83	28	1999-2000
		Minor taxes	157	267	309.89	1984-85	61	1998-99
3	Excise & Prohibition	State Excise	202	1,202	1,049.00	1985-86	25	1985-86
4	Transport	Taxes on vehicles	207	1,895	205.53	1984-85	58	1984-85
5	Mines & Geology	Non-ferrous mining and metallurgical industries	318	2,835	457.30	1980-81	27	1984-85
6	Water resources	Water rates	193	299	99.83	1982-83	15	1998-99
7	Revenue (Registration Department)	Stamps and Registration fees	170	346	21.34	1984-85	52	1995-96
8	Forest & Environment	Forest Receipts	304	357	349.61	1984-85	120	1984-85
<b>Total</b>			<b>3,404</b>	<b>16,999</b>	<b>3,416.70</b>		<b>1,195</b>	

The above position was brought to the notice of the Chief Secretary to the Government in October 2004 but no reply has been received till April 2005.

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 schedule (c) action to recover loss/ outstanding demands in a time bound manner.

### 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 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 2003-2004, the Government departments held six audit committee meetings between July 2003 and January 2004 in which 240 Paragraphs involving Rs 27.41 crore were settled.

### **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.

Thirty one paragraphs including two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 were forwarded to the Secretaries to Government. Replies in respect of three paragraphs were received from the Government.

### **1.14 Follow up on Audit Reports- Summarized position**

Audit Report paragraphs related to Audit Report 1999-2000 (Revenue Receipts) were under discussion and a review meeting of Audit Report 2000-2001 was held in the PAC of Jharkhand during 2003-2004.

Recommendatory Report on one paragraph of Chapter IV and three sub-paragraphs of Chapter I of Audit Report 1999-2000 was presented to the State Legislature on 18 December 2003 by PAC Jharkhand.