



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Compliance Audit (Revenue)
For the year ended 31 March 2021**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Jharkhand
Report No. 1 of the year 2024

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Comptroller and Auditor General of India
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PREFACE

PREFACE

This Report for the year ended March 2021 has been prepared for submission to the Governor of Jharkhand under Article 151 of the Constitution of India.

The Report contains significant results of audit of selected departments of the Government of Jharkhand including the departments of Commercial Taxes, State Excise and Mines and Geology.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2020-21, as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2020-21 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

CHAPTER-I

OVERVIEW

CHAPTER - I: OVERVIEW

1.1 Introduction

This Report covers matters arising out of the Compliance Audit of some State Government Departments. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management of the organisations, contributing to better governance.

The Report has been organised in three chapters, as under:

- **Chapter 1** contains the overview of trend of revenue raised by the Government of Jharkhand and arrears of taxes pending collection against the backdrop of audit findings, response of the Government to Inspection Reports, Compliance Audits, follow-up action on Audit Reports etc. and significant audit observations included in this Audit Report.
- **Chapter 2** contains observations relating to Tax Receipts featuring a Compliance Audit on Transitional Credits and seven paragraphs relating to the Commercial Taxes Department and the Excise and Prohibition Department.
- **Chapter 3** contains observations relating to Non-Tax Receipts, featuring a Compliance Audit on the Working of the District Mineral Foundation Trust in Jharkhand and one paragraph relating to the Mines and Geology Department.

1.2 Trend of receipts

1.2.1 The tax and non-tax revenue raised by the Government of Jharkhand, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during 2020-21 and the corresponding figures for the preceding four years, are presented in **Table – 1.1**.

Table – 1.1
Trend of revenue receipts

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	Revenue raised by the State Government					
	• Tax revenue	13,299.25	12,353.44	14,752.04	16,771.45	16,880.08
	Percentage of growth compared to previous year	15.86	(-) 7.11	19.42	13.69	0.65
	• Non-tax revenue	5,351.41	7,846.67	8,257.98	8,749.98	7,564.01
	Percentage of growth compared to previous year	(-) 8.57	46.63	5.24	5.96	(-) 13.55
Total		18,650.66	20,200.11	23,010.02	25,521.43	24,444.09
2	Receipts from the Government of India					
	• State's share of divisible Union taxes and duties	19,141.92	21,143.63	23,906.16	20,593.04	19,712.23
	• Grants-in-aid	9,261.35	11,412.29	9,235.52	12,302.67	11,993.41
	Total	28,403.27	32,555.92	33,141.68	32,895.71	31,705.64

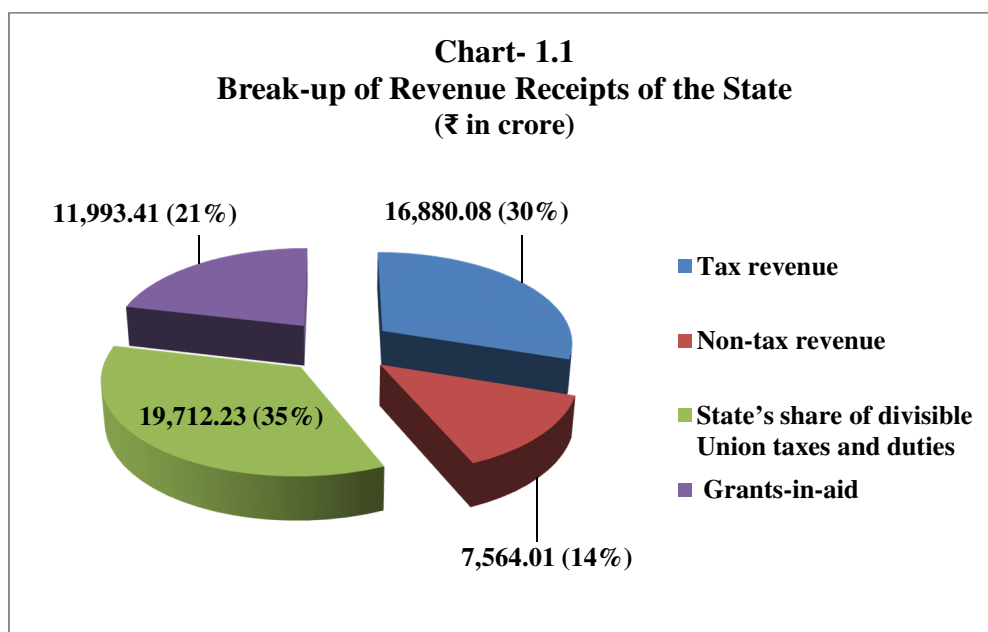
Table – 1.1
Trend of revenue receipts

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
3	Total receipts of the State Government (1 & 2)	47,053.93	52,756.03	56,151.70	58,417.14	56,149.73
4	Percentage of 1 to 3	40	38	41	44	44

Source: Finance Accounts of the Government of Jharkhand

The above table indicates that, during the year 2020-21, the revenue raised by the State Government (₹ 24,444.09 crore) was just 44 *per cent* of the total revenue receipts. The balance 56 *per cent* of receipts during 2020-21 was from the State's share of divisible Union taxes and duties and Grants-in-aid from the Government of India. Tax revenue raised by the State Government increased by 0.65 *per cent* while non-tax revenue decreased by 13.55 *per cent* in 2020-21, over 2019-20.

The break-up of revenue receipts of the State, for the financial year 2020-21, in terms of percentage, is shown in **Chart - 1.1**.



1.2.2 Details of tax revenue, raised during the period 2016-17 to 2020-21, are given in **Table - 1.2**.

Table – 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) in 2020-21 over 2019-20
1	Taxes on Sales, Trade etc.	10,549.25	5,714.69	3,474.96	3,996.33	4,300.89	(+) 7.62
2	State Goods and Services Tax	0.00	4,123.88	8,200.84	8,417.72	7,930.56	(-) 5.79

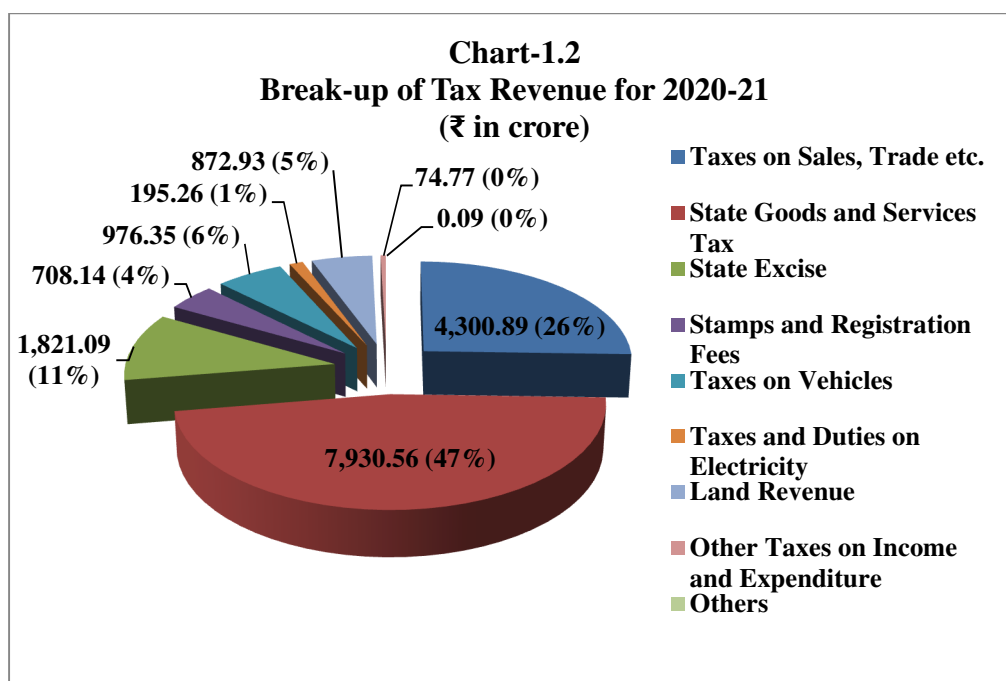
Table – 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) in 2020-21 over 2019-20
3	State Excise	961.68	840.81	1,082.82	2,009.27	1,821.09	(-) 9.37
4	Stamps and Registration Fees	607.00	469.34	451.04	560.33	708.14	(+) 26.38
5	Taxes on Vehicles	681.52	778.37	863.94	1,128.98	976.35	(-) 13.52
6	Taxes and Duties on Electricity	151.89	183.50	209.07	236.24	195.26	(-) 17.35
7	Land Revenue	240.26	156.01	389.38	337.98	872.93	(+) 158.28
8	Other Taxes on Income and Expenditure	67.69	73.98	78.61	83.93	74.77	(-) 10.91
9	Others	39.95	12.86	1.38	0.67	0.09	(-) 86.57
	Total	13,299.25	12,353.44	14,752.04	16,771.45	16,880.08	(+) 0.65

Source: Finance Accounts of the Government of Jharkhand

The break-up of tax revenue for the year 2020-21 is shown in **Chart - 1.2**.



The reasons for variation in receipts in 2020-21, from those of 2019-20, in respect of some principal heads of tax revenue, were as under:

Taxes on Sales, Trade etc.: The increase of 7.62 per cent was attributed (May 2022), by the Commercial Taxes Department, to revision of tax rates of petroleum products and Indian Made Foreign Liquor (IMFL).

State Goods and Services Tax: The decrease of 5.79 per cent was attributed (May 2022), by the Commercial Taxes Department, to the Covid-19 pandemic.

State Excise: The decrease of 9.37 *per cent* was attributed (December 2021), by the Excise and Prohibition Department, to decrease in sale volume of liquor, due to the Covid-19 pandemic and lockdown.

Stamps and Registration Fees: The increase of 26.38 *per cent* was attributed (November 2021), by the Revenue, Registration and Land Reforms Department, to withdrawal of exemption of stamp duty and registration fees on sale deed of immovable properties made in favour of women, from May 2020.

Taxes on Vehicles: The decrease of 13.52 *per cent* was attributed (November 2021), by the Transport Department, to spread of Covid-19 and lockdown.

Taxes and Duties on Electricity: The decrease of 17.35 *per cent* was attributed (May 2022), by the Commercial Taxes Department, to the Covid-19 pandemic.

Land Revenue: The increase of 158.28 *per cent* was attributed (November 2021), by the Revenue, Registration and Land Reforms Department, to payment of arrears of ₹ 500 crore, by Central Coalfields Ltd.

Other Taxes on Income and Expenditure: The decrease of 10.91 *per cent* was attributed (May 2022), by the Commercial Taxes Department, to the Covid-19 pandemic.

1.2.3 Details of non-tax revenue, raised during the period 2016-17 to 2020-21, are indicated in **Table - 1.3**.

Table – 1.3
Details of Non-Tax Revenue

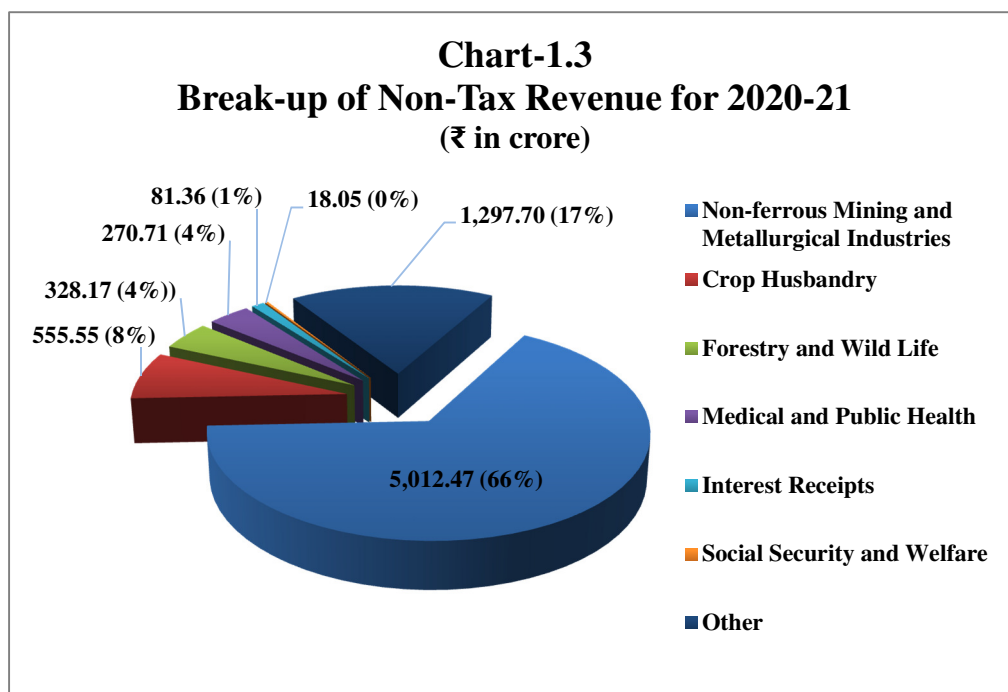
(₹ in crore)

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+) or decrease (-) in 2020-21 over 2019-20
1	Non-ferrous Mining and Metallurgical Industries	4,094.25	5,941.36	5,934.64	5,461.36	5,012.47	(-) 8.22
2	Crop Husbandry	5.89	166.19	15.23	160.40	555.55	(+) 246.35
3	Forestry and Wild Life	4.48	4.44	14.79	17.59	328.17	(+) 1,765.66
4	Medical and Public Health	20.53	14.22	25.58	8.75	270.71	(+) 2,993.83
5	Interest Receipts	121.34	168.88	47.20	309.51	81.36	(-) 73.71
6	Social Security and Welfare	36.79	135.78	8.46	84.61	18.05	(-) 78.67
7	Others ¹	1,068.13	1,415.80	2,212.08	2,707.76	1,297.70	(-) 52.07
	Total	5,351.41	7,846.67	8,257.98	8,749.98	7,564.01	(-) 13.55

Source: Finance Accounts of the Government of Jharkhand

The break-up of non-tax revenue, for the financial year 2020-21, is shown in **Chart - 1.3**.

¹ Others include General Services, Social Services and Economic Services.



The reasons for variation in receipts in 2020-21, from those of 2019-20, were not furnished by the concerned departments, despite several requests.

Interest Receipts: ‘Interest Receipts’ decreased by 73.71 *per cent* in 2020-21, over the previous year.

Crop Husbandry: Receipts under ‘Crop Husbandry’ increased by 246.35 *per cent* in 2020-21 over the previous year. Audit noticed that recoveries of unspent balance of grants-in-aid of ₹ 551.38 crore were incorrectly shown as revenue receipts of the State, under the minor head ‘913-Recoveries of unspent balance of grants-in-aid’, leading to sudden increase of receipts under Crop Husbandry.

Forestry and Wild Life: Receipts under ‘Forestry and Wild Life’ increased by 1,765.66 *per cent* in 2020-21 over the previous year. Audit noticed that during the year, receipts from minor head ‘103-Receipts from environmental forestry’ under sub-head ‘01-Forestry’ and minor head ‘112-Public Gardens’ under sub-head ‘02-Environment Forestry and Wild Life’ increased over 2019-20 by ₹ 15.62 crore and ₹ 300.34 crore respectively.

Medical and Public Health: Receipts under ‘Medical and Public Health’ increased by 2,993.83 *per cent* in 2020-21 over the previous year. Audit noticed that recoveries of unspent balance of grants-in-aid of ₹ 260.53 crore were incorrectly shown as revenue receipts of the State, under the minor head ‘913-Recoveries of unspent balance of grants-in-aid’, leading to increase of receipts under Medical and Public Health.

Social Security and Welfare: Receipts under the head ‘Social Security and Welfare’ decreased by 78.67 *per cent* in 2020-21 over the previous year. Audit noticed that, during the year 2019-20, recoveries of unspent balances of grants-in-aid had been incorrectly shown as revenue receipts of the State, under minor head ‘913 - Recoveries of unspent balances of grants-in-aid’, leading to increase in revenue receipts during 2019-20.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2021, in respect of four principal heads of revenue, amounted to ₹ 8,458.41 crore, of which ₹ 3,485.68 crore was outstanding for more than five years, as detailed in **Table-1.4**.

Table-1.4
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Arrears as on 31 March 2021	For more than five years as on 31 March 2021	Status of outstanding arrears						
				Demand issued	Stayed by judicial authorities	Stayed by Government	Rectification / review	Dealer/ party insolvent	Written off	Specific action not intimated
1	Taxes on Sales, Trade etc.	7,465.84	2,816.16	1,178.23	1,178.64	633.60	79.95	85.12	0	4,310.30
2	Taxes on Vehicles	608.22	403.14	54.95	0	0	0	0	0	553.27
3	State Excise	53.88	0.00	25.77	7.65	0.07	0.11	0	0.16	20.12
4	Land Revenue	330.47	266.38	Specific action taken in respect of the arrears has not been intimated (March 2024)						
Total		8,458.41	3,485.68							

Source: Information furnished by the Departments.

The position of arrears of revenue pending collection, as on 31 March 2021, in respect of other revenue heads, was not furnished (March 2024), despite active pursuance by Audit.

1.4 Follow up on Audit Reports – summarised position

According to the rules of procedure for the internal working of the Committee on Public Accounts, the administrative departments were to initiate *suo moto* action on all Audit paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports, regardless of whether these are taken up for examination by the Public Accounts Committee (PAC) or not. The Departments were to furnish detailed Action Taken Notes (ATNs), duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them. Further, as per instructions issued (August 1993) by the Chairperson, Bihar Legislative Assembly, Patna, Government departments are required to submit explanatory notes to the Public Accounts Committee (PAC) within three months of laying of the Report of the Comptroller and Auditor General of India (CAG) in the Legislative Assembly. Further, ATNs on recommendations made by the Committee are to be submitted within six months. Significant delays were, however, observed in submission of explanatory notes itself (replies of the departments), with average delays of three months in respect of 97 paragraphs (including performance audits) appearing in the CAG's Revenue Audit Reports for the years ended 31 March 2015, 2016, 2017, 2018 and 2019, placed before the State Legislative Assembly between March 2016 and September 2021.

Details of pending explanatory notes, pertaining to various departments², are given in **Table – 1.5**.

Table - 1.5

Sl. No.	Audit Report ending on 31 March	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes have been received	No. of paragraphs where explanatory notes have not been received
1	2015	15.03.2016	32	4	28
2	2016	02.02.2017	32	14	18
3	2017	20.07.2018	17	4	13
4	2018	21.09.2020	9	1	8
5	2019	08.09.2021	7	0	7
Total			97	23	74

Till 2020-21, the PAC had discussed 18 paragraphs pertaining to the Audit Reports for the years 2014-15 to 2018-19. During 2020-21, eight paragraphs, pertaining to Audit Reports 2015-16 and 2016-17, were discussed for the first time and one paragraph, pertaining to Audit Report 2015-16, for the second time. No recommendations had been made on these paragraphs.

1.5 Response of the Departments/Government to Audit

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices, with copies to their superior officers, for corrective action and their monitoring. Serious financial irregularities are reported to Heads of Departments and the Government.

Review of IRs, issued for the years 2008-09 to 2020-21, revealed that 9,590 paragraphs, relating to 1,033 IRs, remained outstanding at the end of April 2022. The potentially recoverable revenue, as brought out in these IRs, was as much as ₹ 17,812.35 crore, whereas the total revenue receipts of the State were ₹ 24,444.09 crore in 2020-21. Department-wise details relating to the revenue sector of the State Government, are given in **Table - 1.6**.

Table - 1.6
Department-wise details of outstanding Inspection Reports

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on Sales, Trade etc.	271	5,275	8,218.81
		Entry Tax	5	5	9.54
		Taxes and Duties on Electricity	12	55	93.65
2	Excise and Prohibition	State Excise	165	812	967.47
3	Revenue, Registration and Land Reforms	Land Revenue	98	498	4,386.97
4	Transport	Taxes on Vehicles	164	1,202	542.81

² Commercial Taxes (37 paragraphs); Excise and Prohibition (6 paragraphs); Transport (19 paragraphs); Revenue, Registration and Land Reforms (6 paragraphs) and Mines and Geology (6 paragraphs).

Table - 1.6
Department-wise details of outstanding Inspection Reports

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
5	Revenue, Registration and Land Reforms	Stamps and Registration Fees	140	642	36.73
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	178	1,101	3,556.37
Total			1,033	9,590	17,812.35

Even the first replies, required to be submitted by the heads of offices within one month from the date of issue of the IRs, were not received for 179 IRs, issued from 2008-09 onwards.

1.6 Results of audit

Position of local audit conducted during the year

Audit covered four departments³ of the State Government and test-checked the records of 25 out of 586 auditable units (4.27 per cent) relating to taxes on sales, trade etc., state excise, land revenue and mining receipts, during the year 2020-21. In these four departments, revenue of ₹ 20,222.66 crore was collected during 2019-20, out of which the 25 audited units collected ₹ 7,851.79 crore (38.83 per cent). In the 25 audited units, Audit noticed under-assessment, non/short levy of tax/interest/penalty, loss of revenue etc., aggregating ₹ 910.74 crore (11.60 per cent of the revenue collected by the units) in 1,413 cases. Audit also conducted audits on “**Transitional credits**” and “**Working of the District Mineral Foundation Trust in Jharkhand**”, which revealed irregularities amounting to ₹ 194.01 crore. The departments concerned accepted under-assessment and other deficiencies of ₹ 105.85 crore, in 61 cases pointed out by Audit.

1.7 Coverage of this Report

This Report contains Audits on “**Transitional credits**” and “**Working of the District Mineral Foundation Trust in Jharkhand**”, along with eight selected paragraphs from the local audits conducted during the year, including those of earlier years which could not be included in the previous reports, involving a financial effect of ₹ 322.93 crore.

The Departments/Government have accepted audit observations involving ₹ 105.68 crore and recovered ₹ 44.49 lakh. These are discussed in Chapters II and III.

The errors/omissions pointed out are on the basis of a test audit. The Departments/Government may, therefore, undertake a thorough review of all units, to check whether similar errors/omissions have taken place elsewhere,

³ Commercial Taxes Department, Excise and Prohibition Department; Revenue, Registration and Land Reforms Department and Mines and Geology Department.

and, if so, rectify them and put a system in place that would prevent such errors/omissions.

1.8 Significant Audit Observations in this Report

The present Report contains observations relating to tax and non-tax receipts, featuring two Compliance Audit Paragraphs and eight other observations/paragraphs.

Significant observations contained in this Report are discussed in brief in the following paragraphs.

Tax Receipts

Transitional Credit

A Compliance Audit (CA), covering the period from July 2017 to March 2020, on transitional arrangements for claiming Input Tax Credit under Goods and Services Tax (GST), was conducted. The major audit findings are as follows:

105 transitional credit claims, above ₹ 50 lakh, at 23 CTCs, were required to be verified by the Joint Commissioners. However, 75 cases were verified by DCST/ACST/STOs and the balance 30 cases remained un-verified.

(Paragraph 2.3.7.2)

No follow-up action was initiated by the proper officers to recover the disallowed transitional credit of ₹ 14.06 crore, even after the expiry of 24 months.

(Paragraph 2.3.7.3)

57 taxpayers, at 18 CTCs, had carried forward and availed transitional credits of ₹ 70.42 crore. However, these taxpayers were eligible to carry forward credit of ₹ 33.99 crore only. Thus, transitional credits of ₹ 36.43 crore were carried forward in excess, on which interest and penalty of ₹ 23.65 crore are also leviable under the provisions of the Act.

(Paragraph 2.3.8.1)

22 taxpayers, at 13 CTCs, had availed transitional credits of ₹ 34.55 crore. However, the availed claims include credit of ₹ 31.14 crore on inadmissible items. This resulted in irregular availment of transitional credits on inadmissible items for ₹ 31.14 crore, on which interest and penalty of ₹ 20.17 crore are also leviable under the provisions of the Act.

(Paragraph 2.3.8.2)

Transitional credit claims of ₹ 9.03 crore, on capital goods, were availed by five taxpayers. However, these taxpayers did not have unavailed credits on capital goods to be carried forward as transitional credits.

(Paragraph 2.3.8.3)

Four taxpayers, at four CTCs, had availed transitional credits of ₹ 81.53 lakh, on inputs held in stock. However, these claims were not supported by requisite evidence.

(Paragraph 2.3.8.4)

Eight taxpayers, at six CTCs, had availed transitional credits of ₹ 75.43 lakh, on inputs in transit. However, these claims were not supported by requisite evidence.

(Paragraph 2.3.8.5)

Though taxpayers had filed TRAN-1 beyond the prescribed timelines, or were not registered as works contractors under the repealed Act, they had irregularly availed transitional credits of ₹ 1.56 crore on works contract service.

(Paragraph 2.3.8.7)

The proper officers of 14 CTCs, in 24 cases, disallowed transitional credit claims of ₹ 15.91 crore and levied interest and penalty of ₹ 35.88 lakh, instead of the leviable interest and penalty of ₹ 6.44 crore. This resulted in short levy of interest and penalty of ₹ 6.08 crore.

(Paragraph 2.3.8.8)

Demand notice of ₹ 55.19 lakh, in one case, was incorrectly revised as 'nil' after expiry of 16 months, without assigning any reason. This resulted in irregular allowance of transitional credit of ₹ 55.19 lakh.

(Paragraph 2.3.8.10)

Other observations/Paragraphs

Commercial Taxes Department

Interest of ₹ 61.65 crore was not levied on disallowed exemptions, concessions and incorrect adjustment of Input Tax Credit (ITC).

(Paragraph 2.4)

The assessing authorities, while finalising the assessments, did not scrutinise the information furnished by the dealers, which led to non-detection of concealment of turnover of ₹ 126.48 crore by eight dealers and consequential under assessment of tax and penalty of ₹ 26.29 crore.

(Paragraph 2.5)

The assessing authorities, while finalising the assessments in case of 11 dealers, allowed ITC of ₹ 25.82 crore, instead of ₹ 11.36 crore.

(Paragraph 2.6)

The assessing authorities, while finalising the assessments, did not levy penalty of ₹ 9.68 crore under the prescribed provisions of the JVAT Act, 2005.

(Paragraph 2.7)

The assessing authorities levied tax of ₹ 8.92 crore, instead of ₹ 16.39 crore, due to application of incorrect rate of tax, resulting in short levy of tax of ₹ 7.47 crore.

(Paragraph 2.8)

The assessing authorities allowed excess exemption of tax, resulting in under assessment of tax of ₹ 1.12 crore.

(Paragraph 2.9)

Excise and Prohibition Department

The Department did not levy excise duty equivalent to Minimum Guaranteed Duty of ₹ 19.61 lakh, leviable on the short lifted liquor, and late fee of ₹ 6.23 crore, leviable on delay in payment of Minimum Guaranteed Duty and Excise Transport Duty.

(Paragraph 2.12)

Non-Tax Receipts

Mines and Geology Department

Mining leases were granted in an irregular manner in all 24 test-checked cases, out of 65 cases of mining leases granted during 2017-22, in two districts (Ranchi and Sahibganj), in violation of the Jharkhand Minor Minerals Concession Rules and against the essence of the Code of Conduct for Ministers, issued by the Ministry of Home Affairs, Government of India.

(Paragraph 3.2.1)

Working of the District Mineral Foundation Trust in Jharkhand

Audit was conducted, covering collection of funds under the District Mineral Foundation Trust, planning, selection and monitoring of schemes/projects under the *Pradhan Mantri Khanij Khsetra Kalyana Yojana (PMKKKY)*, relating to the period from 2015-16 to 2020-21. The scope of audit was limited, due to restrictions imposed by the State Government owing to the COVID-19 pandemic. The audit sample was selected on the basis of accessibility of the audited units, in keeping with the protocols exercised by the State Government, under the Disaster Management Act. The major findings, on the basis of the records accessible/made available to Audit, are as follows:

Collection of DMFT contribution and its accounting did not provide any assurance about its correctness, as three sets of figures were maintained (by the Director of Mines, DMOs and the DMFTs), without any reconciliation.

(Paragraph 3.3.6.1)

None of the Governing Councils (GCs) in the test-checked DMFTs had prepared annual budgets during the last five years. The Chairpersons of the Trusts (DCs of the concerned districts) also did not prepare the annual budgets (though required to ensure, on failure of the GCs to do so), or provided the same to the State Government, as provisioned in the DMFT deed.

(Paragraph 3.3.6.2)

The Department could have collected an additional amount of ₹ 11.10 crore (from lessees and works contractors) and ₹ 35.68 crore (from contractors) as DMFT contribution, had the State Government formulated the DMFT Rules immediately upon the amendment of the Mines and Minerals (Development and Regulation) Act, 2015 by the Government of India.

(Paragraph 3.3.6.3)

The DCs of Bokaro, Dhanbad and Ranchi (as MC of the Fund), without identifying the areas and persons directly/indirectly affected by mining operations and involving the *gram-sabhas* of the concerned villages, incurred expenditure of ₹ 1,563.14 crore from the DMFT Fund, on various schemes, during 2016-21. The DCs of Chatra, Hazaribag and Lohardaga incurred expenditure of ₹ 339.80 crore, on different schemes, by identifying the areas and persons directly/indirectly affected by mining operations, on the basis of surveys conducted by DMOs and Circle Officers, in violation of PMKKKY guidelines.

(Paragraph 3.3.7.1)

In violation of PMKKKY guidelines, ₹ 4,444.05 crore (64.82 *per cent* of the total collection) was sanctioned for two schemes (piped drinking water and Individual House Hold Latrines) under ‘high priority’ areas (containing eight types of services as detailed in Para 3.3.3) on the instructions of Chief Minister and Chief Secretary of the State, to meet the scheme targets.

(Paragraph 3.3.7.3)

In four out of the six test-checked districts, ₹ 9.02 crore was spent during 2016-20, beyond the scope of PMKKKY guidelines, for construction of open gyms, toilets in police station, dak-bungalow, renovation of conference hall at DC office, purchase of furniture etc.

(Paragraph 3.3.7.4)

In DMFTs, Bokaro and Chatra, *post-facto* approval was granted for nine schemes, selected by DCs/DDCs during 2016-20, and executed at a cost of ₹ 247.08 crore, in violation of DMFT Rules and PMKKKY guidelines.

(Paragraph 3.3.7.5)

In the six test-checked DMFTs, 133 schemes, awarded to various executing agencies during 2016-21, with estimated cost of ₹ 2,269.48 crore, remained incomplete.

(Paragraph 3.3.7.8)

Other observations/Paragraphs

Failure of the Department to verify the rate of royalty, in accordance with the provisions of the Act/Rules, resulted in short levy of royalty of ₹ 1.83 crore.

(Paragraph 3.4)

CHAPTER-II

TAX RECEIPTS

CHAPTER - II: TAX RECEIPTS

COMMERCIAL TAXES DEPARTMENT

2.1 Tax administration

The levy and collection of Sales Tax/Value Added Tax and Central Sales Tax are governed by the Jharkhand Value Added Tax (JVAT) Act, 2005, the Central Sales Tax (CST) Act, 1956 and Rules made thereunder. Since 1 July 2017, the State Goods and Services Tax is governed by the Jharkhand Goods and Services Tax (JGST) Act, 2017 and Rules made thereunder. The Principal/Chief Commissioner of State Tax, in the Commercial Taxes Department (CTD), is responsible for the administration of these Acts and Rules and is assisted by an Additional Commissioner and Joint Commissioners of State Tax (JCST), Joint Commissioners of State Tax of Bureau of Investigation (IB), Vigilance and Monitoring, along with other Deputy/ Assistant Commissioners of State Tax.

The State is divided into five commercial taxes divisions¹, each under the charge of a Joint Commissioner (Administration) and 28 circles², each under the charge of a Deputy/Assistant Commissioner of State Tax (DCST/ACST). The DCST/ACST of the circle, who is responsible for levy and collection of tax due to the Government, besides survey, is assisted by State Tax Officers. A Deputy Commissioner of IB is posted in each division, to assist the JCST (Administration), and a DCST (Vigilance and Monitoring) is posted, under the control of Headquarters, in each division, and carries out inspection of warehouses or godowns of taxpayers, search and seizure of goods or documents, inspection of goods in movement, arrest of a person for an offence punishable under this Act etc.

2.2 Results of audit

Audit test-checked the records of 10³ out of 44 auditable units (23 *per cent*) of the Commercial Taxes Department, during the year 2020-21. During the period covered in audit, a total of 2,28,771 assesseees were registered in the State, out of which 49,385 assesseees were registered in the test-checked units. Audit examined 1,663 assessment records in the test checked units. In addition, an audit on 'Transitional Credits' was also conducted. The Department collected revenue of ₹ 12,414.05 crore during 2019-20 (Taxes on Sales, Trade etc.: ₹ 3,996.33 crore and State Goods and Services Tax: ₹ 8,417.72 crore), out of which the audited units collected ₹ 6,641.82 crore (53.50 *per cent*). Audit identified irregularities amounting to ₹ 582.63 crore in 193 cases, as detailed in **Table -2.1**.

¹ Dhanbad, Dumka, Hazaribag, Jamshedpur and Ranchi.

² Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Katras, Koderma, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahibganj, Singhbhum and Tenughat.

³ Office of the DCST, Adityapur, Bokaro, Dhanbad, Dhanbad Urban, Giridih, Jamshedpur, Jamshedpur Urban, Palamu, Ramgarh and Ranchi West.

Table –2.1

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Transitional Credit	1	138.13
2	Non/short levy of tax due to concealment of turnover	36	205.93
3	Interest/Penalty not levied	12	76.79
4	Non/short levy of interest	30	68.44
5	Incorrect allowance of Input Tax Credit	55	41.63
6	Irregular allowance of exemption from tax	27	22.15
7	Application of incorrect rates of tax	18	8.30
8	Short levy of tax due to incorrect determination of turnover	4	3.29
9	Other cases	10	17.97
Total		193	582.63

The Department accepted under-assessment and other deficiencies of ₹ 65.37 crore in 65 cases, out of which ₹ 44.75 crore in 28 cases were pointed out in 2020-21 and the rest during the earlier years.

Audit findings relating to Transitional Credit have been discussed in Paragraph 2.3. Further, irregularities involving 48 cases, amounting to ₹ 120.66 crore, related to Value Added Tax (VAT), have been illustrated in paragraphs 2.4 to 2.9. Cases which have been repeatedly reported during the last five years are detailed in **Table –2.2**.

Table – 2.2

(₹ in crore)

Nature of observations	2015-16		2016-17		2017-18		2018-19		2019-20		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Concealment of sale/purchase turnover	18	284.10	108	405.37	1	1.10	3	25.99	39	812.99	169	1,529.55
Non/short levy of penalty	15	53.14	-	-	2	3.93	2	1.60	9	131.51	28	190.18
Non-levy of interest on disallowed exemption/concessions	19	119.92	62	142.00	6	10.95	2	3.97	40	102.24	129	379.08
Irregularities in grant of input tax credit	11	5.76	26	3.36	-	-	-	-	29	23.81	66	32.93
Application of incorrect rate of tax	22	15.44	21	11.07	-	-	1	4.39	10	14.53	54	45.43
Incorrect allowance of exemption	-	-	16	15.43	-	-	-	-	-	-	16	15.43

It was observed that though the CTD ordered (May 2015) Assessing Authorities (AAs) to ensure non-recurrence of similar type of audit observations and provided assurance (August 2016) that appropriate action would be taken on the audit observations, similar nature of irregularities persisted. Thus, it is evident that the State Government and the Commercial Taxes Department have not taken adequate measures to address the persistent irregularities pointed out year after year, by Audit.

2.3 Transitional Credit

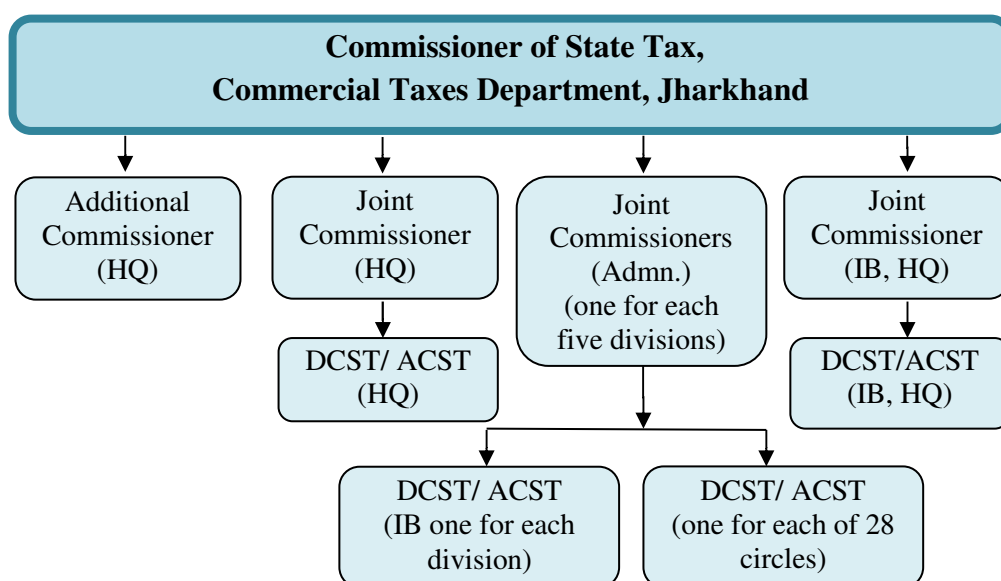
2.3.1 Introduction

Implementation of GST (Goods and Services Tax) is a significant reform in the field of indirect taxes, which replaced multiple taxes levied and collected by the Centre and States. GST is a destination based tax on supply of goods or services or both, which is levied at multi-stages, wherein the taxes move along with supply. The tax accrues to the taxing authority which has the jurisdiction over the place of supply and is levied simultaneously by the Centre and States, on a common tax base. Availability of Input Tax Credit (ITC) of taxes paid on inputs, input services and capital goods, for set off against the output tax liability, is one of the key features of GST. This avoids the cascading effect of taxes and ensures uninterrupted flow of credit from the seller to the buyer. To ensure the seamless flow of input tax, from the existing laws, to the GST regime, a provision for 'transitional arrangements for input tax' was included in the Jharkhand Goods and Services Tax (JGST) Act, to provide for the entitlement and manner of claiming input tax in regard to appropriate taxes paid under the existing laws. Transitional credit provisions are important for both the Government and business. For business, the transitional credit provisions ensure transition of accumulated credits from the legacy returns, input tax in respect of raw materials, work in progress, finished goods held in stock as on the appointed day of 1 July 2017, as well as the credit in respect of capital goods into the GST regime. The provisions enable taxpayers to transfer such input credits only when they are used in the ordinary course of business or furtherance of business.

2.3.2 Tax administration

The Commercial Taxes Department (CTD) Government of Jharkhand administers the JGST in the State, with effect from 1 July 2017. The Commissioner of State Tax is responsible for administration of the JGST Act and Rules in the CTD and is assisted by an Additional Commissioner, Joint Commissioners, Deputy Commissioners and Assistant Commissioners.

The organisational chart of the Department is as under:



2.3.3 Audit objectives

The audit of transitional arrangements for ITC under GST, was conducted with the objective of seeking an assurance on:

- whether the mechanism envisaged by the Department, for selection and verification of transitional credit claims, was adequate and effective; and
- whether the transitional credits, carried over by the assessee, into the GST regime, were valid and admissible.

2.3.4 Audit criteria

The audit criteria were derived from the following sources:

- Section 6, Sections 140 to 142, Section 161, Section 50 and Section 73 of the JGST Act, 2017;
- Rules 117 and 118 of the Jharkhand Goods and Services Tax Rules, 2017; and
- Notifications and circulars, executive and Departmental orders and instructions issued by the Central Board of Indirect Taxes and Customs (CBIC) and CTD, from time to time.

2.3.5 Audit scope and coverage

The Audit of “Transitional Credit” covering the period July 2017 to March 2020, was conducted between January and September 2021. Pan-India transitional credit claims data, for the said period, was obtained from the Goods and Services Tax Network (GSTN). A stratification-based sampling⁴ of the ITC category was done on the obtained data and 10 *per cent* of cases, from each of

⁴ A scorecard approach, based on the risk and materiality for selection of individual cases, from each of the strata, was used.

the ITC source categories⁵ viz. Table 5(c), Table 6(b), Table 7(b), Table 7(c), Table 7(d), Table 10(a) and Table 11(c) of TRAN-1 were selected.

There were 2,845 cases of transitional credit claims of SGST, in Form TRAN-1, involving ₹ 365.13 crore, made by taxpayers in the State. On the basis of the aforesaid sampling methodology, 358 cases of transitional credits amounting to ₹ 258.07 crore, relating to all 28 Commercial Taxes Circles⁶, were selected.

2.3.6 Audit Methodology

The audit methodology included scrutiny of Form TRAN-1, filed by the taxpayers under the transitional arrangements for claiming ITC. It also involved the scrutiny of process and outcomes of departmental verifications, along with detailed independent verification of select claims. The individual transitional credit claims were verified with the last six months' returns under the VAT regime, filed under the existing laws, immediately preceding the appointed date, along with the documentary evidence in support of such claims. The claims were also verified with the assessment case records of the VAT regime, wherever necessary. Further, in respect of ITC claimed, pertaining to materials held in stock, verification involved examination of necessary accounting details, as well as documents or records evidencing purchase of such goods. An initial meeting (entry conference) was held on 22 July 2021, with the Secretary, CTD, Government of Jharkhand, in which the audit objectives, scope of audit, sample selection, audit methodology and mechanism for selection and verification of transitional credit claims by the Department, were discussed in detail.

The audit of Transitional Credits was conducted between January and September 2021. The draft report for comments/replies was issued to the Department on 30 November 2021. An exit conference was held with the Secretary, CTD, Government of Jharkhand, on 16 February 2022, in which the audit findings, conclusions and recommendations, were discussed in detail. The response of the Government/ Department has been suitably incorporated in the Report.

2.3.6.1 Acknowledgment

Audit acknowledges the co-operation of the CTD, Government of Jharkhand, in providing the necessary information and records to Audit.

⁵ Table 5(c) - transitional credit on closing balance of the ITC in last VAT returns.
Table 6(b) - unavailed credit on capital goods.
Table 7(b) - input in transit.
Table 7(c) - credit on tax paid/ duty paid stock.
Table 7(d) - credit relating to exempted goods under existing law which are now taxable.
Table 10(a) & (b) - transfer of credit by centrally registered units.
Table 11 - credit in respect of tax paid on any supply both under JVAT Act and Finance Act.

⁶ Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Katras, Koderma, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahibganj, Singhbhum and Tenughat.

Audit Findings

Audit evaluated the individual transitional credit claims against the criteria and also evaluated the mechanism of verification of transitional credit claims by the departmental formations and noticed deficiencies in the adequacy and effectiveness of the mechanism envisaged by the Department for verification of taxpayers and compliance to the extant provisions prescribed in the JGST Act/Rules.

Table-2.3 brings out the extent of deficiencies noted during the audit of transitional credit cases, selected for detailed audit.

Table-2.3

(₹ in crore)

Nature of audit findings	Audit sample		Number of deficiencies noticed		Deficiencies in percentage of sample
	Number	Amount	Number	Amount	
Excess carry forward of transitional credit	302	247.60	57	60.08	18.87
Irregular availment of transitional credit on inadmissible items	302	247.60	22	51.31	7.28
Irregular availment of transitional credit on capital goods	13	16.90	05	14.84	38.46
Irregular availment of transitional credit on inputs held in stock	41	3.60	04	1.37	9.75
Irregular availment of transitional credit on inputs in transit	49	3.47	08	1.25	16.33
Irregular availment of transitional credit on goods held by agent on behalf of principal	16	0.10	01	0.03	6.25
Irregular availment of transitional credit on works contract service	08	1.61	02	2.57	25.00
Short/ Non- levy of interest on disallowed transitional credit	358	258.07	24	6.08	6.70
Irregular availment of transitional credit without filing VAT returns	358	258.07	04	0.05	1.11
Others	358	258.07	02	0.55	0.27
Total			129	138.13	

As evident from the table above, Audit noticed excess carry forward of transitional credit in 19 *per cent* cases, irregular availment of transitional credit on inadmissible items in seven *per cent* cases, irregular availment of transitional credit on capital goods in 38 *per cent* cases, irregular availment of transitional credit on inputs in stock in 10 *per cent* cases, irregular availment of transitional credit on inputs in transit in 16 *per cent* cases, irregular availment of transitional credit on works contract service in 25 *per cent* cases and irregular availment of transitional credit without filing JVAT returns in one *per cent* cases. Audit further noticed other deviations from provisions of the JGST Act and Rules, which resulted in short/non-levy of interest and penalty on disallowed transitional credit in seven *per cent* cases and other deviations like irregular revision of demand notice beyond the prescribed timelines and irregular availment of transitional credits by taxpayers under the ‘composition levy’ scheme.

Audit findings, system lapses and remedial measures are discussed in the subsequent paragraphs.

2.3.7 Systemic issues

2.3.7.1 Selection mechanism envisaged by the Department

Section 6(1) of the JGST Act envisages dual control on taxpayers, by both the State Tax officers and Central Tax officers, in all aspects and specifies that the officers appointed under the JGST Act are authorised to be the proper officers for the purpose of the Central Goods and Services Tax (CGST) Act. Accordingly, the Principal Secretary-cum-Commissioner, CTD, Government of Jharkhand, directed (March 2018) verification of the SGST credit claims of all taxpayers, irrespective of their jurisdiction of registration and completion of the verification process by 10 April 2018. Further, Section 73(10) of the JGST Act, prescribes that order for determination of tax and penalty of ITC wrongly availed shall be issued within a period of three years from the due date for furnishing of annual return for the financial year to which ITC wrongly availed relates to.

The Department selected for verification, all the 2,845 cases of transitional credit of JGST in Form TRAN-1, involving ₹ 365.13 crore claimed by the taxpayers. Audit noticed, from scrutiny of verification reports of transitional credits, at all 28 CTCs, that, out of total claims of ₹ 365.13 crore, claims of ₹ 268.98 crore, in respect of 1,139 taxpayers, had been verified by the Department, till September 2021. Thus, 1,706 cases of transitional credits had remained unverified, which led to availment of non-verified claims of transitional credit of ₹ 96.15 crore by taxpayers (**Appendix-I**). The Department did not institute a mechanism to periodically monitor the progress of verification. The verification reports furnished by the proper officers were also not analysed at the Department level, to ascertain the number of unverified claims and initiate action to complete the verification.

Audit further noticed that the CGST Department had adopted the mechanism to draw a sample from the total claimed data and select claims of taxpayers having higher financial implications and taxpayers who had shown growth of ITC of more than 25 per cent from the preceding periods. However, the CTD selected all the 2,845 cases, without allocating any criteria, which resulted in selection of 1,530 cases (54 per cent of total cases), where individual claims were below ₹ one lakh. The Department could have devised a mechanism to draw a sample from the total claim, to ensure that claims having higher financial implications were selected and verified in a timely manner.

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that necessary instruction has been issued to concerned Commercial Taxes Circles to verify the remaining transitional credit claims at the earliest. However, results of the verification are awaited (March 2024).

Irregularities in verification mechanism envisaged by the Department

Principal Secretary-cum-Commissioner, CTD, Government of Jharkhand, passed instructions for verification of all claims of SGST and prescribed (March 2018) an illustrative check-list for verification of transitional credit claims. Further, the Additional Commissioner, State Tax, instructed

(March 2018) all the JCSTs (Administration) to verify transitional credit claims of JGST above ₹ 50 lakh.

Audit scrutiny of the sampled 358 transitional credit cases indicated that the proper officers did not adhere to the instructions issued by the Department. Further, no mechanism was put in place to ensure that proper officers/JCST comply the instructions and take remedial measures on disallowed transitional credit cases. As a result, transitional credit claims were verified by officers not authorised to verify the claims and there were irregularities in follow-up action on recovery of disallowed transitional credits, which are discussed in the succeeding paragraphs:

2.3.7.2 Verification of transitional claims by officers not authorised to verify the claims

Joint Commissioners were authorised to verify 105 transitional credit claims above ₹ 50 lakh at 23 CTCs. However, 75 cases were verified by DCSTs/ACSTs/STOs and the balance 30 cases remained un-verified.

Test check (between January and September 2021) of records relating to TRAN-1, filed by taxpayers and the verification report of these TRAN-1 returns furnished by the Department, revealed that 105 taxpayers⁷ at 23 CTCs⁸ had claimed transitional credit above ₹ 50 lakh. As per instructions, all these claims were required to be verified by JCSTs. However, it was noticed that, out of 105 cases, 75 cases were verified by the DCSTs/ACSTs/STOs and 30 cases remained unverified (September 2021). Audit noticed that, though instructions were issued by the Department, no mechanism was developed to monitor compliance of the said instructions. As a result, 75 cases were verified by officers not authorised to verify these claims and 30 cases remained un-verified.

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that the authorised officers have been directed to re-verify the claims. Results of verification are awaited (March 2024).

2.3.7.3 Irregularities in follow-up action on recovery of disallowed transitional credits

No follow-up action was initiated by the proper officers to recover disallowed transitional credits of ₹ 14.06 crore, even after the expiry of 24 months.

Section 78 of the JGST Act prescribes that, any amount payable by a taxable person, in pursuance of an order passed under the Act, shall be paid by such person within a period of three months from the date of service of such order, failing which recovery proceedings shall be initiated. Further, Section 79 of

⁷ Out of 2,845 cases of transitional credit filed with the CTD, Government of Jharkhand, 105 cases pertain to claims involving ₹ 50 lakh.

⁸ Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Katras, Koderma, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahibganj, Singhbhum and Tenughat.

the JGST Act prescribes that, where any amount payable by a person under the provisions of the Act, is not paid, the proper officer shall proceed to recover the amount by any one or more modes, namely deducting the amount so payable from any money owing to such person, by detaining and selling any goods belonging to such person; detaining any movable or immovable property belonging to such person; or initiating proceedings to recover, from such person, the amount specified thereunder, as if it were an arrear of land revenue etc.

Audit test-checked (between January and September 2021) selected transitional credit cases and noticed, in 19 cases, at nine CTCs⁹, that these taxpayers had claimed transitional credits of ₹ 46.01 crore. The proper officers, on verification of these claims, disallowed an amount of ₹ 39.64 crore, as being incorrectly availed transitional credit and levied interest and penalty of ₹ 8.80 crore on the disallowed credit. Accordingly, demand notices of ₹ 48.44 crore, in Form DRC-07, were issued (between April and December 2018) and an amount of ₹ 34.38 crore was recovered by the proper officers. However, the remaining amount of ₹ 14.06 crore had not been realised till date and was reflected as outstanding liability in the Electronic Liability Register of these taxpayers and no recovery proceedings was initiated by the proper officers for realisation of the same. It was, further, observed that the follow-up action to be taken by the proper officers, on claims disallowed by them, was not prescribed in the check-list issued by the Department. This resulted in non-realisation (September 2021) of incorrectly availed transitional credits of ₹ 14.06 crore (**Appendix-II**).

The matter was reported to the Government/Department (November 2021); the Secretary, CTD, during the exit conference stated (February 2022) that: (i) an amount of ₹ 36 lakh, in six cases, had been recovered (ii) in the remaining cases, notices for hearing had been issued to the concerned taxpayers.

2.3.8 Compliance Issues

Audit evaluated the compliance of extant provisions of the JGST Act and Rules, by the tax authorities as well as the taxpayers and noted that the Department had issued (March 2018) an illustrative check-list for verification of the transitional credit claims. However, due to non-monitoring of adherence to the instructions, the proper officers did not verify the claims in accordance with the provisions contained in the JGST Act/Rules, as well as the checks prescribed by the Department. This resulted in excess carry forward of transitional credits, irregular availment of transitional credits on capital goods, inputs held in stock, inputs in transit, goods held by agent on behalf of principal, works contract service and non/short levy of interest and penalty etc., amounting to ₹ 138.13 crore, in 129 cases, which are discussed in the subsequent paragraphs:

⁹ Bokaro, Chaibasa, Dhanbad, Dhanbad Urban, Dumka, Koderma, Pakur, Ramgarh and Ranchi East.

2.3.8.1 Excess carry forward of transitional credit

57 taxpayers, at 18 CTCs, had carried forward and availed transitional credits of ₹ 70.42 crore. However, these taxpayers were eligible to carry forward credits of ₹ 33.99 crore only. Thus, transitional credits of ₹ 36.43 crore were carried forward in excess, on which interest and penalty of ₹ 23.65 crore was also leviable under the provisions of the Act.

Under the provisions of Section 140(1) of the JGST Act 2017, a registered person shall be entitled to take transitional credit of the amount of Value Added Tax, Entry Tax, carried forward in the return for the period ending June 2017, filed under the existing law. Further, Section 18(4)(ii) of the repealed JVAT Act prescribes that ITC shall be admissible to the extent of CST payable under CST Act 1956, in course of inter-state sale under Section 8(1) of the CST Act and no ITC shall be admissible on inter-state sales made under Section 8(2) of the CST Act. Accordingly, return under the JVAT Act was amended, to record forfeited ITC by the dealers on these items.

Section 50(3) and 73(9) of the JGST Act empowers the proper officer to levy interest at a rate not exceeding 24 *per cent* and penalty equivalent to 10 *per cent* of tax or ₹ 10,000, whichever is higher, in case of undue or excess claim of ITC or where input tax has been wrongly availed or utilised.

Audit test-checked (between January and September 2021) the records of 302 transitional credit cases, where the closing balances of credit, from the last VAT returns, were claimed under Table 5(c) of TRAN-1 and noticed, in 57 cases, at 18 CTCs¹⁰, that an amount of ₹ 75.68 crore had been claimed as transitional credit in Form TRAN-1. After reversal/disallowance by the proper officers, these taxpayers had availed credit of ₹ 70.42 crore. It was further noticed that these taxpayers had furnished an amount of ₹ 65.60 crore, as carried forward ITC in their VAT returns, for the period ending June 2017. Further scrutiny of VAT returns, with the assessment orders under the JVAT Act and other relevant records¹¹, revealed that these taxpayers had showed excess opening balances of ITC in their VAT returns, in comparison to the closing balances of prior periods. The ITC was also not forfeited on account of inter-state sales under Section 8(1) and (2) of CST Act and adjusted by the taxpayers/proper officers while verifying the claims, as illustrated in the check-list. The transitional credits allowable/eligible to be carried forward, on the basis of the above adjustments, were ₹ 33.99 crore. Thus, these taxpayers had availed carry forward of excess transitional credits of ₹ 36.43 crore, on which interest of ₹ 20 crore and penalty of ₹ 3.65 crore was also leviable under the provisions of the JGST Act (**Appendix-III**).

Two illustrative cases, out of 57 cases, based on the highest financial implications, are given in **Table-2.4**.

¹⁰ Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Pakur, Ramgarh, Ranchi East, Ranchi South, Ranchi West and Singhbhum.

¹¹ Declaration in Form JVAT 404 in relation to ITC claimed, details of 8 (1) & (2) sales under CST and declaration in Form 'C' and Form 'F' in relation to interstate sales and stock transfer made by the dealer.

Table-2.4

(₹ in crore)				
Sl. No.	Name of the circle GSTIN	Nature of observation	ITC carried forward ITC eligible to be carried forward	Excess carry forward of ITC Interest & penalty
1	Hazaribag 20XXXXXXXX XXXXZP	Transitional credit of ₹ 23.43 crore was allowed, by the proper officer, to be carried forward in the electronic credit ledger of the taxpayer. However, the eligible transitional credit to be carried forward was ₹ 12.66 crore, as per the assessment orders and VAT returns of the taxpayer, which were not verified by the proper officer.	23.43 12.66	10.77 6.92
2	Ranchi West 20XXXXXXXX XXXXZT	As per the assessment order and VAT returns of the taxpayer, the transitional credit eligible to be carried forward was ₹ 20 lakh. However, transitional credit of ₹ 7.70 crore was allowed, by the proper officer, to be carried forward in the electronic credit ledger of the taxpayer.	7.70 0.20	7.50 4.82

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that an amount of ₹ 37.31 lakh, in five cases, had been recovered and additional demand of ₹ 3.72 crore had been raised in 11 cases. In the remaining cases, notices for hearing had been issued to the concerned taxpayers, and letter had been issued to the CGST Department, to take necessary action on taxpayers relating to their jurisdiction. Further, in one case, demand notice could not be issued as the taxpayer was under the insolvency process, as per the judgement of the National Company Law Tribunal.

2.3.8.2 Irregular availment of transitional credits on inadmissible items

22 taxpayers, at 13 CTCs, had availed transitional credits of ₹ 34.55 crore. However, the availed claims included credit of ₹ 31.14 crore on inadmissible items. This resulted in irregular availment of transitional credits on inadmissible items, amounting to ₹ 31.14 crore, on which interest and penalty of ₹ 20.17 crore was also leviable, under the provisions of the Act.

Section 140(1) of the JGST Act, 2017 enables a registered person to take transitional credit for the period ending June 2017 for returns filed under the existing law i.e., the Jharkhand Value Added Tax (JVAT) Act, 2005. Further, Section 18(8)(xviii) of the repealed JVAT Act prescribes that no ITC shall be claimed or be allowed to a registered taxpayer, in respect of goods consumed or burnt up¹² in course of the manufacturing process.

¹² ITC is not admissible on goods such as coal, lubricants etc. which get burnt up/consumed during the manufacture of finished goods like steam, iron and steel etc.

Audit test-checked (between January and September 2021) the records of 302 transitional credit cases, where the closing balances of credit from the last VAT returns were claimed under Table 5(c) of TRAN-1 and noticed, in 22 cases, relating to 13 CTCs¹³, that an amount of ₹ 34.58 crore was claimed as transitional credits. After reversal of credit by the taxpayers itself or disallowance of credit by the proper officer, these taxpayers had availed transitional credits for ₹ 34.55 crore. However, further scrutiny of VAT returns and assessment orders under the JVAT Act, revealed that the availed transitional credits included tax deducted at source (TDS) of ₹ 9.46 crore and ITC of ₹ 21.68 crore, in respect of goods consumed or burnt up in course of the manufacturing process, which were not admissible for transitional credit. Thus, an amount of ₹ 31.14 crore was irregularly availed as transitional credit, on which interest of ₹ 17.05 crore and penalty of ₹ 3.12 crore, were also leviable, under the provisions of the JGST Act (**Appendix-IV**).

Two illustrative cases, out of 22 cases, based on the highest financial implications, are given in **Table-2.5**.

Table-2.5

(₹ in crore)

Sl. No.	Name of the circle GSTIN	Name of the taxpayer (M/s)	Nature of observation	Transitional credit allowed Transitional credit claimed on inadmissible items	Transitional credit allowed on in admissible items Interest & penalty
1	Bokaro 20XXXXXXXXXX XXXZP	Bokaro Power Supply Company Limited	Transitional credit of ₹ 21.68 crore was allowed, by the proper officer, to be carried forward in the electronic credit ledger of the taxpayer. However, the claimed credit related to goods burnt up in course of manufacturing process and was not admissible as transitional credit.	<u>21.68</u> 21.68	<u>21.68</u> 13.93
2	Giridih 20XXXXXXXXXX XXXZO	Ashoka Buildcon Limited	As per VAT returns of the taxpayer, the claimed transitional credit of ₹ 2.16 crore was the value of TDS, which was not admissible as transitional credit; however, the proper officer allowed the claim, in full, to be carried forward.	<u>2.16</u> 2.16	<u>2.16</u> 1.39

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that notices for hearing had been issued to the concerned taxpayers and letter had been issued to CGST Department, to take necessary action on taxpayers relating to their jurisdiction.

¹³ Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad Urban, Dumka, Giridih, Jamshedpur, Jamshedpur Urban, Ranchi South, Sahibganj, Singhbhum and Tenughat.

2.3.8.3 Irregular availment of transitional credit on capital goods

Transitional credit claims of ₹ 9.03 crore on capital goods were availed by five taxpayers. However, these taxpayers did not have unavailed credit on capital goods to be carried forward as transitional credit.

Under the provisions of Section 140(2) of the JGST Act, 2017, a registered person shall be entitled to take, in the electronic credit ledger, credit of the amount of unavailed ITC in respect of capital goods, under the existing law.

Audit test-checked (between January and September 2021) the records of 13 transitional credit cases, where unavailed credit on capital goods was claimed under Table 6(b) of TRAN-1 and noticed, in five cases, relating to four CTCs¹⁴, that an amount of ₹ 9.03 crore had been claimed as transitional credit on capital goods. The claimed credit was availed by these taxpayers in full. However, further scrutiny of VAT returns and assessment orders, under the JVAT Act, of these taxpayers, revealed that there was no credit available on capital goods in respect of these taxpayers, in the repealed JVAT Act. Thus, these taxpayers were not eligible to carry forward transitional credit on capital goods, in the electronic credit ledger, under the JGST Act. This resulted in irregular availment of transitional credit on capital goods of ₹ 9.03 crore, on which interest of ₹ 4.90 crore and penalty of ₹ 90.41 lakh was also leviable under the provisions of the JGST Act (**Appendix-V**).

Two illustrative cases, out of five cases, based on the highest financial implications, are given in **Table-2.6**.

Table-2.6

(₹ in crore)				
Sl. No.	Name of the circle GSTIN	Nature of observation	Transitional credit on capital goods allowed Transitional credit allowable	Irregular allowance of transitional credit Interest & penalty
1	<u>Jamshedpur Urban</u> 20XXXXXXX XXXXZO	Transitional credit of ₹ 8.95 crore on capital goods was claimed and availed by the taxpayer. Audit scrutiny of the VAT records of the taxpayer of different branches, indicated that ITC on capital goods was not available on the appointed day and, thus, the taxpayer was not entitled to take the transitional credit.	<u>8.95</u> 0.00	<u>8.95</u> 5.75
2	<u>Bokaro</u> 20XXXXXXX XXXXZQ	The taxpayer had claimed transitional credit of ₹ 0.05 crore on capital goods. Audit scrutiny of the VAT records of the taxpayer indicated that ITC on capital goods was not available on the appointed day. However, the proper officer irregularly allowed the transitional credit of ₹ 0.05 crore, in the electronic credit ledger of the taxpayer.	<u>0.05</u> 0.00	<u>0.05</u> 0.03

¹⁴ Bokaro, Jamshedpur, Jamshedpur Urban and Ranchi West.

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that notices for hearing had been issued to the concerned taxpayers, and letter has been issued to CGST Department, to take necessary action on taxpayers relating to their jurisdiction.

2.3.8.4 Irregular availment of transitional credit on inputs held in stock

Four taxpayers, at four CTCs, had availed transitional credit of ₹ 81.53 lakh on inputs held in stock. However, these claims were not supported by requisite evidence.

Under the provisions of Section 140(3) of the JGST Act 2017, where the person was entitled to take credit of input tax at the time of sale of goods under the Act, he shall also be entitled to take credit of the value added tax and entry tax, levied under JVAT Act, 2005 on inputs or inputs contained in semi-finished or finished goods held in stock, subject to the condition that the said person is in possession of invoice issued not earlier than 12 months preceding 30 June 2017 and evidencing payment of tax, under the existing law, in respect of such inputs.

Audit test-checked (between January and September 2021) the records of 41 transitional credit cases, where credit on inputs held in stock had been claimed under Table 7(c) of TRAN-1 and noticed, in four cases, relating to four CTCs¹⁵, that an amount of ₹ 1.28 crore had been claimed and availed as transitional credit by these taxpayers, on inputs held in stock. However, scrutiny of records indicated that an amount of ₹ 81.53 lakh was not supported by invoices evidencing payment of tax under the existing law, in respect of such inputs. Accordingly, these taxpayers were not eligible for transitional credit of ₹ 81.53 lakh on inputs held in stock, on which interest of ₹ 47.49 lakh and penalty of ₹ 8.18 lakh was also leviable under the provisions of the JGST Act (Appendix-VI).

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that: (i) an amount of ₹ 3.88 lakh, in one case, had been recovered (ii) in the remaining cases, notices for hearing have been issued to the concerned taxpayers and (iii) letter had been issued to CGST Department, to take necessary action on taxpayers relating to their jurisdiction.

2.3.8.5 Irregular availment of transitional credit on inputs in transit

Eight taxpayers, at six CTCs, had availed transitional credit of ₹ 75.43 lakh, on inputs in transit. However, these claims were not supported by requisite evidence.

Under the provisions of Section 140(5) of the JGST Act, 2017, a registered person shall be entitled to take credit of the value added tax and entry tax, in

¹⁵ Bokaro, Palamu, Ramgarh and Ranchi West.

respect of inputs received on or after the appointed day but the tax in respect of which has been paid by the taxpayer under the existing law, subject to the condition that invoice of the same was recorded in the books of account of such person, within a period of thirty days from the appointed day.

Audit test-checked (between January and September 2021) the records of 49 transitional credit cases, where credit on inputs in transit had been claimed under Table 7(b) of TRAN-1 and noticed, in eight cases, at six CTCs¹⁶, that an amount of ₹ 75.43 lakh had been claimed and availed as transitional credit on inputs on goods in transit. However, scrutiny of records indicated that these claims were not supported by the documents with TRAN-1, confirming accountal of the invoices, in respect of such inputs, in the books of account, within the prescribed timelines. As such, in absence of requisite invoices, these taxpayers were not eligible for transitional credit on inputs in transit. Thus, an amount of ₹ 75.43 lakh was irregularly availed by the taxpayers, as transitional credit, on inputs in transit. Further, interest of ₹ 41.90 lakh and penalty of ₹ 7.59 lakh was also leviable for irregular availment of transitional credits, under the provisions of JGST Act (**Appendix-VII**).

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that: (i) an amount of ₹ 3.30 lakh had been recovered, in one case (ii) in the remaining cases, notices for hearing had been issued to the concerned taxpayers and (iii) letter had been issued to CGST Department, to take necessary action on taxpayers relating to their jurisdiction.

2.3.8.6 Irregular availment of transitional credit on goods held by agent on behalf of principal

Claim of transitional credit of ₹ two lakh was irregularly allowed by the proper officer, though the claim of the taxpayer was not supported by requisite invoices.

Under the provisions of Section 142(14) of the JGST Act 2017, where any goods or capital goods belonging to the principal, are lying at the premises of the agent, on the appointed day, the agent shall be entitled to take credit of the tax paid on such goods or capital goods, subject to the condition that the said person is in possession of invoices issued not earlier than 12 months preceding 30 June 2017 and evidencing payment of tax under the existing law in respect of such inputs.

Audit test-checked (February 2021) the records of 16 transitional credit cases where credit on goods held by an agent, on behalf of principal, were claimed under Table 10(b) of TRAN-1 and noticed, in one case, relating to the Dhanbad Urban CTC, that an amount of ₹ two lakh had been claimed as transitional credit, on goods held in stock by the agent on behalf of principal. The proper officer, on verification, allowed the claim, in full, as transitional credit. However, on scrutiny of records, it was noticed that the claim was not supported by requisite invoices, evidencing payment of tax under the existing law in respect of such inputs. Thus, the taxpayer was not eligible to carry

¹⁶ Adityapur, Bokaro, Jamshedpur, Jamshedpur Urban, Ramgarh and Singhbhum.

forward the transitional credit, in the electronic credit ledger. This resulted in irregular allowance of transitional credit of ₹ two lakh, by the proper officer. Besides, interest of ₹ 1.09 lakh and penalty of ₹ 0.20 lakh was also leviable for irregular availment of transitional credit, under the provisions of the JGST Act (**Appendix-VIII**).

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that notice for hearing had been issued to the concerned taxpayer.

2.3.8.7 Irregular availment of transitional credit on works contract service

Though the taxpayers had filed TRAN-1 beyond the prescribed timelines, or were not registered as works contractors under the repealed Act, they had irregularly availed transitional credit of ₹ 1.56 crore on works contract service.

Under the provisions of Section 142(11)(c) of the JGST Act 2017, where tax was paid on any supply, both under the JVAT Act 2005, and under Chapter V of the Finance Act, 1994, tax shall be leviable under the JGST Act and the taxable person shall be entitled to take credit of value added tax or service tax paid under the existing law, to the extent of supplies made after the appointed day and such credit shall be calculated in such manner as may be prescribed. Further, under the provisions of Rule 118 of the JGST Rules 2017, every person to whom the provisions of clause (c) of sub-section(11) of Section 142 applies, shall file TRAN-1 within a period of ninety days of the appointed day.

Audit test-checked (between January and September 2021) the records of eight transitional credit cases, where credits, in respect of taxes paid on any supply, both under Value Added Tax Act and under Finance Act, 1994 had been claimed under Table 11 of TRAN-1 and noticed (September 2021), in two cases, relating to Chaibasa and Jamshedpur CTCs, that an amount of ₹ 1.56 crore, was claimed and availed as transitional credit on works contract service. However, on scrutiny of the records, it was noticed, in one case, that TRAN-1 had been filed beyond the prescribed period. In another case, the taxpayer was not registered as works contractor, under the repealed JVAT Act. Thus, these taxpayers were not eligible for transitional credit. This resulted in irregular availment of transitional credit of ₹ 1.56 crore, on which interest of ₹ 85.44 lakh and penalty of ₹ 15.58 lakh was also leviable, under the provisions of the JGST Act (**Appendix-IX**).

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that notices for hearing had been issued to the concerned taxpayers.

2.3.8.8 Short/non-levy of interest and penalty on disallowed transitional credit

The proper officers of 14 CTCs, in 24 cases, disallowed transitional credit claims of ₹ 15.91 crore and levied interest and penalty of ₹ 35.88 lakh, instead of the leviable interest and penalty of ₹ 6.44 crore. This resulted in short levy of interest and penalty of ₹ 6.08 crore.

Section 50(3) and 73(9) of the JGST Act empowers the proper officer to levy interest at a rate not exceeding 24 *per cent* and penalty equivalent to ten *per cent* of tax or ₹ 10,000, whichever is higher, on a registered taxpayer who makes wrong claim of ITC, or where input tax has been wrongly availed or utilised.

Audit test-checked (between January and September 2021) the records of 358 transitional credit cases and noticed, in 24 cases, at 14 CTCs¹⁷, that these taxpayers had claimed transitional credits of ₹ 16.79 crore. The proper officers, on verification, disallowed claims of ₹ 15.91 crore and levied interest and penalty of ₹ 35.88 lakh. However, the actual interest and penalty, leviable under the provisions of the Act, was ₹ 6.44 crore. Thus, non-compliance of the provisions of the Act, by the proper officers, resulted in short/non levy of interest and penalty of ₹ 6.08 crore (**Appendix-X**), as illustrated in **Table-2.7**.

Table-2.7

(₹ in crore)					
Sl. No.	Name of the circle	Number of cases	<u>Claimed amount</u> <u>Allowed amount</u>	<u>Interest and Penalty levied</u> <u>Interest and Penalty leviable</u>	Short levy of interest and penalty
1	Bokaro	01	<u>0.02</u> 0.00	<u>0.002</u> 0.004	0.002
2	Chaibasa	01	<u>1.13</u> 0.00	<u>0.00</u> 0.52	0.52
3	Chirkunda	02	<u>0.10</u> 0.03	<u>0.01</u> 0.04	0.03
4	Deoghar	01	<u>0.31</u> 0.00	<u>0.07</u> 0.10	0.03
5	Dhanbad	02	<u>1.43</u> 0.004	<u>0.00</u> 1.30	1.30
6	Dumka	04	<u>1.00</u> 0.64	<u>0.07</u> 0.12	0.05
7	Jamshedpur Urban	01	<u>0.80</u> 0.00	<u>0.15</u> 0.19	0.04
8	Pakur	02	<u>0.08</u> 0.02	<u>0.01</u> 0.02	0.01
9	Ramgarh	01	<u>0.81</u> 0.00	<u>0.00</u> 0.23	0.23
10	Ranchi East	01	<u>0.03</u> 0.00	<u>0.01</u> 0.02	0.01
11	Ranchi South	04	<u>2.06</u> 0.11	<u>0.00</u> 1.01	1.01
12	Ranchi Special	02	<u>8.61</u> 0.02	<u>0.00</u> 2.78	2.78

¹⁷ Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dumka, Jamshedpur Urban, Pakur, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Sahibganj and Singhbhum.

Table-2.7

(₹ in crore)

Sl. No.	Name of the circle	Number of cases	<u>Claimed amount</u> <u>Allowed amount</u>	<u>Interest and Penalty levied</u> <u>Interest and Penalty leviable</u>	Short levy of interest and penalty
13	Sahibganj	01	<u>0.07</u> 0.00	<u>0.00</u> 0.01	0.01
14	Singhbhum	01	<u>0.31</u> 0.05	<u>0.05</u> 0.10	0.05

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that recovery had been made in one case and additional demand of ₹ 0.50 lakh had been raised in another case. In the remaining cases, notices for hearing had been issued to the concerned taxpayers, and letter had been issued to CGST Department, to take necessary action on taxpayers relating to their jurisdiction.

2.3.8.9 Irregular availment of transitional credit without filing VAT returns

Four taxpayers had availed transitional credits of ₹ 2.60 lakh, although the prescribed returns, under the repealed JVAT Act, were not filed by them.

Under the provisions of Section 140(1) of the JGST Act 2017, a registered person shall not be allowed to take transitional credit, where he had not furnished all the returns, required under the existing law, for the period of six months immediately preceding the appointed date.

Audit test-checked (between January and September 2021) the records of 358 transitional credit cases and noticed, in four cases, at three CTCs¹⁸, that these taxpayers had claimed and availed transitional credits of ₹ 2.60 lakh. However, scrutiny of the assessment records of the taxpayers, under the JVAT Act, indicated that these taxpayers had not filed returns for the period of six months immediately preceding the appointed date, as prescribed under the provisions of the Act. Thus, these taxpayers were not eligible for the transitional credit claims of ₹ 2.60 lakh. Besides, interest of ₹ 1.48 lakh and penalty of ₹ 0.40 lakh was also leviable, for incorrect availment of transitional credit (**Appendix-XI**).

The matter was reported to the Government/ Department (November 2021); the Secretary, CTD, during the exit conference, stated (February 2022) that: (i) additional demand of ₹ 3.48 lakh had been issued in three cases (ii) in the remaining case, notice for hearing has been issued to the concerned taxpayer.

¹⁸ Deoghar, Palamu and Ranchi West.

2.3.8.10 Irregular revision of demand order beyond the prescribed time-lines

The proper officer, under the provisions of the Act, may rectify the demand within six months of issue. However, demand notice of ₹ 55.19 lakh, in one case, was incorrectly revised as 'nil', after expiry of 16 months, without assigning any reason. This resulted in irregular allowance of transitional credit of ₹ 55.19 lakh.

Section 161 of the JGST Act prescribes that any authority who has passed or issued any decision or order, may rectify any error which is apparent on the face of record, either on its own motion or where such error is brought to its notice by any officer appointed under this Act or by affected person, within a period of three months from the date of issue of such order, provided that no such rectification shall be done after a period of six months from the date of issue of such order.

Audit test-checked (between January and September 2021) 358 transitional credit cases, at all 28 CTCs and noticed, in one case of Bokaro CTC that a taxpayer had claimed transitional credit of ₹ 43.11 lakh. The proper officer, on verification, disallowed the claim being incorrectly availed transitional credit and issued demand notice, in Form DRC-07, for an amount of ₹ 55.19 lakh, on 29 September 2018. However, the proper officer, after 16 months, rectified the aforesaid DRC-07 and made a rectified 'nil' demand in Form DRC-08, on 03 February 2020, beyond the prescribed timelines and without assigning reasons. Non-adherence to the provision of the Act, by the proper officer, and reviewing the demand beyond the prescribed period, resulted in irregular allowance of transitional credit of ₹ 55.19 lakh.

When pointed out (September 2021), the proper officer of Bokaro CTC stated (September 2021) that the case would be reviewed.

The matter was reported to the Government/ Department (November 2021); their reply was awaited (March 2024).

2.3.8.11 Irregular availment of transitional credit availed by taxpayer registered under composition levy scheme

The taxpayer, though registered under composition levy scheme, under the JGST Act, had irregularly availed transitional credit of ₹ 0.56 lakh.

Under the provisions of Section 140(1) of the JGST Act 2017, a registered person, other than a person registered under the composition levy scheme under the Act, shall be entitled to take credit of the amount of Value Added Tax, Entry Tax, unavailed credit of capital goods, carried forward in the return for the period ending June 2017, filed under the existing law.

Audit test-checked (between January and September 2021) the records of 358 transitional credit cases and noticed that a taxpayer of Dhanbad CTC had claimed and availed transitional credit of ₹ 0.56 lakh. However, scrutiny of records revealed that the taxpayer was registered under the composition levy

scheme under the JGST Act. Thus, the taxpayer was not eligible for transitional credit. This resulted in irregular availment of transitional credit of ₹ 0.56 lakh, on which interest of ₹ 0.03 lakh and penalty of ₹ 0.10 lakh was also leviable, under the provisions of the JGST Act.

When pointed out (September 2021), the proper officer of Dhanbad CTC stated (September 2021) that the case would be reviewed.

The matter was reported to the Government/ Department (November 2021); their reply was awaited (March 2024).

2.3.9 Conclusion

The Department did not verify (September 2021) 1,706 cases out of 2,845 transitional credit claims selected for verification, wherein transitional credits of ₹ 96.15 crore had been claimed.

The Department did not monitor the adherence of instructions by the proper officers, resulting in verification of transitional claims of 75 taxpayers out of 105 high value cases, by officers not authorised to verify them. The check-list prescribed by the Department was not adequate for taking effective remedial action on cases verified by the Department. As a result, transitional credit of ₹ 14.06 crore was not recovered, even after the expiry of 24 months.

The taxpayers/proper officers did not comply with the provisions of the JGST Act/Rules. Further, the proper officers did not adhere to the instructions/checks prescribed by the Department, resulting in availment of excess transitional credits of ₹ 60.08 crore, in 57 cases; availment of irregular transitional credits on inadmissible items of ₹ 51.31 crore, in 22 cases; and irregular availment of transitional credits on capital goods, inputs held in stock, inputs in transit, inputs on goods held by agent on behalf of principal and inputs in work contract services, of ₹ 20.06 crore, in 20 cases.

The proper officers had short levied interest of ₹ 6.08 crore in 24 cases disallowed by them. Transitional credit of ₹ 55.19 lakh, in one case, was irregularly allowed by rectifying the demand order beyond the prescribed timelines.

The audit findings are those which came to notice within the selected audit sample and there are possibilities that the same irregularities may persist in other transitional credit cases. The CTD may examine all such cases thoroughly in all Commercial Taxes Circles and take necessary action.

2.3.10 Recommendations

Government may consider:

- instituting a system at the apex level, to monitor the adherence of instructions and compliance of the JGST Act/Rules, by the proper officers;
- issuing instructions to the Department, to verify the remaining 1,706 cases, in a timely manner; and
- issuing directions to the Department, for speedy recovery of outstanding liability, on account of transitional credits wrongly availed.

Other observations/Paragraphs

2.4 Non-levy of interest on disallowed exemptions and concessions

Interest of ₹ 61.65 crore was not levied on disallowed exemptions, concessions and incorrect adjustment of Input Tax Credit (ITC).

The JVAT Act, 2005, provides for levy of interest applicable under the Act, on account of disallowance of ITC, exemptions and deductions and any other concessions or rebates not supported by requisite evidence, as required under the Act, Central Sales Tax Act or Rules framed thereunder. The Act further prescribes payment of simple interest on the additional tax, assessed at the rate of two *per cent* per month from the date of such default, for so long as the assessee continues to make default in payment of the said tax.

Scrutiny of assessment records (between September 2020 to April 2021) of 851 dealers, out of 38,470 dealers registered in seven commercial taxes circles¹⁹, revealed that the assessing authorities (AAs), while finalising the assessments, had disallowed the claims of 10 dealers, on account of exemptions and concessions on turnover of ₹ 1,444.34 crore and adjustment of ITC on turnover of ₹ 7.10 crore, for the period between 2015-16 and 2016-17. Additional tax, including ITC of ₹ 81.41 crore, was levied by the AAs, on the aforesaid disallowed turnovers. However, the AAs failed to levy penal interest, amounting to ₹ 61.65 crore, on the disallowed claims. It was further observed that the interest on disallowed exemptions, concessions and adjustment of ITC in course of assessment, was not being levied uniformly in the above commercial taxes circles.

After the cases were pointed out, DCST, Giridih, accepted the audit observation and intimated (August 2021) that instructions have been given to issue demand notice; DCST, Palamu, intimated (April 2022) that demand notice had been issued and DCST, Bokaro intimated (April 2022) that notice for hearing had been issued. Three DCSTs²⁰ stated (between December 2020 and February 2021) that the cases would be reviewed. However, DCST, Jamshedpur Urban, stated (January 2021) that tax and interest was not leviable on the basis of filed returns. The reply is not in order, as additional tax was assessed by the AAs, on which interest was leviable, as per provision of the Act. Further replies have not been received (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

¹⁹ Bokaro, Giridih, Jamshedpur, Jamshedpur Urban, Palamu, Ramgarh and Ranchi West.

²⁰ Jamshedpur, Ramgarh and Ranchi West.

2.5 Concealment of purchase turnover under JVAT Act

The AAs, while finalising the assessments, did not scrutinise the information furnished by the dealers, which led to non-detection of concealment of turnover of ₹ 126.48 crore by eight dealers and consequential under-assessment of tax and penalty of ₹ 26.29 crore.

Under the provisions of Section 40(1) of the JVAT Act, 2005, if the prescribed authority has reason to believe that the dealer has concealed, omitted or failed to disclose wilfully, the particulars of such turnover or has furnished incorrect particulars of turnover and thereby the returned figures are below the real amount, the prescribed authority shall proceed to assess or reassess the amount of tax due from the dealer in respect of such turnover. The Act, further, empowers the AAs to levy, besides the tax assessed on concealed turnover, by way of penalty, a sum equivalent to thrice the amount of the additional tax so assessed.

Audit test-checked (between November 2020 and March 2021) the assessment records of 775 dealers, out of 24,759 dealers registered in five commercial taxes circles²¹ and noticed that eight dealers had disclosed purchase turnover of ₹ 3,220.15 crore, during the period 2015-16 to 2016-17, through periodical returns and VAT audit report in Form JVAT 409, on which the assessments were finalised (between March 2019 and March 2020). Further scrutiny of records²² indicated that the actual purchase/sales turnover of the eight dealers was ₹ 3,346.63 crore. Thus, failure of the AAs, to cross verify the returns with the relevant information available in the records, resulted in concealment of turnover of ₹ 126.48 crore. This resulted in under-assessment of tax of ₹ 26.29 crore, including penalty of ₹ 19.72 crore.

After the cases were pointed out (between November 2020 and March 2021) the DCST, Bokaro, intimated (April 2022) that notice for hearing had been issued. DCSTs, Giridih and Ranchi West, stated (between November and December 2020) that the cases would be reviewed. DCST, Dhanbad Urban, stated (October 2021) that, as per the reconciliation statement and clarification submitted by the dealer, no discrepancy was noticed in the stock transfer. However, the reconciliation statement and clarification furnished by the dealer, were not furnished to Audit. DCST, Adityapur, stated (April 2022) that the inter-state purchases, shown in the quarterly returns, are inclusive of CST. However, it was observed that the inter-state purchase turnover, accounted in the trading account, were exclusive of CST. The reply is not in order as CST purchases inclusive of tax are required to be accounted for in the trading account as per Section 2 (xlii) of JVAT Act 2005. Further replies have not been received (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

²¹ Adityapur, Bokaro, Dhanbad Urban, Giridih and Ranchi West.

²² Annual return, quarterly return/JVAT-200, Manufacturing and Profit and Loss account, JVAT 409, JVAT 506 and JVAT 404.

2.6 Irregularities in grant of Input Tax Credit (ITC)

The AAs, while finalising the assessments in case of 11 dealers, allowed ITC of ₹ 25.82 crore instead of ₹ 11.36 crore.

Under the provisions of Section 18(8) of the JVAT Act 2005, Input Tax Credit (ITC) shall not be allowed to a registered dealer on the purchase of goods used in manufacture of other goods and sold in course of inter-state trade or commerce under Section 8(2) of Central Sales Tax Act, 1956. Further, ITC was admissible up to the limit of tax payable on sale of such goods under Section 8(1) of CST Act, with effect from 17 February 2017. Also, ITC shall not be allowed in respect of goods consumed for production of exempted and Schedule-E goods and in cases where the value of taxable sale is five *per cent* or less, of the total turnover under the JVAT Rules.

Audit test-checked (between January and April 2021) the assessment records of 246 dealers, out of 8,345 dealers registered in Bokaro and Dhanbad Urban commercial taxes circles and noticed that 11 dealers had claimed ITC of ₹ 25.88 crore, for the period 2015-16 to 2017-18. The AAs, while finalising the assessments (between June 2017 and August 2020) of these dealers, had allowed ITC of ₹ 25.82 crore to them. However, on scrutiny of records, it was noticed that ITC had been incorrectly apportioned on sales made by these dealers under Section 8(1) and 8(2) of CST Act; and was incorrectly allowed where taxable sales were less than five *per cent* of the total sales and goods used in the manufacturing of Schedule E and exempted goods. These dealers were actually eligible for ITC of only ₹ 11.36 crore. This resulted in allowance of excess ITC of ₹ 14.46 crore.

After the cases were pointed out (between January and April 2021), the DCST, Dhanbad Urban, intimated (October 2021) that demand notices had been issued in six cases and DCST, Bokaro, intimated (April 2022) that notice for hearing had been issued. Intimation regarding recovery is awaited (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

2.7 Non-levy of penalty

The AAs, while finalising the assessments, did not levy penalty of ₹ 9.68 crore, under the prescribed provisions of JVAT Act, 2005.

Under Section 40(1) of JVAT Act, 2005, where the prescribed authority has reasons to believe that the dealer has concealed, omitted or failed to disclose willfully, the particulars of turnover and thereby return figures are below the real amount, the prescribed authority shall proceed to assess or reassess the amount of tax due from the dealer in respect of such turnover and for this purpose, the dealer shall pay by way of penalty, a sum equal to thrice the amount of additional tax assessed. Further, as per Section 47(1)(b), if a registered dealer, collects any amount by way of tax, in excess of the tax payable by him, he shall be liable to pay penalty equal to twice the excess tax collected, in addition to the tax collected by him. Also, under Section 63(3), if

any dealer, whose gross turnover exceeds ₹ 60 lakh, fails to get his accounts audited and furnish the Audit Report in Form JVAT-409 within the specified period, the prescribed authority shall impose penalty, equal to 0.1 *per cent* of the turnover, determined in addition to tax payable by him.

Audit test-checked (January 2021) the assessment records of 106 dealers, out of 5,398 dealers registered in the Ramgarh commercial taxes circle and noticed that the AAs had failed to levy penalty of ₹ 9.68 crore, in case of three dealers, as detailed below:

- Two dealers had disclosed gross turnover of ₹ 2,988.68 crore, for the period 2016-17. The AAs, while finalising assessments in August 2020, enhanced the turnover to ₹ 3,069.88 crore, on account of suppression made by the dealers, in order to evade tax. Though the AAs enhanced the turnover by ₹ 81.19 crore and assessed additional tax of ₹ 3.18 crore, penalty of ₹ 9.54 crore, on the additional tax assessed, was not levied.
- A dealer had collected tax of ₹ 9.59 crore, against his tax liability of ₹ 9.52 crore, for the period 2016-17. The AA did not levy penalty of ₹ 14.54 lakh, for the excess tax collected by the dealer.

After being pointed out (January 2021), the AA stated (January 2021) that these cases would be reviewed. Further replies have not been received (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

2.8 Application of incorrect rate of tax

The AAs levied tax of ₹ 8.92 crore, instead of ₹ 16.39 crore, due to application of incorrect rate of tax, resulting in short levy of tax of ₹ 7.47 crore.

According to Rule 22(2) of JVAT Rules, where the amount of charges towards labour and services in any contract is not ascertainable, then such charges shall be calculated at the rate of 30 *per cent* of the total consideration received or receivable and the taxable turnover arrived thereafter shall be taxable at the rate of 14 *per cent*. Further, the existing rate of tax for commodities, under Schedule-B of Part-II, was enhanced, from five *per cent*, to 5.5 *per cent*, through a notification issued in November 2016. Also, under the CST Act, 1956, tax was not leviable where transactions were supported by declarations in Form “C” and “E-I”. In case of failure to submit declaration in Form “E-I”, State rate of tax was applicable, when both the selling and purchasing dealers belonged to the same State.

Audit test-checked (between November 2020 and March 2021) the assessment records of 632 dealers, out of 20,150 dealers, registered in four commercial taxes circles²³ and noticed that the AAs, while finalising the assessments (between January and August 2020) of five dealers, for the period of 2016-17, had levied tax of ₹ 8.92 crore, instead of ₹ 16.39 crore, due to application of

²³ Adityapur, Bokaro, Giridih and Jamshedpur.

incorrect rate of tax. This resulted in short levy of tax of ₹ 7.47 crore, due to non-adherence to the provisions of the Act, as detailed in **Table 2.8**.

Table-2.8

Sl. No.	Number of cases	Nature of observation	(₹ in crore)	
			Tax payable at correct rates Tax paid	Tax short levied
1	03	In the instant cases, the AAs failed to levy tax on revised rates as amended from 5 & 14 per cent to 5.5 & 14.5 per cent respectively.	<u>5.54</u> 5.04	0.50
2	01	In the instant case, the AA after allowing deductions towards labour and other like charges, levied tax at the rate of 5 per cent on the remaining turnover instead of the leviable 14 per cent as per provisions of Rule 22.	<u>9.19</u> 3.28	5.91
3	01	In the instant case, the AA levied tax at concessional rate on interstate transit sale supplies despite the taxpayer failing to produce declaration in Form 'C'.	<u>1.66</u> 0.60	1.06

After the cases were pointed out (between November 2020 and March 2021), DCSTs, Giridih and Jamshedpur stated (November and December 2020) that the cases would be reviewed, while DCST, Bokaro, intimated (April 2022) that notice for hearing had been issued and DCST, Adityapur, intimated (April 2022) that demand notice had been issued. Intimation regarding recovery is awaited (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

2.9 Incorrect allowance of exemption

AAs allowed excess exemption of tax, resulting in under assessment of tax of ₹ 1.12 crore.

Section 9(5) of the JVAT Act, 2005 provides that, where a registered dealer allows any trade discount (other than cash discount) or incentive, whether in terms of quantity in goods or otherwise in relation to any sale effected by him, the quantity so allowed as trade discount or incentive, shall be deemed to be a sale by the dealer. Further, under Rule 22(1)(d) of JVAT Rules 2006, the value of goods involved in a works contract was taxable, after deducting labour and other like charges, including profit earned by the contractor, to the extent it was relatable to supply of labour and services, from their gross receipt value. Also, exemption from tax on SEZ sale was admissible, on production of declaration in Form 'I', under the CST Act.

Audit test-checked (between November and December 2020) the assessment records of 396 dealers, out of 15,886 dealers, registered in three commercial taxes circles²⁴ and noticed that four dealers had claimed exemption from tax, on turnover of ₹ 46.43 crore, on account of trade discount, royalty, profit related to supply of labour and services and sales made to the dealers of SEZ,

²⁴ Giridih, Jamshedpur Urban and Ranchi West.

for the period 2015-16 and 2016-17. The AAs, while finalising the assessments (between February 2019 and August 2020), had allowed the exemption in full. However, scrutiny of records revealed that the allowable exemption to these dealers was only on turnover of ₹ 36.78 crore. This resulted in excess exemption for turnover of ₹ 9.65 crore and consequent short levy of tax of ₹ 1.12 crore.

After the cases were pointed out (between November and December 2020), the DCSTs, Jamshedpur Urban and Ranchi West, stated (between December 2020 and January 2021) that the cases would be reviewed, while DCST, Giridih, intimated (April 2022) that demand notices had been issued. Intimation regarding recovery is awaited (March 2024).

The matter was reported to the Government in March 2022; replies have not been received (March 2024).

EXCISE AND PROHIBITION DEPARTMENT

2.10 Tax administration

The levy and collection of excise duty is governed by the Bihar Excise Act, 1915 and the Rules made/ notifications issued thereunder, as adopted by the Government of Jharkhand. At the Government level, the Secretary of the Excise and Prohibition Department is responsible for administration of the State Excise laws. The Commissioner of Excise (EC) is the head of the Department and is primarily responsible for the administration and execution of State Excise policies and programmes of the Government. He is assisted by a Joint Commissioner of Excise, Deputy Commissioner of Excise and Assistant Commissioner of Excise at the Headquarters' level. Further, the State of Jharkhand is divided into three Excise divisions²⁵, each under the control of a Deputy Commissioner of Excise. The divisions are further divided into 24 Excise districts, each under the charge of an Assistant Commissioner of Excise/ Superintendent of Excise (ACE/SE).

2.11 Results of audit

During 2020-21, Audit test-checked the records of eight²⁶ out of 31 auditable units (26 per cent) of the Department. During the year 2019-20, 490 retail excise shops were settled in the test-checked districts. Audit test-checked records related to all the settled retail excise shops. The Department collected revenue of ₹ 2,009.27 crore during 2019-20, of which the audited units collected ₹ 615.55 crore (30.64 per cent). Audit noticed irregularities, amounting to ₹ 75.58 crore, in 1,121 cases, as detailed in **Table- 2.9**.

²⁵ North Chotanagpur Division, Hazaribag, South Chotanagpur Division, Ranchi and Santhal Pargana Division, Dumka.

²⁶ Secretary, Excise and Prohibition Department, Ranchi; Assistant Commissioner of Excise, Bokaro, Dhanbad, Hazaribag and Ramgarh; Superintendent of Excise, Giridih and Koderma; and Jharkhand State Beverage Corporation Ltd., Ranchi.

Table-2.9

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Non-levy of late fee for delay deposit of Excise Transport Duty (ETD)	392	47.24
2	Short realisation of demurrage charges	167	7.19
3	Non-levy of late fee for delay/non deposit of Minimum Guaranteed Duty (MGD)	449	7.18
4	Non-deposit of Government revenue	66	3.30
5	Loss of revenue in shape of permit fee for Bars and Restaurants	01	1.79
6	Short remittance of privilege fee	01	5.02
7	Loss of excise revenue due to non-imposition of processing fee during the label registration/renewal for Foreign Made Foreign Liquor (FMFL)	05	0.01
8	Non-levy of ETD	01	2.99
9	Others	39	0.86
Total		1,121	75.58

Irregularities involving 178 cases, amounting to ₹ 6.43 crore, have been discussed in the following paragraph:

2.12 Short lifting of liquor and non-levy of late fee

The Department did not levy excise duty equivalent to the Minimum Guaranteed Duty of ₹ 19.61 lakh, leviable on the short lifted liquor and late fee of ₹ 6.23 crore leviable on delay in payment of Minimum Guaranteed Duty and Excise Transport Duty.

Under the provisions of the Jharkhand Excise (Settlement and Operation of shops for retail sale of liquor) Rules, 2018, read with the Jharkhand Excise (Settlement and Operation of shops for retail sale of liquor) (Amendment) Rules, 2019, each licensed vendor of a retail excise shop is bound to lift liquor, equivalent to the value of Minimum Guaranteed Excise Duty (MGD) of the month, failing which the vendor is required to pay MGD, equivalent to the short lifted liquor, on the last date of the month. The licensed vendor of a retail excise shop is also required to pay 12th part of the annual Excise Transport Duty (ETD), in advance, by the 15th of each month. Further, the Rules provide for late fee, at the rate of five *per cent* per day, for non/short deposit of MGD/ETD.

Examination (between December 2020 and March 2021) of records²⁷ of all 490 retail excise shops, settled in the test-checked districts, revealed that vendors were required to lift liquor, equivalent to MGD of ₹ two crore, in 115 excise shops, in five excise districts²⁸. However, these excise shops had lifted liquor equivalent to MGD of only ₹ 1.40 crore, within the due date. The vendors had short lifted liquor amounting to MGD of ₹ 60.04 lakh, out of which ₹ 40.43 lakh was paid, with delays ranging between two to 335 days. Further, in 63 retail excise shops, vendors had deposited ETD of ₹ 8.36 crore, with delays ranging between one to 89 days. The excise districts had prepared shop-wise reports regarding MGD fixed and ETD leviable, liquor lifted/ETD

²⁷ Settlement register, Revenue files and licensee ledger.

²⁸ Bokaro, Dhanbad, Giridih, Hazaribag and Koderma.

paid during the month and up to the month and forwarded the reports to the Excise Commissioner. However, the Department did not take any action to levy the excise duty equivalent to MGD on the short lifted liquor and late fee for delayed payment of MGD and ETD. This resulted in non-levy of MGD of ₹ 19.61 lakh on short lifting of liquor and late fee of ₹ 2.78 crore and ₹ 3.45 crore on non/delayed payment of MGD and ETD, respectively.

After this was pointed out (between December 2020 and March 2021) the concerned authorities (SE/ACE) stated (between December 2020 and March 2021) that steps would be taken after detailed verification. Further replies have not been received (March 2024).

The matter was reported to the Government in July 2021; replies have not been received (March 2024).

CHAPTER-III

NON-TAX RECEIPTS

CHAPTER - III: NON-TAX RECEIPTS

MINES AND GEOLOGY DEPARTMENT

3.1 Tax administration

Levy and collection of royalty in the State is governed by the Mines and Minerals (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Jharkhand Minor Mineral Concession Rules, 2004.

At the Government level, the Secretary, Mines and Geology Department and at the Directorate level, the Director of Mines, is responsible for administration of the Acts and Rules. The Director of Mines is assisted by an Additional Director of Mines (ADM) and Deputy Director of Mines (DDM), at the headquarters level. The State is divided into six circles¹, each under the charge of a DDM. The circles are further divided into 24 district mining offices, each under the charge of a District Mining Officer (DMO)/Assistant Mining Officer (AMO). The DMOs/AMOs are responsible for levy and collection of royalty and other mining dues. They are assisted by Mining Inspectors (MIs). DMOs and MIs are authorised to inspect the leasehold areas and review production and dispatch of minerals.

3.2 Results of audit

During 2020-21, Audit test-checked the records of six² out of 51 auditable units (12 *per cent*) of the Mines and Geology Department. Out of 520 mining leases (39 of major minerals and 481 of minor minerals) in the test-checked units, Audit examined records of 128 mining leases (19 of major minerals and 109 of minor minerals). In addition, an audit on 'Working of the District Mineral Foundation Trust in Jharkhand' was also conducted. The receipts of the Department, during 2019-20, were ₹ 5,461.36 crore of which the audited units had collected ₹ 594.42 crore (11 *per cent*). Audit noticed irregularities, amounting to ₹ 336.69 crore, in 78 cases, as detailed in **Table-3.1**.

Table-3.1

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Working of the District Mineral Foundation Trust in Jharkhand	1	55.88
2	Non-levy of penalty for delayed submission of monthly returns	4	0.39
3	Non-levy of penalty on short account of stock	1	259.20
4	Non-levy of penalty for unauthorised extraction of minerals	3	12.32
5	Non-levy of penalty for excess extraction	1	1.65
6	Short levy of royalty	7	7.12
7	Other cases	61	0.13
Total		78	336.69

The Department accepted audit observations of ₹ 56.93 crore in 10 cases pointed out in 2020-21.

¹ Chaibasa, Palamu, Dhanbad, Dumka, Hazaribag and Ranchi.

² Director of Mines, Ranchi, District Mining Offices, Dumka, Godda, Gumla, Pakur and Sahibganj.

3.2.1 Allotment of mining leases of minor minerals

The Code of Conduct, issued by the Ministry of Home Affairs (MHA), Government of India, stipulates that a Minister shall, after taking office, and as long as he/she remains in office (under Para 2 (c) of the Code), refrain from starting, or joining, any business.

Mining lease for extraction of minor minerals, in Jharkhand, is allotted to seeking applicants as per Jharkhand Minor Minerals Concession (JMMC) Rules, 2004. An applicant who intends to get a mining lease for minor minerals under Rule 9 (2) of the JMMC Rules, 2004 shall submit an application in Form A with required documents as mentioned in Rule 9 (3) to 9 (8) *ibid*. Rule 9 (3) provides for submission of three passport size photographs of the applicants and proof of temporary and permanent addresses, Rule 9 (4) provides for deposit of application fee of ₹ 5,000 and submission of details of land and copy of *khatiyān* wherever necessary, Rule 9 (5) provides for submission of a royalty clearance certificate regarding payment of royalty or dead rent and surface rent pertaining to last financial year, Rule 9 (6) provides for submission of an affidavit regarding declaration of income tax details, Rule 9 (7) provides for submission of an affidavit declaring possession of other mining leases or submission of other applications, Rule 9 (8) provides for submission of surface rights from the land owners where the land is *raiyatee*. Rule 9 (9) *ibid* further provides that if the documents as mentioned in sub-rules 3 to 8 are not enclosed with the application, the competent authority will summarily reject the application within 30 days from the date of receipt of the application for mining lease.

Audit reviewed the allotment of mining leases of minor minerals in the Ranchi and Sahibganj districts by the respective DMOs during the last five years (2017-22), where cases of irregular allotment of mining lease had been highlighted in newspapers. Out of 65 cases (32 in Ranchi and 33 in Sahibganj) of mining leases granted during 2017-22, 24 cases (12 cases in each district) were test-checked in audit. The cases were examined to ascertain the standard practices adopted by the mining offices for allotment of mining lease.

Audit examination revealed that mining leases were granted in an irregular manner to the applicants without complying with the JMMC Rules (Rule 9 (3) to 9 (8)). The violations had resulted from submission and acceptance of a single affidavit with incomplete particulars in place of two affidavits; accepting Royalty clearance certificate, only when the applicants have stated to be in possession of another lease; admitting single declarations in the form of an affidavit that there were no mining dues against the applicant in place of royalty clearance certificate. The detailed observations are as under:

- In all the 24 cases, only single affidavit was attached with the application against separate affidavits required under Rule 9 (6) and Rule 9 (7) of JMMC Rules 2004.
- In 17 out of 24 cases, where the applicants had declared that they had no mining dues, Royalty Clearance Certificate, as mentioned in Rule 9 (5) of JMMC, Rules 2004, was not found attached with the applications. Further, in one case, in Ranchi district, neither Royalty Clearance Certificate was submitted nor was it declared in the affidavit that the applicant had no mining dues.

- In District Mining Office (DMO), Ranchi, one applicant had declared (in affidavit) that he was having a mining lease but did not submit Royalty Clearance Certificate though called for by the DMO.
- In seven out of 24 cases, the single affidavit attached with the applications contained all the three clauses³ of Rule 9 (6) while in three other cases only clause (b & c) was declared. In one case, only clause (a & c) was declared and in 10 cases, only clause (b) was declared. In three cases, no particulars of all the clauses were mentioned in the affidavit.
- In nine out of 24 cases, the single affidavit attached with the applications contained (out of three clauses⁴) only clause (a) of Rule 9 (7) while in three cases clause (a) & (b) was declared. In the rest 12 cases, no particulars of the clauses were mentioned in the affidavit.
- Subsequent application along with prescribed fee was submitted by 20 applicants after previous applications became time barred, i.e., after 120 days from the date of submission of application as per Rule 11(c). However, no new documents were submitted with the subsequent applications in 15 cases and in four (three in Ranchi and one in Sahibganj) cases, fresh affidavits were submitted. In one case in Ranchi, photographs, village map in tracing paper along with fresh affidavit was submitted.
- In three (two in Ranchi and one in Sahibganj) out of 24 cases, Letter of Intent (LoI) was found issued beyond 120 days from the date of last application after the applications became time barred.
- As per Rule 9 (1) (ख) of JMMC Rules, if an applicant fails to submit Environment Clearance Certificate (ECC) within 180 days from issuance of LoI, the application becomes time barred. In five (two in Ranchi and three in Sahibganj) out of 24 cases, the applicants had submitted the ECC after 180 days from issuance of LoI. However, these were accepted and lease was granted by the DCs.
- In two out of 24 cases, the DMO, Ranchi sought Royalty Clearance Certificate after issue of LoI. However, in the affidavits the applicants had mentioned that they did not owe any mining dues to the State.
- In all 24 cases, applications for mining lease were admitted, processed and lease was granted despite non-submission of Royalty Clearance Certificate and on the strength of affidavits which were non-compliant to Rule 9 (6 & 7).
- Of the 24 sampled cases, in DMO, Ranchi, an applicant, who was the Chief Minister of Jharkhand and Minister-in-Charge of Mines and Geology, had applied (May 2021) for a stone mining lease (minor mineral), in his own name, in 0.88 acres of land, at village Angara, which had been granted in October 2021. The lease had been registered on 3 February 2022 and surrendered on 4 February 2022, without start of mining activities.

³ Declaration that: (a) Upto date income tax return has been filed (b) Income tax charged on the applicant has been paid and (c) Income tax has been paid on the basis of self-assessment if tax under IT Act, 1961.

⁴ Declaration that the applicant, individually or jointly with other persons (a) Holds a mining lease (b) Applied but lease was not granted till date and (c) Applying simultaneously.

In response to Audit seeking (March 2023) information on the provisions, in the State, for allotment of mining lease to State Ministers, the Department of Cabinet Secretariat and Vigilance, Government of Jharkhand informed (April 2023) that no rules/guidelines or Code of Conduct for Ministers has been issued by the Department. On further enquiry (May 2023) by Audit about the applicability of Code of Conduct issued by MHA in the State, no reply was furnished by the Department of Cabinet Secretariat and Vigilance (March 2024).

Audit observed that the acceptance of single affidavits, with incomplete particulars, in place of the affidavits required under Rules 9 (6) and 9 (7), as well as acceptance of single declarations in the form of affidavits, in place of Royalty Clearance Certificates, was irregular and violative of the prescribed rules.

Further, Audit did not find any evidence to support the existence of any system, in the Department, to ensure that grant of mining leases was made: (i) only to persons who were not associated with/overseeing the process of grant of mining leases, in a direct or indirect capacity to avoid any conflict of interest; (ii) in keeping with the Code of Conduct for Ministers, issued by the Ministry of Home Affairs, Government of India and (iii) in compliance with the provisions provided in the JMMC Rules, 2004.

Thus, the practice of grant of mining leases in Ranchi and Sahibganj districts by the Department of Mines and Geology was in violation of JMMC Rules, and against the essence of the Code of Conduct issued by the MHA.

The matter was reported to the Mines and Geology Department in November 2023 followed by a reminder in December 2023. However, no reply has been received (March 2024) from the Department except an endorsement of the letter from Joint Secretary, Mines and Geology Department addressed to the Director of Mines, Jharkhand, Ranchi for extending their feedback in the light of the audit findings on allocation of mines.

3.3 Working of the District Mineral Foundation Trust in Jharkhand

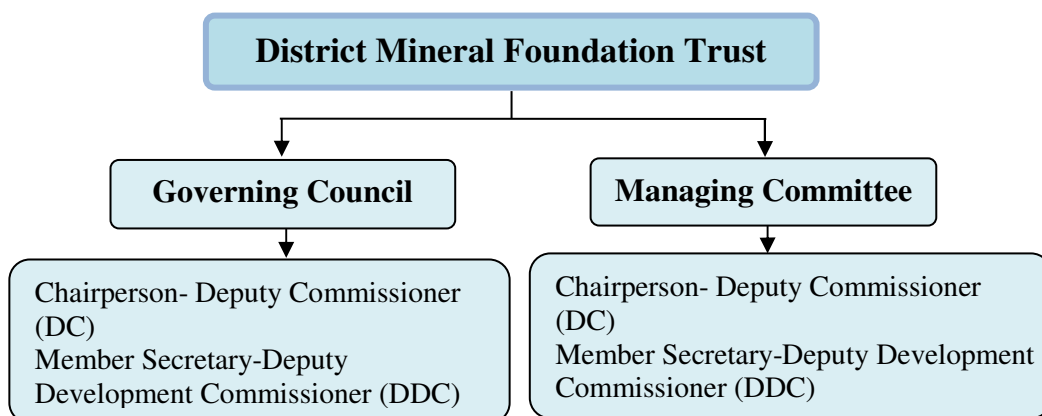
3.3.1 Introduction

The Ministry of Law and Justice (Legislative Department) Government of India, amended (March 2015) the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), effective from 12 January 2015. Section 9B of the Act *ibid* provides for the establishment of a trust, called the District Mineral Foundation Trust (DMFT), that would function as a non-profit body, to work for the interest and benefit of persons and areas affected by mining related operations. The Act broadly outlines an amount that mining lease holders are required to pay to the DMFT annually, for extraction of major minerals. Accordingly, the Government of India notified (September 2015) the amount to be paid to DMFT, by the lease holders of major minerals, under the MMDR Act.

Government of India also launched (September 2015) the *Pradhan Mantri Khanij Kshetra Kalyan Yojana* (PMKKKY) and issued directives to the State Governments, under Section 20A of the MMDR Act, laying down the guidelines for implementation of PMKKKY. The States were required to incorporate the same in the Rules framed by them for DMFTs.

Government of Jharkhand (GoJ) issued (November 2015) notification for constitution of DMFT in each district of Jharkhand and framed (March 2016) the Jharkhand District Mineral Foundation (Trust) Rules (JDMFT Rules), incorporating the PMKKKY guidelines, with retrospective effect from 12 January 2015. GoJ also notified (January 2017) the rate of contribution payable by the lease holders of minor minerals.

The State Government constituted (March 2019) a State Level Monitoring Committee (SLMC), comprising of nine members (as detailed in **Appendix-XII**) and a Member Secretary (Director of Mines), under the Chairmanship of the Chief Secretary, for monitoring and review of various schemes carried out under DMFT/PMKKKY. At the district level, the Deputy Commissioners (DCs) function as Chairpersons of the Governing Councils (GCs) having 14 members each (as detailed in **Appendix-XIII**) and Managing Committees (MCs) having five members each (as detailed in **Appendix-XIV**), for management of the DMFTs. The organisational set up of these two bodies at the district level, is as under:



The Joint/Deputy Secretary, Department of Mines and Geology (henceforth Department), Government of Jharkhand, executes a Model Trust Deed, with the Member Secretary (DDC) of each DMFT, in the capacity of Settlor.

Status of mining receipts in Jharkhand

Jharkhand is a mineral rich State. The State has 40 *per cent* of total mineral resources of the country and more than 30 types of minerals are found in the State. The State occupies first position in coal reserves, second in iron ore reserves, third in copper ore reserves, seventh position in bauxite ore reserves and is the sole producer of prime coking coal.

The Department of Mines and Geology administers central legislations *viz.*, the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, the Minerals (other than Atomic and Hydro Carbon Energy Minerals) Concession Rules, 2016 and the Mineral Conservation and Development Rules (MCDR), 1988 for major minerals. The Department also administers the Jharkhand Minor Mineral Concession Rules, 2004 for minor minerals.

As per available data/information on the Department's web-portal status of mining leases of the State as on September 2022 is depicted in **Table-3.2**.

Table-3.2**Circle-wise status of mining leases**

Name of Mining Circle	Leases of major minerals			Leases of minor minerals		
	No. of total leases	No. of working leases	No. of non-working leases	No. of total leases	No. of working leases	No. of non-working leases
Dhanbad	138	59	79	542	82	460
Dumka	20	3	17	1,422	250	1,172
Hazaribag	52	21	31	554	56	498
Kolhan	97	11	86	453	52	401
Palamu	20	7	13	222	66	156
Ranchi	58	21	37	647	83	564
Total	385	122	263	3,840	589	3,251

Source: Department's web-portal.

From the table, it can be seen that total 385 leases of major minerals and 3,840 leases of minor minerals are there in the State. Out of these, 263 and 3,251 leases of major and minor minerals respectively are non-working.

Details of revenue raised by Mines and Geology Department during the period 2016-17 to 2020-21 are given in the **Table-3.3**.

Table - 3.3**Mining receipts****(₹ in crore)**

Year	Receipts	Percentage increase (+) or decrease (-) over previous years
2016-17	4,094.25	(-) 6.62
2017-18	5,941.36	(+) 45.11
2018-19	5,934.64	(-) 0.11
2019-20	5,461.36	(-) 7.97
2020-21	5,012.47	(-) 8.22

Source: Finance Accounts of the Government of Jharkhand.

As depicted in the above table, mining receipts of the State was not consistent. Mineral receipts has been the highest contributor to non-tax receipts (66.27 per cent) and second highest contributor to State's own receipts (20.51 per cent) during the last five years.

Audit, covering the period 2015-21, was conducted between December 2020 and April 2022, in six⁵ out of 24 DMFTs, along with scrutiny of records made available to Audit, in the District Mining Offices (DMOs), as also the offices of the Director of Mines and Secretary of the Department.

In the light of restrictions imposed by the State Government due to the COVID-19 pandemic, the scope of audit was limited to examination of DMFT contribution and application of resources, to assess whether (i) collection of the DMFT contribution and financial management was proper and effective (ii) planning and selection of schemes were in conformity with PMKKKY guidelines and DMFT Rules and (iii) the monitoring mechanism was adequately exercised. The audit sample was selected on the basis of

⁵ Bokaro, Chatra, Dhanbad, Hazaribag, Lohardaga and Ranchi.

accessibility to the audited units, in keeping with the protocols exercised by the State Government, under the Disaster Management Act.

However, Audit covered 52.79 *per cent* of the total DMFT collection of the State in six sampled districts as shown in **Table 3.4**.

Table-3.4

			(₹ in crore)
Total DMFT collection in the State during 2015-21	Details of total DMFT collection in sampled districts during 2015-21		Percentage
	Name of district	Total collection	
6,855.81	Bokaro	613.58	52.79
	Chatra	849.37	
	Dhanbad	1,724.95	
	Hazaribag	312.25	
	Lohardaga	22.28	
	Ranchi	97.05	
	Total	3,619.48	

Source: Director of Mines.

An entry conference was held on 16 December 2020, with the Secretary, Department of Mines and Geology, in which the objectives, scope, sample and methodology of audit was explained. The exit conference was held on 5 July 2022, with the Secretary of the Department, in which major audit findings and recommendations were discussed in detail. The response of the Government/ Department has been suitably incorporated in the Report.

3.3.2 Management of the DMFT

As per the Jharkhand District Mineral Foundation (Trust) Rules, 2016, read with the Model Trust Deed, the Governing Council (GC) is responsible for overall management of the Trust, preparation and approval of the Annual Budget, approval of the Annual Action Plan, list of beneficiaries and ratification of the Annual Report, for submission to the Government, for laying in the State Legislature.

The Managing Committee (MC) is responsible for collection of funds in the prescribed manner, coordinating with GC in preparing Annual Budget, identification of beneficiaries, developing the Annual Action Plan, approving the lists of work as per guidelines of PMKKKY, awarding work orders and releasing funds thereof, monitoring the physical and financial progress of schemes, preparation of the Annual Report and undertaking such other activities as are in furtherance of the objective of the Trust.

The Trust is required to forward the approved Annual Budget and Annual Action Plan, along with schemes and projects for the next financial year, to the District *Panchayat*, District Administration and the State Government, for publication on their respective websites.


3.3.3 Utilisation of DMFT funds

The PMKKKY guidelines provide for utilisation of DMFT Fund in the following manner:

- at least 60 *per cent* of the funds are to be utilised for high priority areas, i.e.:

- (i) drinking water supply;
 - (ii) environment preservation and pollution control measures;
 - (iii) health care;
 - (iv) education;
 - (v) welfare of women and children;
 - (vi) welfare of aged and disabled people;
 - (vii) skill development; and
 - (viii) sanitation.
- up to 40 *per cent* of the funds are to be utilised for undertaking works on:
- (i) physical infrastructure;
 - (ii) irrigation;
 - (iii) energy and watershed development; and
 - (iv) any other measures for enhancing environmental quality in the mining district.

3.3.4 Fund flow arrangements

DMFT's Bank Account	<p>In case of major minerals:</p> <ul style="list-style-type: none"> • 30 <i>per cent</i> of the royalty paid in respect of mining leases or prospecting licence-cum-mining lease granted before 12 January 2015. • 10 <i>per cent</i> of the royalty paid in respect of mining leases or prospecting licence-cum-mining lease granted on or after 12 January 2015. <p>In case of minor minerals:</p> <ul style="list-style-type: none"> • 30 <i>per cent</i> of the royalty for the existing leases which are not granted through auction. • 10 <i>per cent</i> of the royalty for leases which are granted through auction. • Works contractors, agencies or private companies, involved in execution of construction works, shall pay DMFT contribution, in addition to payment of royalty, with effect from 14 March 2019.
	
Executing Agencies	From DMFT as advance and subsequent payment for execution of work awarded by DMFT.

3.3.5 Constraints faced by Audit

The audit findings are restricted to deficiencies noticed in the financial management of the trust funds, planning and selection of schemes and deficiencies in monitoring the funds etc. As Audit was not provided access to crucial records/information in managing the funds, the actual reasons for lapses/deficiencies by individual officials could not be examined and reported upon. However, non-compliance of Act/Rules provisions, noticed in sampled districts, which could not be vouchsafed in the absence of complete sets of records, were flagged. Factors which hindered the audit examination and limited the scope are as under:

- The Department did not provide any information on the functioning (policy decisions, instructions, corrective measures, monitoring etc.) of the State Level Monitoring Committee (SLMC) on DMFT, despite requisitions and reminders (between September 2021 and April 2022) by Audit, to the Secretary of the Department and Director of Mines, followed by active pursuance.
- Audit requested (October 2021) the Chief Secretary (CS) of the State, who is also the Chairperson of SLMC, to intervene in the matter, in providing access to the functions rendered by the SLMC in handling the DMFT funds. However, no response was received, even after a lapse of more than six months. This impeded the audit mandate, as SLMC is the only body established to handle the DMFTs centrally at the State level. Denial of access to records of SLMC prevented Audit from examining and reporting on the performance of SLMC in managing the DMFTs, during the audit period.
- The Secretary of the Department and Director of Mines, were also requested and reminded (between August 2021 and April 2022), for production of monthly collection reports of DMFT contribution and royalty. However, these were not responded to, even after a lapse of more than seven months (19 April 2022). In the absence of these records, Audit was not able to ascertain the correctness of the DMFT contribution levied and the additional contribution that could have been collected by the State, if the promulgation of the DMFT Rules had not been delayed.
- The Department did not provide, despite repeated reminders, any records in regard to the methodology adopted for selection and prioritisation of schemes, or for identification of people and areas directly/indirectly affected by mining operations, in compliance with the Act/Rules. Such non-production of records prevented examination of the basis on which resources were allocated, without identification of the persons and areas affected by mining operations.
- The Director of Mines assured to provide all the above records/data/information etc. (which were not produced), besides the data dump of the Jharkhand Integrated Mines and Mineral Information System (JIMMS) portal. The records were, however, not produced, when the Audit teams again visited (between November 2021-April 2022) the office of the Director of Mines, who informed Audit that data/information, called for from the field offices

(DMOs), had not been received. In the name of data dump, a CD containing excel sheets of DMO-wise daily collection of DMFT contributions was sent (November 2021) to Audit. No information was available in the CD (excel sheets), as to how these contributions had been arrived at. Thus, Audit was not able to verify the system of collection and computation of DMFT contributions being captured in JIMMS. The Director of Mines was informed (December 2021) that it was not a data dump, but excel sheets without any information on the royalty and payable DMFT contribution. Further request (April 2022) to provide the data dump was not responded to (18 May 2022).

Thus, restrictions on access to crucial and primary records to Audit, despite assurance of full cooperation by the Secretary of the Department, in the entry conference, especially when all the audit procedures and criteria for conducting audit had been explained in the entry conference and the CS of the State Government had been taken onboard, with the request to produce records, indicates the need for further investigation/examination in this regard.

In reply (June 2022), the Secretary of the Department stated that year-wise details of receipts of the contribution of every DMFT had been provided. It was also stated that all the required documents had been provided to the Audit team.

The reply of the Secretary is not factually correct, as the Department did not provide copies of the monthly collection reports of the DMFT contribution, proceedings of the SLMC meetings, data dump of the JIMMS portal and information/records relating to the methodology adopted for selection and prioritisation of schemes or identification of people and areas directly/indirectly affected by mining related operations.

Audit Findings

3.3.6 Collection of funds and financial management

Under the provisions of Rule 6 of the JDMFT Rules, 2016, the MC is responsible for collection of funds from the lessees/licensees/permit holders/auctioneers at the prescribed rates. The Rule further specifies that the mode of payment of contribution shall be by way of bank draft.

3.3.6.1 Collection and accounting of DMFT Funds

The total collection of DMFT funds, as intimated by the Director of Mines, from the lease holders/contractors, during 2015-21, was ₹ 6,855.81 crore. The Director of Mines also informed (April 2022) that ₹ 5,163.96 crore (75.32 *per cent*) was sanctioned for various schemes/programmes of which ₹ 3,000.74 crore (43.77 *per cent*) was spent during 2015-21. The year-wise collection of DMFT funds is shown in **Table-3.5**.

Table-3.5
Collection of DMFT funds

(₹ in crore)	
Year	Total DMFT collection
2015-16	433.98
2016-17	1,332.37
2017-18	904.89
2018-19	1,364.87
2019-20	1,481.45
2020-21	1,338.25
Total	6,855.81

Source: Director of Mines.

- In the six test-checked districts, the total collection of DMFT funds (as recorded in the books of Director of Mines), from the leaseholders/contractors, during 2015-21, was ₹ 3,619.48 crore. However, the test-checked DMFT offices, headed by DCs, recorded the total collection of DMFT funds as being ₹ 3,537.40 crore, during the same period. These discrepancies were noticed by Audit, upon cross-checking the records maintained by the Director of Mines, with the collection details (bank statements and Auditor's report) maintained by the test-checked DMFT offices. The mismatch in collection of funds, in the six test-checked districts, during 2015-21, is shown in **Table-3.6**.

Table-3.6
Comparison of figures of the Director of Mines and bank statements

District	During the period 2015-16 to 2020-21		
	DMFT collection as per bank statement of DMFT offices	DMFT collection as per Director of Mines	Difference
Bokaro	583.55	613.58	-30.03
Chatra	788.09	849.37	-61.28
Dhanbad	1,740.41	1,724.95	15.46
Hazaribag	306.88	312.25	-5.37
Lohardaga	23.67	22.28	1.39
Ranchi	94.80	97.05	-2.25
Total	3,537.40	3,619.48	-82.08

Source: Director of Mines and Bank account and Auditor's Report of concerned DMFTs.

As could be seen from the table, there is a mismatch in the figures between the figures of actual collection and the figures recorded by the Director of Mines. The Department has not informed (27 May 2022) whether reconciliation of the figures of DMFT collection, between these two sets of records, for the period 2015-21, had been carried out, though it had been flagged by Audit in October 2021.

- Audit observed that levy of DMFT contributions, for major minerals other than coal, lignite and sand (for stowing), was effective from 17 September 2015; for coal, lignite and sand (for stowing), from 20 October 2015; and for minor minerals, from 13 January 2017. As the Department did not provide monthly collection reports of Royalty and DMFT contributions for the period 2015-17, Audit could not analyse the collection of

DMFT contribution *vis-à-vis* royalty collection, for the period 2015-17, in view of different cut off dates for levy of DMFT contribution. However, Audit analysed the collection of DMFT contribution *vis-à-vis* royalty collected for the period 2017-21, in the State and the six test-checked DMFTs. The findings in this regard are discussed below:

- The position of collections of DMFT contribution in the State is shown in **Table- 3.7**.

Table- 3.7
Comparison of figures of the Director of Mines and the contribution payable on the basis of royalty collected

(₹ in crore)

Period	Royalty collected	DMFT contribution leviable @ 30 per cent ⁶ of royalty	DMFT contribution collected as per Director of Mines	Difference
2017-18	4,902.50	1,470.75	904.89	565.86
2018-19	5,411.48	1,623.44	1,364.87	258.57
2019-20	4,874.08	1,462.22	1,481.45	-19.23
2020-21	4,676.74	1,403.02	1,338.25	64.77
Total	19,864.80	5,959.43	5,089.46	869.97

Source: Director of Mines.

In comparison to the reported figures of the Director of Mines, there was a shortfall in collection of contribution of DMFT, by ₹ 869.97 crore. In the absence of month-wise data on collection of royalty and corresponding DMFT collections in the State, Audit could not calculate and comment on the leviable DMFT contribution, against royalty collections in the State.

The Department, therefore, should take steps to compile the figures of royalty collected in the State, work out the leviable DMFT contribution, and ensure that it is levied and collected.

- In the six test-checked DMFTs, Audit compared the DMFT contribution leviable on the basis of royalty collected, collection as per the bank statement of DMFTs and the figures furnished by the Director of Mines. The mismatch between these figures is shown in **Table-3.8**.

⁶ The rate of 30 per cent has been applied to calculate the DMFT contribution leviable, as this rate was applicable in all cases, across the 6 test-checked districts.

Table-3.8
Comparison of figures of the Director of Mines with the contribution payable
on the basis of royalty collected and bank statement

(₹ in crore)				
District	Royalty collected as per Director of Mines (during 2017-21)	DMFT contribution leviable @ 30 per cent of royalty	DMFT contribution collected as per bank statement	DMFT contribution collected as per Director of Mines
Bokaro	1,473.51	442.05	401.44	432.04
Chatra	1,983.96	595.19	528.15	586.65
Dhanbad	4,805.07	1,441.52	1,388.37	1,219.99
Hazaribag	973.71	292.11	256.56	261.93
Lohardaga	113.44	34.03	17.60	16.63
Ranchi	304.65	91.40	70.93	73.11
Total	9,654.34	2,896.30	2,663.05	2,590.35

Source: Director of Mines and Bank statement of respective DMFTs.

As against the leviable contribution of ₹ 2,896.30 crore, the actual collection was only ₹ 2,663.05 crore, as per the bank statement. This resulted in short levy of ₹ 233.25 crore. Further, the Director of Mines had recorded collection of only ₹ 2,590.35 crore, which was short by ₹ 305.95 crore, when compared with the DMFT contribution leviable (30 per cent of the royalty collected) in the respective districts. This mismatch needs to be reconciled.

- In the six test-checked districts, Audit called for mineral-wise, payee-wise and year-wise data, in regard to royalty and DMFT collections, for the period 2015-21, to further analyse the differences in reported collections at different levels and the DMFT leviable as per the royalty collection.

In response, the District Mining Office (DMO), Chatra and Hazaribag, furnished the data for 2016-21, while the other four DMOs did not furnish the requisite data. Audit cross-verified the data furnished by these two DMOs, with the bank accounts of the respective DMFTs and figures furnished by the Director of Mines, as shown in **Table-3.9**.

Table-3.9
Comparison of figures of Director of Mines, DMO and bank statement

(₹ in crore)				
District	Year	DMF collection as per bank statements	DMF collection as per DMO's report	DMF collection as per Director of Mines
Chatra	2016-17	259.94	252.87	262.71
	2017-18	130.90	129.60	142.43
	2018-19	139.31	144.91	155.03
	2019-20	118.51	111.45	135.00
	2020-21	139.43	135.93	154.20
Total		788.09	774.76	849.37
Hazaribag	2016-17	50.32	50.32	50.32
	2017-18	40.00	40.48	40.48
	2018-19	70.23	70.20	70.23
	2019-20	76.12	80.42	79.59
	2020-21	70.21	71.44	71.63
Total		306.88	312.88	312.25
Grand Total		1,094.97	1,087.64	1,161.62

Source: Records of Director of Mines, respective DMOs and Bank statement of respective DMFTs.

On comparison of the mineral-wise, payee-wise and year-wise data of DMO Chatra and Hazaribag, with the bank statements of the DMFTs and the figures reported by the Director of Mines, it was noticed that, both the DMFTs had recorded short collection over the figures of Director of Mines while DMFT, Chatra recorded excess collection over the figure of DMO and DMFT, Hazaribag recorded short collection over the figure of DMO. These discrepancies for the period 2016-17 to 2020-21 were not reconciled despite being pointed out by Audit in October 2021.

Audit observed that, except for the above two districts, mineral-wise, payee-wise and year-wise records were not maintained by the MCs, to monitor the demand, collection and balance of DMFT contribution. There was lack of coordination between the DMFTs and District Mining Offices, with regard to exchange of data/records on royalty and DMFT contribution. The Department needs to investigate reasons for non-maintenance of these records, fix responsibility on the erring officials and take corrective measures in this regard.

- During examination of records in the test-checked DMOs, Audit noticed that the Department had commissioned an IT enabled system, called the Jharkhand Integrated Mines and Mineral Management System (JIMMS), for administration of all the leases/licenses/minerals/mining operations in the State. Further, JIMMS provides facility for online payment of rent, royalty, fees etc., and the data related to these payments was being captured electronically in JIMMS. Initially, such payments were being accepted in both -online and offline modes- but payment of royalty was subsequently restricted only to the online mode.

Audit noticed, from bank statements of the DMFTs, that DMFT contribution was being deposited in the respective bank accounts, through three means:

- through the payment gateway of JIMMS, from January 2017 onwards;
- by way of NEFT; and
- by way of cash.

In the test-checked districts, Audit analysed the data in respect of payment of royalty and DMFT contribution, captured in JIMMS, during 2017-20 and compared the amount of DMFT contribution payable in proportion to royalty, with the actual payment of DMFT captured in JIMMS and the amount collected, as per bank statements (actual collection), as shown in **Table-3.10**.

Table-3.10
Comparison of figures of DMFT contribution payable on the basis of royalty with figures captured in JIMMS and figures reflected in Bank Statement
(₹ in crore)

Period	Royalty collected as per JIMMS	DMFT contribution payable @ 30 per cent of royalty	DMFT contribution collected as per JIMMS	DMFT contribution collected as per bank statement
2017-18	2,186.53	655.96	173.27	630.53
2018-19	2,642.86	792.86	653.11	635.02
2019-20	2,357.59	707.28	718.34	758.14

Source: JIMMS data of respective DMOs and bank statement of respective DMFTs.

There was mismatch in figures between the DMFT contribution payable on the basis of royalty, the DMFT contribution captured in JIMMS and the DMFT contribution actually collected as per bank statements. The Department needs to investigate the reasons for the mismatch in the figures and take corrective action in this regard.

The Department, after introduction of JIMMS, should have allowed the IT enabled system as a single window (by making suitable modifications, if required) for collection of DMFT contribution, rather than allowing deposit of DMFT contribution through three different modes.

- Scrutiny of the cash books and bank statements, in four out of the six test-checked districts, revealed that an amount of ₹ 55.29 lakh had been collected by way of cash, instead of being collected through bank drafts in contravention of Rule 6.3 of JDMFT Rules, 2016, as detailed in **Table-3.11**. These cash transactions did not reveal the names of the depositors and the months to which these amounts pertained. Further, the purpose for which they were deposited was not mentioned, either in the cash books or in the bank statements.

Table-3.11
DMFT contribution made by way of cash

			(₹ in lakh)
Sl. No.	Name of district	Period	Amount Deposited
1	DMFT, Chatra	2019-21	17.85
2	DMFT, Dhanbad	2016-21	9.82
3	DMFT, Lohardaga	2016-20	24.50
4	DMFT, Ranchi	2019-20	3.12
Total			55.29

Source: Bank Statement of respective DMFTs.

Thus, the collection of DMFT contribution and its accounting did not provide any assurance about its correctness, as three sets of figures were maintained (by Director of Mines, DMOs and the DMFTs), without any reconciliation. The Director of Mines, who is also the Member Secretary of SLMC and responsible for overall monitoring and management of DMFTs in the State, reported figures of DMFT contribution, which did not tally with the bank statements of DMFTs. Reconciliation of figures of contribution was not carried out even once, even after being pointed out by Audit. Further, Reports/returns were not prescribed, by the SLMC, to monitor the collection and reconciliation of DMFT collections, with royalty collections and bank accounts.

The Department accepted the facts and stated (July 2022) that the mismatch in figures was due to various modes of payment of DMFT contribution and assured reconciliation of the figures and evolving a single window system for collection of DMFT contributions.

To sum up:

- *There was no coordination between the DMFTs and District Mining Offices with regards to correctness of DMFT contributions levied on the basis of royalty collected;*

- The DMFT contribution reflected in bank accounts of DMFT did not tally with the figures compiled by District Mining Offices and Director of Mines as there was no mechanism for reconciliation of figures; and
- As such, the Department had not put in place an effective system to monitor the levy of DMFT contribution, its accounting and to verify the correctness of DMFT contributions.

3.3.6.2 Annual budget

The DMFT Deed provides for preparation and approval of annual budget by the GC, one month prior to the commencement of the financial year. The MC assists the GC in preparation of the annual budget. If, for any reason, the GC does not prepare and approve the annual plan and budget within the specified time, the Chairperson (Deputy Commissioner of the district) of the Trust is required to prepare and approve the annual action plan and the budget of the Trust and forward the same to the District Panchayat, District Administration and the State Government.

The PMKKKY guidelines provides that, at least 60 per cent of the Trust fund should be utilised for activities categorised as ‘high priority’ areas and up to 40 per cent for the activities under ‘other priority’ areas.

In the six test-checked districts, scrutiny of records revealed that ₹ 2,732.20 crore, out of the total collection of ₹ 3,537.40 crore, was sanctioned for various schemes, during 2015-21. Of these, ₹ 2,676.01 crore (75.65 per cent) was sanctioned for schemes under ‘high priority’ areas and ₹ 56.19 crore (1.59 per cent) under ‘other priority’ areas, as shown in **Table-3.12**.

Table-3.12
Priority-wise sanction

Name of DMFT	Total collection	Amount sanctioned for ‘high priority’ areas	Percentage over total collection	(₹ in crore)	
				Amount sanctioned for ‘other priority’ areas	Percentage over total collection
Bokaro	583.55	494.05	84.66	18.38	3.15
Chatra	788.09	357.54	45.37	20.83	2.64
Dhanbad	1,740.41	1,682.09	96.65	8.64	0.50
Hazaribag	306.88	112.82	36.76	0.48	0.16
Lohardaga	23.67	9.54	40.30	3.23	13.65
Ranchi	94.80	19.97	21.07	4.63	4.88
Total	3,537.40	2,676.01	75.65	56.19	1.59

Source: Data received from respective DMFTs.

Audit scrutiny revealed the following:

- In four⁷ out of the six test-checked districts, the amount sanctioned for different schemes, under ‘high priority’ area, ranged between 21.07 and 45.37 per cent of the total amounts collected. The reasons for low application of resources were neither recorded in files, nor explained to Audit.
- None of the GCs in the test-checked DMFTs had prepared annual budgets during the last five years. The Chairpersons of the Trusts (DCs of the concerned districts) also did not prepare the annual budgets (though they were

⁷ Chatra, Hazaribag, Lohardaga and Ranchi.

required to ensure this, on failure of the GCs to do so), or provided the same to the State Government, as provisioned in the DMFT deed. In reply (between March and October 2021), the DCs/DDCs of the test-checked DMFTs accepted non-preparation of the annual budgets and four (out of six) DMFTs stated that they would be prepared, henceforth. The DDC-cum-Member Secretary, DMFT, Hazaribag, informed that expenditure from DMFT Fund had been incurred on the instructions of Chief Secretary and Chief Minister of the State. However, no reasons were furnished for failure to comply with the mandatory requirements of preparing the annual budget. No action in this regard, on the part of the State Government, was available on record.

- The SLMC, headed by the Chief Secretary of the State and the Director of Mines (as Member Secretary), along with the Secretary of the Department (besides other members), is responsible for monitoring and review of DMFTs in the State. Audit called for (15 September 2021) details of monitoring of the Fund and interventions made by the SLMC from the Member Secretary-cum-Director of Mines, SLMC, followed by reminders, between 23 September 2021 and 1 October 2021. Further, the matter was also informed (11 October 2021) to the Secretary of the Department, followed by reminder on 18 October 2021, endorsing a copy to the Chief Secretary of the State, followed by reminders to the Director of Mines on 25 November 2021 and 4 April 2022. However, no reply was received from the Department (26 May 2022). Thus, the Department could not produce any documentary evidence in regard to monitoring of the Fund, at the State level, by the SLMC.

The Department stated (July 2022) that necessary instructions have already been given to the districts and that corrective action would be taken.

3.3.6.3 Promulgation of DMFT Rules

Government of India prescribed (17 September 2015) the amount of DMFT contribution to be paid by lease holders of major minerals. The State Government promulgated (22 March 2016) the DMFT Rules, 2016, but notified the amount of DMFT contribution, to be paid by lease holders of minor minerals, only on 13 January 2017 i.e., 21 months after the MMDR Act was amended (March 2015) by the GoI. As a result, no contribution could be collected from the lessees of minor minerals for 21 months (from April 2015 to December 2016).

Further, after a lapse of 25 months of this notification, the State Government amended the Jharkhand Minor Mineral Concession Rules, in March 2019, to provide for collection of DMFT contribution from contractors, agencies or private companies, involved in the execution of construction works, on the amount of royalty being levied from them on consumption of minor minerals.

The Director of Mines did not furnish month-wise collection of royalty for the period from 2015 to 2020, though called for (August 2021). Audit was, therefore, unable to work out the additional contribution that could have been collected by the State, if the promulgation of the DMFT Rules had not been delayed.

In the test-checked districts, the DMFT contribution leviable, in respect of minor minerals and works contract, had the Government promulgated the

Rules immediately after promulgation of the Act (Amended), is shown in **Table-3.13**.

Table-3.13
Opportunity loss of DMFT contribution

(₹ in lakh)					
Name of districts	Royalty collection from lessees of minor minerals during April 2015 to December 2016	DMFT leviable at rate of 30 per cent of royalty	Royalty collected from works contractors during February 2017 to March 2019	DMFT leviable at rate of 30 per cent of royalty	Total DMFT leviable
Bokaro	907.85	272.36	435.26	130.58	402.93
Chatra	618.24	185.47	1,011.27	308.38	488.85
Dhanbad	686.80	206.04	1,679.04	503.71	709.75
Hazaribag	393.59	118.08	1,525.28	457.58	575.66
Lohardaga	105.33	31.60	820.78	246.23	277.83
Ranchi	988.79	296.64	6,419.58	1,925.87	2,222.51
Total	3,700.60	1,110.18	11,891.21	3,567.36	4,677.54

Source: Director of Mines.

During April 2015 to December 2016, royalty of ₹ 37.01 crore was collected from lessees of minor minerals and during February 2017 to March 2019, royalty of ₹ 118.91 crore was collected from works contractors, in the selected districts.

The Department could have collected an additional amount of ₹ 11.10 crore (from lessees of minor minerals) and ₹ 35.68 crore (from contractors) as DMFT contribution, had the State Government formulated the DMFT Rules immediately, upon promulgation of the Section 9B in MMDR Act, 2015. Thus, the State could have collected an additional amount of ₹ 46.78 crore as DMFT contribution from lessees of minor minerals and work contractors, in the six test-checked districts, if the promulgation of DMFT Rules had not been delayed. The State Government should investigate the reasons for delay in notifying the rates of DMFT contribution to be paid by lease holders of minor minerals and fix responsibility on the erring officials.

In response, the Department did not furnish specific reply.

3.3.7 Planning and selection of schemes

The primary mandate of the Fund is to: (i) implement various developmental and welfare projects/programs in mining affected areas (ii) minimise/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economic condition of people in mining districts and (iii) ensure long-term sustainable livelihood of the affected people in mining areas.

The JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, stipulate identification of people and areas directly/indirectly affected by mining related operations by the Managing Committee. An updated list of identified directly/indirectly affected areas and people/local communities are to be prepared and maintained.

PMKKKY guidelines stipulate that the State Government shall specify the radius from a mine, or cluster of mines, for identification of directly affected areas. The indirectly affected areas are defined as areas where the local population is adversely affected on account of mining related operations. The

directly affected people are defined under Section 3(C) (affected family⁸) and 3(K) (displaced family) of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013 and any other provision as appropriately identified by the concerned *gram-sabha*.

The following provisions govern the selection of schemes for people and areas directly/indirectly affected by mining operations:

- (i) The MC is required to circulate the quantum of fund, in proportion to the population of an affected area, to the respective *gram-sabha*, for selection of schemes/projects.
- (ii) The *gram-sabha* is to identify the developmental schemes/works for the village supported by the Trust Fund, by fixing priorities.
- (iii) Within the ambit of the available fund, the MC is to begin the process of developing the annual action plan in the fourth quarter of every financial year, on the principles of bottom-up approach, involving the *gram-sabha* of the affected areas, in consultation with the *Mukhiya/Up-Mukhiya*. These works, upon approval, are to be executed in the following financial year.
- (iv) The MC shall send the annual action plan to the GC for review and approval. Once done, the MC shall supervise and ensure the implementation of annual action plan and the approved schemes and projects, accord sanction to the projects, release and disburse the Trust Fund for the purpose and monitor the progress of utilisation of these funds.
- (v) For villages situated within the scheduled areas affected by mining, approval of the *gram-sabha* is required for all plans, programmes and projects to be taken up and identification of beneficiaries under the existing guidelines of the Government. Further, a report on the work undertaken is required to be furnished to the *gram-sabha*, after completion of every financial year.
- (vi) The Trust is to forward the approved annual action plan, along with schemes and projects for the next financial year, to the State Government. The SLMC is responsible for monitoring and review of the schemes carried out under the DMFT/PMKKKY.

3.3.7.1 Annual Action Plan

Audit observed significant departures from the JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, as detailed below:

- (i) None of test-checked districts had prepared the annual action plan in any of the financial years. Accountability was neither fixed, nor contemplated against the DCs (in the capacity of Chairperson of GCs/MCs) of the districts, in this regard.
- (ii) There were no records or file notings, in any of the test-checked districts, to show that the concerned MCs had informed any *gram-sabha* about the area-wise quantum of funds, proportionate to the population of the concerned village. Lists of beneficiaries, identified under the RFCTLARR

⁸ Persons affected by mining operations having legal and occupational rights over the land being mined, including those having usufruct and traditional rights.

Act, 2013, or schemes/projects selected by any *gram-sabha*, if any, in the test-checked districts, were not produced to Audit.

(iii) In three (Bokaro, Dhanbad and Ranchi) out of six test-checked districts, the concerned MCs had not identified the people or areas directly/indirectly affected by mining operations, for reasons not on record. These districts incurred expenditure of ₹ 1,563.14 crore on various schemes, during 2016-21, as shown in **Table-3.14**, without identification of the people or areas directly or indirectly affected by mining operations.

Table-3.14

(₹ in crore)				
Period	Name of district	DMFT collection	No. of scheme selected	Expenditure
2016-21	Bokaro	583.55	57	413.47
	Dhanbad	1,740.41	103	1,136.09
	Ranchi	94.80	171	13.58
Total		2,418.76	331	1,563.14

Source: Data received from respective DMFTs.

Audit further observed that the schemes and projects for these districts were not forwarded, by the DCs, to the State Government. In the absence of identification of mining affected areas and non-involvement of *gram-sabhas*, the selection and execution of schemes, by the DCs of the concerned districts, at their own level, without informing the Department, was irregular and needs further investigation.

(iv) In the other three test-checked districts (Chatra, Hazaribag and Lohardaga), the MCs had identified the people or areas directly/indirectly affected by mining operations, on the basis of information provided by the DMOs and Circle Officers, in violation of PMKKKY guidelines. It was also seen that DMFT, Hazaribag, identified the affected areas only during 2019-20, though the schemes were selected and executed from 2016-17. On enquiry, DDC-cum-Member Secretary, DMFT, Hazaribag, stated (January 2021) that expenditure from the DMFT Fund had been incurred on the instructions of Chief Secretary and Chief Minister of the State. The three DMFTs incurred expenditure of ₹ 339.80 crore, on various schemes, during 2016-21, as shown in **Table-3.15**.

Table-3.15

(₹ in crore)				
Period	Name of district	DMFT collection	No. of schemes selected	Expenditure
2016-21	Chatra	788.09	32	223.44
	Hazaribag	306.88	143	106.34
	Lohardaga	23.67	109	10.02
Total		1,118.64	284	339.80

Source: Data received from respective DMFTs.

(v) In case of DMFTs falling under schedule areas (Lohardaga and Ranchi), the list of plans, programmes and projects undertaken, as well as the identification of beneficiaries (required to be approved by the *gram-sabha*) were not found on record. Further, reports on works undertaken after completion of every financial year were also not found on record.

(vi) Audit observed that the State Government had not specified any radius from mines or clusters of mines, for identification of areas directly affected by

mining operations, in any of the test-checked districts. Thus, expenditure from the DMFT fund had been incurred without identification/irregular identification of affected areas/persons, area-wise quantum of proportionate funds, selection/approval of schemes/ projects by *gram-sabhas* and without preparation of the annual action plan, in contravention of Rules and guidelines, defeating the purpose of creation of DMFTs.

(vii) Though there was significant and persistent violation of guidelines at the district level (as mentioned above), the SLMC could not produce any evidence to Audit (though called for in September and October 2021), that it had taken any steps to establish a mechanism, by way of reports/returns, to monitor, review and ensure preparation of annual budgets, annual action plans, identification of mining affected areas/people, selection of schemes in consultation with *gram-sabhas* and progress thereof, to meet the objectives of setting up the DMFTs. This paved the way for violation of the Act/Rules of the Fund by the DCs/DDCs, at the DMFT level.

In reply, the Department assured (July 2022) that modalities for identification of people and areas directly/indirectly affected by mining operations would be worked out.

3.3.7.2 Approval of schemes and expenditure from DMFT fund

PMKKKY guidelines and DMFT Rules stipulate that:

- (i) at least 60 *per cent* of the DMFT fund is to be utilised for eight types of services *viz.* drinking water supply, environment preservation and pollution control measures, health care, education, welfare of women and children, welfare of aged and disabled people, skill development and sanitation.
- (ii) up to 40 *per cent* of the fund is to be utilised for undertaking works relating to physical infrastructure, irrigation, energy and watershed development and any other measures for enhancing environmental quality in the mining district.
- (iii) the developmental and welfare activities to be taken up should be, as far as possible, in the nature of complementing the ongoing schemes/projects being funded by the State as well as the Central Government.
- (iv) DMFT funds should be utilised on the schemes selected by the *gram-sabha* of mining affected areas and included in the annual action plan for the next financial year.
- (v) An amount not exceeding six *per cent* of the annual receipts of the Foundation may be utilised for administrative, supervisory and overhead costs of the Foundation.
- (vi) As far as possible, no temporary/permanent posts should be created. Any creation of temporary/permanent posts and purchase of vehicle by the foundation shall require prior approval of the State Government. However, minimum required staff can be engaged on contractual basis.

3.3.7.3 Skewed approval of specific schemes

The Director of Mines reported that an amount of ₹ 4,444.05 crore was sanctioned, in the State, for schemes on piped drinking water and Individual House Hold Latrines (IHHLs), during 2016-21, against the total fund collection of ₹ 6,855.81 crore, as shown in **Table-3.16**.

Table-3.16

(₹ in crore)

Name of scheme	Total collection	Amount sanctioned	Percentage of sanctioned over collection	Amount spent
Piped drinking water	6,855.81	3983.07	58.10	2,309.24
IHHL		460.98	6.72	377.11
Total	6,855.81	4,444.05	64.82	2,686.35

Source: Data furnished by Director of Mines.

In the test-checked districts also, the sanction of schemes was highly skewed and ₹ 2,560.44 crore (93.95 per cent of total sanction), out of the total sanction of ₹ 2,725.24 crore, was on water supply and IHHLs, as shown in **Table-3.17**.

Table-3.17

(₹ in crore)

Name of district	Total DMFT collection	Total amount sanctioned for various schemes	Amount sanctioned for piped drinking water supply	Amount sanctioned for IHHLs	Total amount sanctioned for water supply and IHHLs	Percentage over total amount sanctioned
Bokaro	583.55	512.42	406.19	10.00	416.19	81.22
Chatra	788.09	378.37	271.16	69.91	341.07	90.14
Dhanbad	1,740.41	1,690.74	1,561.35	117.95	1,679.30	99.32
Hazaribag	306.88	106.34	94.08	10.85	104.93	98.67
Lohardaga	23.67	12.77	8.79	0	8.79	68.83
Ranchi	94.80	24.60	7.20	2.96	10.16	41.30
Total	3,537.40	2,725.24	2,348.77	211.67	2,560.44	93.95

Source: Information provided by respective DMFTs.

Audit further observed, from scrutiny of the scheme files, replies to the audit questionnaire and information furnished by the concerned DMFTs, that:

- Approval/selection of schemes/projects, in scheduled and non-scheduled areas, by the *gram-sabhas*, was not done.
- As observed from minutes of meetings of the Chief Minister (August 2016) with DCs and review meeting on DMFTs by the Chief Secretary (October 2016), the schemes on Piped Drinking Water and IHHLs were selected on the instructions of the Chief Minister and Chief Secretary of the State, to meet the scheme targets. The Chief Secretary had also raised (October 2016) concerns that the Department had not taken any measures for implementing schemes from the DMFT fund.
- Need-based assessment, involving people of affected areas, was not conducted during 2016-21.

Thus, the envisaged bottom-up approach, involving *gram-sabhas* (people) affected by mining related operations, in the approval/selection of schemes, was defeated. In its place, top down approach was adopted, in contravention of the Act/PMKKKY, as a major portion of the expenditure was incurred

selectively on two schemes, under 'high priority' area, for which no justification was available on record.

In reply (July 2022), the Government stated that the Department would be directed to issue necessary instructions to the districts.

3.3.7.4 Expenditure from DMFT beyond the scope of PMKKKY

In four⁹ out of six test-checked districts, ₹ 9.02 crore was spent on schemes executed during 2016-20, beyond the scope of PMKKKY guidelines, as shown in **Table-3.18**.

Table-3.18

Sl. No.	Name of district	Name of scheme/work	No. of schemes/work	Amount sanctioned (₹ in crore)
1	Bokaro	24 nos. of open gym	1	1.08
2	Chatra	Construction of 9 common toilets at 8 police stations and 1 at police centre.	1	1.15
3		Tube wells– (i) For payment of outstanding bill related to general repair work carried out during 2017-18 and (ii) General repair work and starting dormant ones to be carried out during 2018-19.	1	4.25
4		Renovation of 18 mini water supply schemes	1	0.53
5		Construction of DC office building	1	0.22
6		Construction of DC office meeting hall	1	0.25
7		Purchase of generator for DC office	1	0.04
8		Renovation of 1 st floor of DC office	1	0.25
9		Construction of toilet and retiring room of DC office	1	0.09
10		Purchase of furniture, sound system etc. for meeting hall of DC office	1	0.15
11		Lohardaga	Renovation of conference hall of DC office	1
12	Ranchi	Construction of one Dak-bungalow at Mcluskiganj	1	0.86
Total			12	9.02

Source: Data/information received from respective DMFTs.

Thus, approval of these schemes/works and expenditure incurred was in violation of DMFT Rules and PMKKKY guidelines. These are illustrated in the following case studies:

⁹ Bokaro, Chatra, Lohardaga and Ranchi.

Case Study-1

The District Planning Office, Bokaro, finalised tender (October 2019) for installation of 24 open gyms, at a cost of ₹ 1.08 crore, in different sectors of the Bokaro Steel Plant residential township, which falls under the administrative control of Bokaro Steel Limited and beyond the jurisdiction of the Bokaro Municipality. The gyms were installed between November 2019 and January 2020. Audit noticed that DC, Bokaro, granted (February 2020) post-facto approval for payment of the said works from DMFT funds. However, proceedings/approval of *gram-sabha*, a pre-requisite for selection and approval of schemes/projects under DMFT, was not taken. The installation of open gyms was approved under health care, but such an activity is not specified in the scope of work relating to health care, under PMKKKY. Thus, the DMFT fund was mis-utilised by DC, Bokaro, in violation of Act/Rules/ PMKKKY provisions. The Government should fix responsibility and take action against officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.



Picture 1: Open gym in Sector XII of Bokaro Steel Plant Township area.

Case Study-2

In Chatra and Lohardaga districts, an amount of ₹ 1.15 crore was approved by concerned DCs, for seven different works of construction, renovation and repair of DC office/Collectorate building. Audit noticed that these works were executed and expenditure was booked as 'administrative expenses'. However, construction, renovation and repair work of DC office/Collectorate building does not fall under the category of administrative expenses, according to the provisions of the PMKKKY guidelines. Thus, incurring such expenditure from DMFT funds was in gross violation of provisions. The Government should fix responsibility and take action against the officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.

Case Study-3

In DMFT, Ranchi, an amount of ₹ 85.86 lakh was sanctioned (May 2017), by GC, for construction of Dak-bungalow at McCluskieganj. Accordingly, this work was awarded (March 2018) to the *Zila Parishad*. Audit noticed that this work was completed in September 2020 and expenditure was booked as ‘Skill development and Livelihood’. However, such construction work does not fall under the category of ‘Skill development and Livelihood’ under PMKKKY guidelines. Thus, incurring such expenditure from DMFT funds was a case of misutilisation of DMFT funds, as the objective of creating this Fund is defeated by such activities, by the Chairperson of the Trust itself. The Government should fix responsibility and take action against the officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.



Picture 2: Dak-bungalow, McCluskieganj.

Case Study-4

In DMFT, Chatra, two schemes relating to ‘Repair and Maintenance’, of the Drinking Water and Sanitation (DWS) Department, were sanctioned for ₹ 4.78 crore, during 2017-19, out of which ₹ 4.52 crore was spent. ‘Repair and Maintenance’ of tube wells and water supply system was not an ongoing scheme/project funded by the State Government. It was, instead, a routine and recurring work of the DWS Department, which was to be carried out from the budget of the DWS Department. Further, DMFT, Chatra, sanctioned one scheme of ₹ 1.15 crore, related to construction of nine common toilets at eight police stations and one at the police centre. As such, sanction of these schemes, under DMFT, was not admissible and was beyond the scope of the PMKKKY guidelines. The Government should fix responsibility and take action against officials responsible for utilising DMFT funds, in violation of DMFT Rules and PMKKKY guidelines.

3.3.7.5 Post-facto approval of schemes

In DMFTs, Bokaro and Chatra, *post-facto* approval was granted, for nine out of 64 schemes, selected by DCs/DDCs and executed at a cost of ₹ 247.08 crore during 2016-20, as shown in **Table-3.19**.

Table-3.19

Name of district	Name of scheme	No. of schemes	Amount sanctioned (₹ in crore)	Remarks
Bokaro	Purchase of one ultrasound machine	1	0.19	Post-facto approval and excess payment
	Provision of one smart classroom each in 62 Government schools	1	0.98	Post-facto approval
	24 open gyms	1	1.08	Post-facto and beyond the scope
Chatra	Drinking water supply in Sampoon Tandwa	1	233.33	Post-facto approval
	Grameen Jalapurti Yojana	1	9.31	Post-facto approval
	Police station-Construction of 9 common toilets	1	1.15	Post-facto and beyond the scope
	Purchase of four ambulances	1	0.50	Post-facto approval
	Construction of Dhalkigda check-dam	1	0.51	
	Libraries in 50 primary schools	1	0.03	
Total		9	247.08	

Source: Data/information received from respective DMFTs.

The DMFTs are required to prepare and approve annual action plans, before commencement of the financial year, in coordination with *gram-sabhas*. Thus, post-facto approval of schemes was in gross violation of DMFT Rules and PMKKKY guidelines.

3.3.7.6 Excess expenditure from DMFT fund

- DC, Bokaro, approved (September 2018) and incurred (July 2020) expenditure of ₹ 18.48 lakh, from DMFT Funds, on purchase of Ultrasonography (USG) machine (colour doppler) for Sadar Hospital, Bokaro.

Audit noticed that the District Purchase Committee, under the Chairmanship of CS-cum-CMO, Bokaro, approved (September 2018) the bid of L2 supplier, who quoted a price of ₹ 25.31 lakh, over the quote of L1 supplier (₹ 18.48 lakh), on grounds of non-submission of documents for technical qualification. The supply order was given to the L2 supplier.

Audit further observed, from scrutiny of files, that the L1 supplier had already been declared technically qualified (July 2018), by the District Purchase Committee and the DDC, Bokaro, had noted in the file that all documents, with regard to technical qualification, were available in the file.

Thereafter, it was decided (October 2019) by the District Purchase Committee that payment would be made at the rate tendered by the L1 supplier. In order to fix the lapses, a part (4D volume convex probe 4.0-7 omhz), costing ₹ 4.70 lakh, was returned to the supplier to meet the L1 price of ₹ 18.48 lakh. However, the L1 supplier had quoted a price of ₹ 18.48 lakh for the machine, which included all its peripherals, attachments and accessories. Hence, the CS-cum-CMO purchased the machine at L1 price, by compromising on a vital component worth ₹ 4.70 lakh.

Convex probes are primarily used for abdominal scans, due to their wider depth and deeper penetration. In the absence of this probe, reliable abdominal scans may not be possible.

Thus, ₹ 18.48 lakh was spent from DMFT funds, on a USG machine, without a vital component.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Bokaro, stated that detailed compliance would be made, after examining the matter.

- In DMFT, Dhanbad, a Project Management Unit (PMU) was hired (August 2019) for a tenure of 24 months, to increase the efficiency and effectiveness of the DMFT, at a cost of ₹ 86.51 lakh *per annum* (₹ 54 lakh for professional fee of five members of core team, management fee of ₹ 32.51 lakh (60.20 *per cent* of the professional fee and Goods and Services Tax).

Scrutiny of the Request for Proposal (RFP), Memorandum of Understanding (MoU) and payment file revealed that ₹ 10.43 lakh was paid to the PMU against professional fee and management fee for the period August to October 2019 and February 2020. However, Audit computed the amount of professional fee and management fee, and observed that only ₹ 6.44 lakh was payable on the basis of date of joining of the individual PMU members. As such, excess payment of ₹ 3.99 lakh stands recoverable, either from the PMU or from the officials responsible for making the excess payments.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Dhanbad, replied that detailed compliance would be made after examining the matter.

3.3.7.7 Creation of avoidable liability

DDC-cum-Member Secretary, DMFT, Dhanbad, executed (August 2019) an MoU with M/s Ernst and Young (EnY) LLP, to function as PMU for DMFT, Dhanbad, for ₹ 86.51 lakh *per annum* for an initial period of 24 months which can be further extended to another 24 months subject to satisfactory performance and mutual consent of both the parties. The MoU contained provisions for payment of all travel and other costs, out of pocket expenses (incurred by consultants as per actuals) and an increment of 10 *per cent* in fee, after a period of 12 months.

Audit examined the RFP and financial bid of M/s EnY LLP, which revealed that the offer price was fixed and not subject to any upward revision on any account throughout the period of engagement. Thus, the provision of increment of 10 *per cent* in fee, after a period of 12 months, in the MoU, in disregard to the financial bid and RFP, was incorrect and in violation of financial propriety mandated in Financial Rules, besides being indicative of lack of diligence on the part of the DMFT administration.

Audit further noticed that the DDC-cum-Member Secretary, DMFT, Dhanbad, approved the increment (December 2020) of 10 *per cent* on completion of 12 months of the engagement period. This resulted in avoidable liability of ₹ 8.65 lakh per month, besides other expenditure.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Dhanbad, stated that detailed compliance would be made after examination of the matter.

The Department should fix responsibility on the erring officials and initiate action to stop payment beyond RFP conditions.

3.3.7.8 Pending projects/schemes

Scrutiny of scheme files, in the six test-checked DMFTs, revealed that 625 schemes had been awarded to various executing agencies, during 2016-21, out of which 133 schemes, with an estimated cost of ₹ 2,269.48 crore, were pending for completion, beyond the stipulated date of completion, as shown in Table-3.20.

Table-3.20

(₹ in crore)

District	No. of schemes awarded to executing agencies	Amount transferred	No. of incomplete schemes	Estimated cost of incomplete schemes	Expenditure incurred on incomplete schemes	Range of delay beyond completion date (months)
Bokaro	57	413.48	24	356.09	263.75	1-16
Chatra	32	237.10	18	276.12	156.12	1-29
Dhanbad	103	1,136.52	14	1,551.13	993.04	2-45
Hazaribag	143	106.34	5	73.80	62.24	0-2
Lohardaga	109	10.02	39	2.33	1.44	27-34
Ranchi	181	18.04	33	10.01	2.33	6-14
Total	625	1,921.50	133	2,269.48	1,478.92	

Source: Data/information provided by respective DMFTs.

Audit observed that ₹ 1,478.92 crore had been spent on schemes which were delayed beyond their completion schedules by one month, to more than three years, despite availability of funds.

On this being pointed out, DDC-cum-Member Secretary, DMFT, Bokaro, stated that directions had been issued to the executing agencies to complete the schemes at the earliest. DMO, Chatra, and DDC-cum-Member Secretary, DMFT, Dhanbad and Ranchi, stated (between March and September 2021) that detailed compliance would be made after examination of the matter. DC, Lohardaga, stated (March 2021) that 88 out of 97 schemes, sanctioned between 2017-18 and 2019-20, had been completed and work of remaining nine schemes was under different stages of completion. DDC-cum-Member Secretary, DMFT, Hazaribag, did not furnish (October 2021) specific reply.

3.3.7.9 DMFT fund lying with executing agency

Scrutiny of records of DMFT, Dhanbad, revealed that MC of DMFT, Dhanbad, sanctioned (June 2018) ₹ 33.90 lakh for two schemes, related to construction of public toilets and transferred ₹ 33.90 lakh to the executing agency. The work was cancelled (March 2021) due to non-issuance of 'No Objection Certificate' by the Damodar Valley Corporation. Further, MC sanctioned (October 2018) ₹ 14.92 lakh for four schemes related to drinking water and transferred ₹ 7.46 lakh to the executing agency. However, the schemes were cancelled (July 2019) due to unavailability of suitable land.

Though the executing agencies were directed (July 2019 and March 2021) to refund the amount to DMFT, the amount had not been refunded, as of December 2021. Audit observed that the MC had also not reminded the executing agency to refund the amount, during these two years.

The Department agreed (July 2022) to examine and take action on the above cases.

3.3.8 Monitoring mechanism

A monitoring mechanism is intended to provide reasonable assurance of proper enforcement of Act, Rules, guidelines and departmental instructions. It also helps in the prevention and detection of irregularities. An efficient monitoring mechanism also assists in the creation of reliable financial, as well as management information systems, for prompt and efficient utilisation of funds. It is, therefore, the responsibility of the Department to ensure that a proper monitoring mechanism structure is instituted, reviewed and updated from time to time, to keep it effective. Audit noticed the following discrepancies in the monitoring of DMFT funds:

3.3.8.1 Monitoring at apex and grass root level

- The Government notified constitution of an SLMC but did not specify any mechanism or prescribe the role and responsibility of the SLMC for monitoring and reviewing the works of DMFTs. The Department also could not produce any documentary evidence that the SLMC had ever undertaken monitoring of the funds, schemes/works or reviewed the administrative expenditure incurred from the Fund by the districts (**Paragraphs 3.3.5 and 3.3.6.2**).

- SLMC did not enforce the procedures laid down in JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines, to be followed by the districts, across DMFTs, for selection of schemes and incurring expenditure (**Paragraph 3.3.7.1**). No records were made available to Audit to show that SLMC had prescribed periodical reports/returns or inspections, to monitor collections, reconciliation of mismatched figures of DMFT collections between the reported figures of DMOs, Director of Mines and bank accounts, identification of people and areas directly/indirectly affected by mining operations, selection of schemes, preparation of annual budgets, annual action plans, financial/physical progress of schemes etc.

- DMFT Rules envisage training of *gram-sabhas* of affected areas, by the DMFTs, for capacity building, to ensure active participation and monitoring at the grass root level. It is provided that *gram-sabhas* shall identify schemes for the area, formulate criteria for fixing priorities, develop annual plans and monitor the schemes/works under the DMFT. Audit observed that neither the SLMC, nor the DCs had ensured trainings to the *gram-sabhas* in the test-checked districts. This could be the main reason for non-participation of *gram-sabhas* in the identification, selection and monitoring of schemes.

In reply (July 2022), the Department stated that the SLMC was created through an executive notification but no provision existed for such a monitoring mechanism in DMFT Rules. The fact, however, remains that the failure of the Department to specify the role and responsibilities of the SLMC resulted in gaps in the monitoring mechanism such as, non-preparation of annual budgets and annual action plans, irregular selection of directly/indirectly

affected areas and people, non-reconciliation of collection figures of bank account with figures reported by DMOs and non-involvement of the *gram-sabhas* in selection of schemes.

3.3.8.2 Preparation of Annual Reports

As per the PMKKKY guidelines read with DMFT Deeds, the MC shall prepare and place Annual Report and audited accounts of the Trust, before the GC, within 60 days of completion of the financial year. The GC is responsible for approving the Annual Report and audited accounts within 60 days of completion of the last financial year. The Annual Report, so prepared, is to be submitted to the State Government within one month from the date of its approval by the DMFT and is also to be hosted on the website of the Trust. Further, the Annual Report of each Trust is to be laid before the State Legislative Assembly.

Audit observed that the MCs of three¹⁰, out of the six test-checked DMFTs, had not prepared their Annual Reports, during the last five years. Action, if any, taken by the SLMC to fix responsibility on erring officials was not found available on record. This prevented the State Legislature from getting insights into the activities and achievements of DMFTs in those districts, the deviations in complying with the Rules and guidelines and the relief extended to the people and areas affected by mining operations. It also indicated that the SLMC had not been able to exercise control over the DMFTs, in discharging its mandate effectively, in the interest of the targeted beneficiaries.

In reply (June 2022), the Department, while accepting non-preparation of Annual Reports, stated that it had consistently followed-up issues with the DCs-cum Chairpersons of DMFTs. The Department also stated that the DCs were directed to provide the status on preparation of Annual Reports and reasons for delay or non-preparation. The fact, however, remains that no action was taken, even after a lapse of eight months, since the issues were highlighted in the draft Audit Report sent to the Government in October 2021.

3.3.9 Conclusion

The State Government could have collected an additional amount of ₹ 46.78 crore as DMFT contribution, in the six test-checked districts, if the promulgation of DMFT Rules had not been delayed.

The system of collection of DMFT contribution and its accounting could not provide any reasonable assurance about correctness of figures. The JDMFT Rules, 2016, also lacked provision for periodic reconciliation of DMFT collections, through DMOs and the bank accounts of DMFTs. The Department also denied access to the data dump of royalty collections, DMFT leviable, and DMFT levied, to Audit.

The DCs of none of the sampled DMFTs had prepared annual budgets or annual action plans, in any of the financial years, in violation of JDMFT Rules, 2016, Trust Deeds and PMKKKY guidelines.

¹⁰ Bokaro, Hazaribag and Ranchi.

Three¹¹ out of six test-checked DMFTs incurred expenditure of ₹ 1,563.14 crore, from DMFT Funds, during 2016-21, without identifying the people or areas directly/indirectly affected by mining operations and involving the *gram-sabhas* of the concerned villages. The remaining three¹² DMFTs incurred expenditure of ₹ 339.80 crore, during 2016-21, after identifying mining affected areas, on the basis of information provided by DMOs and Circle Officers, in violation of PMKKKY guidelines.

₹ 4,444.05 crore (64.82 *per cent* of total collection) was sanctioned in the State, on two types of work *i.e.*, piped drinking water and IHHLs, reportedly on the instructions of Chief Minister and Chief Secretary of the State, to meet the scheme targets, neglecting other services under ‘high priority’ areas and ‘other priority’ areas. Thus, individual schemes were given priority over the DMFT objective of providing relief measures to the mining affected areas/people and against the principle of the bottom-up approach, laid down in PMKKKY guidelines.

Audit was denied access from examining and reporting on the functioning of SLMC. No Mechanism was in place, to monitor and review the schemes/work and administrative expenditure undertaken by DMFT. The Department did not establish any coordination with the concerned *gram-sabhas*, to address gaps in planning, identification of schemes/beneficiaries and execution of work under DMFTs.

In the absence of monitoring of the Fund, the DCs (either as Chairpersons of the Trust or MCs of DMFTs), in violation of the Rules and guidelines, executed 12 schemes/works amounting to ₹ 9.02 crore, beyond the scope of PMKKKY; granted *post-facto* approvals to nine schemes/works for ₹ 247.08 crore, without preparing annual action plans; incurred excess/irregular expenditure of ₹ 8.69 lakh; and executed MoUs creating avoidable liabilities amounting to ₹ 8.65 lakh.

3.3.10 Recommendations

- The State Government may evolve a system for periodic reconciliation of different sets of records maintained by the Director of Mines, DMFTs/DMOs with actual amount in the bank accounts of the Fund. It may instruct the Director of Mines to ensure that collection of royalty and corresponding DMFT contribution (by all parties) are invariably captured in the JIMMS portal, as a single window system for the State.
- The State Government may specify the radius from a mine or cluster, for identification of areas directly affected by mining operations, as required under the DMFT Rules. The State Government may also direct the DCs/DDCs in charge of the DMFT Funds, to regularly prepare annual budgets, annual action plans, identify affected areas/people and involve *gram-sabhas*, by conducting capacity building trainings, as prescribed in the JDMFT Rules, Trust Deeds and PMKKKY guidelines. The Department may host these on its website, as prescribed in the guidelines, for public disclosure.

¹¹ Bokaro, Dhanbad and Ranchi.

¹² Chatra, Hazaribag and Lohardaga.

- The State Government may strengthen the monitoring mechanism of the DMFT Funds. The Department should also ensure that necessary records are maintained and available for audit, reports and returns are periodically sent to the Department by the districts and periodic inspections of DMFTs are carried out by SLMC.
- The State Government may fix responsibility on the erring officials who selected schemes/work beyond the scope of the PMKKKY guidelines and failed to detect excess/irregular payments. The State Government may also fix accountability on the erring officials who failed to furnish records to Audit.

Other observations/Paragraphs

3.4 Application of incorrect rate of royalty

Failure of the Department to verify the rate of royalty in accordance with the provisions of the Act/Rules resulted in short levy of royalty of ₹ 1.83 crore.

Under the provisions of Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957, read with the Jharkhand Minor Mineral Concession Rules, 2004, the holder of a mining lease shall pay royalty on any minerals removed or consumed from the leased area at the rate for the time being specified in the second schedule of the Act. As per Gazette notification issued in September 2019, the rate for royalty on stone boulder was revised to ₹ 132 per cum and the royalty on stone boulder used for making chips was revised to ₹ 250 per cum. As per the second schedule of the Act, the rate of royalty on bauxite is zero point six *per cent* of the London Metal Exchange Aluminium metal price chargeable on the contained aluminium metal in the ore produced for those dispatched for use in alumina and aluminium metal extraction. Rule 13(1) of the Mineral Conservation and Development Rules, 1988, also provides that every holder of a mining lease shall carry out mining operations, in accordance with the approved mining plan. Further, as per Rule 4 of the Jharkhand Mineral Transit Challan Regulations, 2005, the lessees are required to submit sampling and analysis report, before removal of the mineral/ore from the mine site.


- Test-check (between January and February 2021) of the monthly returns and other relevant records, of 63 out of 318 minor mineral lessees, along with records of stone dealers in District Mining Offices, Pakur and Sahibganj, revealed that 27 lessees had dispatched 48.19 lakh cft stone boulder, to dealers, during October 2019 to March 2020, and paid royalty of ₹ 1.80 crore at the rate of ₹ 132 per cum. Further scrutiny of records of the dealers revealed that the boulders were used for making stone chips and, as such, royalty, amounting to ₹ 3.41 crore, was payable at the rate of ₹ 250 per cum. The Department failed to verify the use of stone boulders, resulting in short levy of royalty of ₹ 1.61 crore.
- Test-check (December 2020) of the monthly returns and other relevant records of 16 out of 27 lessees of major minerals, in the District Mining Office, Gumla, revealed that three lessees of bauxite had paid royalty of ₹ 5.98 crore, instead of ₹ 6.19 crore, on dispatch of 3.50 lakh MT of bauxite,

during January 2017 to June 2018, by lowering the proportion of contained aluminium in the bauxite, below the levels approved in the mining plan, without submitting the sampling and analysis report. The Department also accepted the returns filed, without verifying the provisions of the Act/Rules and the approved mining plan, resulting in short levy of royalty of ₹ 21.51 lakh.

After this was pointed out (between December 2020 and February 2021), the DMO, Sahibganj, raised demand for the value under observation in August 2021, while DMO, Pakur, stated that a clarification had been sought (between October 2019 and August 2020) from the Department. DMO, Gumla, stated (December 2020) that recovery would be made after detailed examination. Further replies have not been received (March 2024).


The matter was reported to the Government between July 2021 and March 2022; replies have not been received (March 2024).

Ranchi
The 15 April 2024


(ANUP FRANCIS DUNG DUNG)
Accountant General (Audit) Jharkhand

Countersigned

New Delhi
The 26 April 2024


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix-I
(Referred to in Paragraph 2.3.7.1)
Selection mechanism envisaged by the Department

(₹ in crore)

Sl. No.	Name of the Commercial Taxes Circle	No. of transitional credit claimed	Amount of transitional credit claimed	No. of cases verified	Amount of transitional credit verified	No. of cases not verified	Amount of transitional credit not verified
1	Adityapur	204	44.92	54	17.77	150	27.15
2	Bokaro	278	88.90	140	88.47	138	0.43
3	Chaibasa	121	6.05	32	3.07	89	2.98
4	Chirkunda	82	1.98	36	1.64	46	0.34
5	Deoghar	95	3.88	39	3.68	56	0.20
6	Dhanbad	249	27.01	147	25.52	102	1.49
7	Dhanbad Urban	143	10.67	60	10.12	83	0.55
8	Dumka	47	2.38	18	1.46	29	0.92
9	Giridih	51	4.70	20	4.56	31	0.14
10	Godda	33	0.42	1	0.01	32	0.41
11	Gumla	29	0.18	3	0.08	26	0.10
12	Hazaribag	83	29.49	35	28.88	48	0.61
13	Jamshedpur	258	32.99	153	12.80	105	20.19
14	Jamshedpur Urban	94	28.38	36	11.01	58	17.37
15	Jharia	42	3.65	7	2.97	35	0.68
16	Katras	45	2.40	8	1.13	37	1.27
17	Koderma	80	6.40	18	6.25	62	0.15
18	Lohardaga	6	0.13	2	0.09	4	0.04
19	Pakur	33	0.39	33	0.39	0	0.00
20	Palamu	35	1.07	22	0.98	13	0.09
21	Ramgarh	70	6.80	57	4.72	13	2.08
22	Ranchi East	96	2.63	12	0.39	84	2.24
23	Ranchi South	143	10.35	8	0.81	135	9.54
24	Ranchi Special	145	13.32	56	11.88	89	1.44
25	Ranchi West	196	28.39	71	24.57	125	3.82
26	Sahibganj	32	1.27	25	1.22	7	0.05
27	Singbhum	132	5.65	23	3.78	109	1.87
28	Tenughat	23	0.73	23	0.73	0	0.00
Total		2,845	365.13	1,139	268.98	1,706	96.15

Appendix-II
(Referred to in Paragraph 2.3.7.3)
Irregularities in follow-up action on recovery of disallowed transitional credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	Table of claim	Claimed amount disallowed by the proper officer	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total demand raised by the proper officer	Date of issue of DRC-07	Payment against demand	Non recovery of demand
1	Bokaro	20XXXXXXXXXXZV	Shree Ram Alloys and Ingots Pvt. Ltd.	15-11-2017	66.14	5(c)	66.14	13.10	7.92	87.16	27-04-2018	0.00	87.16
2	Bokaro	20XXXXXXXXXXZO	Balajee Steel Processor	27-12-2017	10.08	5(c)	10.08	1.41	1.01	12.50	23-08-2018	8.20	4.30
3	Bokaro	20XXXXXXXXXXZJ	Steel Authority of India Ltd.	19-09-2017	4,289.14	5(c), 6(b)	3,703.90	418.90	370.39	4,493.19	05-04-2018	3,400.39	1,092.80
4	Bokaro	20XXXXXXXXXXZZ	Balajee Enterprises	27-12-2017	18.49	5(c)	18.49	3.33	1.85	23.67	29-09-2018	18.49	5.18
5	Chaibasa	20XXXXXXXXXXZQ	The Braithwaite Burn and Jessop Construction Company Ltd.	26-12-2017	11.56	5(c)	11.56	3.93	1.16	16.65	18-12-2018	0.00	16.65
6	Dhanbad	20XXXXXXXXXXZ0	Rana Enterprises	17-11-2017	3.57	5(c)	3.57	0.47	3.57	7.61	19-10-2018	0.00	7.61
7	Dhanbad	20XXXXXXXXXXZI	Prathemesh Multicom Pvt. Ltd.	26-12-2017	3.62	5(c)	3.62	0.38	3.62	7.62	09-10-2018	0.00	7.62
8	Dhanbad	20XXXXXXXXXXZ8	Radhakrishna Enterprises	27-12-2017	9.38	5(c)	2.80	0.30	2.80	5.90	09-10-2018	0.00	5.90
9	Dhanbad Urban	20XXXXXXXXXXZ4	Sashikant Gopalka	27-12-2017	11.57	5(c)	11.57	1.62	1.15	14.34	08-10-2018	0.00	14.34
10	Dumka	20XXXXXXXXXXZK	Suman Medical Hall	10-11-2017	3.02	5(c)	0.09	0.02	0.10	0.21	03-11-2018	0.00	0.21
11	Koderma	20XXXXXXXXXXZA	Jalwa Bidi Company	27-11-2017	17.31	5(c)	17.31	3.11	4.33	24.75	12-10-2018	0.00	24.75
12	Koderma	20XXXXXXXXXXZN	Lucky Enterprises	29-10-2017	9.40	5(c)	5.99	1.08	1.49	8.56	12-10-2018	0.00	8.56
13	Koderma	20XXXXXXXXXXZS	Punj Lloyd Ltd.	29-11-2017	60.90	5(c)	60.90	10.96	15.22	87.08	12-10-2018	3.36	83.72
14	Koderma	20XXXXXXXXXXZP	Tulsyan Metals Pvt. Ltd.	27-08-2017	40.24	5(c)	1.52	0.28	0.38	2.18	12-10-2018	1.52	0.66
15	Pakur	20XXXXXXXXXXZP	Laxmi Electronic Works	30-11-2017	6.25	5(c), 7(c)	6.20	0.65	0.62	7.47	22-06-2018	6.20	1.27
16	Ramgarh	20XXXXXXXXXXZ9	Durga Enterprises	27-12-2017	7.79	5(c), 7(b), 7(c)	7.79	0.15	0.78	8.72	25-09-2018	0.00	8.72

Appendix-II
(Referred to in Paragraph 2.3.7.3)
Irregularities in follow-up action on recovery of disallowed transitional credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	Table of claim	Claimed amount disallowed by the proper officer	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total demand raised by the proper officer	Date of issue of DRC-07	Payment against demand	Non recovery of demand
17	Ramgarh	20XXXXXXXXXXZC	M.M. Enterprises	27-12-2017	6.82	5(c), 7(b), 7(c)	6.82	0.11	0.68	7.61	25-09-2018	0.00	7.61
18	Ramgarh	20XXXXXXXXXXZZ	Dhanrashi Vintrade Pvt. Ltd.	27-12-2017	23.52	5(c)	23.52	0.19	2.35	26.06	12-07-2018	0.00	26.06
19	Ranchi East	20XXXXXXXXXXZ0	Nimbus Pipes Ltd.	18-11-2017	2.53	5(c), 6(b)	2.53	0.38	0.25	3.16	29-09-2018	0.00	3.16
Total					4,601.33		3,964.40	460.37	419.67	4,844.44		3,438.16	1,406.28

Appendix-III
(Referred to in Paragraph 2.3.8.1)
Excess carry forward of input tax credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	ITC carried forwarded in the last VAT returns	Carry forward of ITC allowed by the Proper officer	ITC eligible to be carried forwarded	Excess ITC carried forwarded	Period of wrong availment till 31 March 2020 in days	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Adityapur	20XXXXXXXXXXZ7	Deepak Cables (I) Ltd.	02-09-2017	59.92	59.92	59.92	0.00	59.92	941	37.07	5.99	102.98
2	Adityapur	20XXXXXXXXXXZ8	Lord Balajee Manufacturing Steel Pvt. Ltd.	01-09-2017	37.84	37.84	37.83	32.25	5.58	942	3.46	0.56	9.60
3	Adityapur	20XXXXXXXXXXZI	PSPL Steel Processors Pvt. Ltd.	13-11-2017	11.55	28.61	11.55	0.00	11.55	869	6.60	1.16	19.31
4	Adityapur	20XXXXXXXXXXZ3	BMW Industries Ltd.	27-09-2017	15.26	15.62	15.26	7.57	7.69	916	4.63	0.77	13.09
5	Adityapur	20XXXXXXXXXXZM	Hari Om & Co.	28-08-2017	8.05	8.05	8.05	6.70	1.35	946	0.84	0.13	2.32
6	Adityapur	20XXXXXXXXXXZS	AMI Enterprises Pvt. Ltd.	26-12-2017	159.84	159.84	159.84	145.80	14.04	826	7.62	1.40	23.06
7	Adityapur	20XXXXXXXXXXZ2	Juhi Industries Pvt. Ltd.	20-09-2017	31.42	11.08	11.08	8.91	2.17	923	1.32	0.22	3.71
8	Adityapur	20XXXXXXXXXXZI	Apex Auto Ltd.	23-12-2017	51.76	51.76	51.76	38.34	13.42	829	7.31	1.34	22.07
9	Adityapur	20XXXXXXXXXXZY	Blue Star Malleable Pvt. Ltd.	25-12-2017	427.26	439.97	427.26	380.21	47.05	827	25.58	4.70	77.33
10	Adityapur	20XXXXXXXXXXZP	Auto Profile Ltd.	09-11-2017	9.97	9.77	9.97	0.00	9.97	873	5.72	1.00	16.69
11	Adityapur	20XXXXXXXXXXZ9	Ramkrishna Forgings Ltd.	27-12-2017	749.69	749.69	749.69	630.92	118.77	825	64.43	11.88	195.08
12	Adityapur	20XXXXXXXXXXZU	Agarwal Metcom Pvt. Ltd.	21-10-2017	16.14	16.19	16.14	14.89	1.25	892	0.73	0.12	2.10
13	Bokaro	20XXXXXXXXXXZD	F.M. Enterprises	20-11-2017	1.09	0.00	1.09	0.00	1.09	862	0.62	0.11	1.82
14	Bokaro	20XXXXXXXXXXZM	Maa Tara Steel	23-12-2017	27.24	28.02	27.24	25.69	1.55	829	0.84	0.15	2.54
15	Bokaro	20XXXXXXXXXXZQ	Nisha Enterprises	23-12-2017	16.27	16.27	16.27	12.60	3.67	829	2.00	0.37	6.04
16	Bokaro	20XXXXXXXXXXZS	Esh Ispat Pvt. Ltd.	15-11-2017	83.04	63.46	60.16	55.60	4.56	867	2.60	0.45	7.61
17	Bokaro	20XXXXXXXXXXZO	Uma Ispat Pvt. Ltd.	24-10-2017	237.43	245.20	237.43	174.58	62.85	889	36.74	6.29	105.88
18	Bokaro	20XXXXXXXXXXZE	Ridhi Sidhi Enterprises	26-08-2017	22.45	2.26	22.45	1.45	21.00	948	13.09	2.10	36.19

Appendix-III
(Referred to in Paragraph 2.3.8.1)
Excess carry forward of input tax credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	ITC carried forwarded in the last VAT returns	Carry forward of ITC allowed by the Proper officer	ITC eligible to be carried forwarded	Excess ITC carried forwarded	Period of wrong availment till 31 March 2020 in days	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
19	Bokaro	20XXXXXXXXXXZ5	Sarju Udyog	26-10-2017	17.20	17.45	17.20	14.23	2.97	887	1.73	0.30	5.00
20	Chirkunda	20XXXXXXXXXXZK	Maa Bindhyachal Indian Udyog	27-12-2017	5.16	5.16	5.16	4.63	0.53	825	0.29	0.10	0.92
21	Deoghar	20XXXXXXXXXXZF	Anmol Agri Pharma Pvt. Ltd.	15-12-2017	8.29	8.29	5.09	0.00	5.09	837	2.80	0.51	8.40
22	Dhanbad	20XXXXXXXXXXZU	Shivshakti Enterprises	26-08-2017	6.76	6.76	6.76	4.62	2.14	948	1.33	0.21	3.68
23	Dhanbad	20XXXXXXXXXXZD	Aditya Multicom Pvt. Ltd.	24-08-2017	1.45	1.45	1.45	0.31	1.14	950	0.72	0.11	1.97
24	Dhanbad Urban	20XXXXXXXXXXZB	Bharat Coking Coal Ltd.	25-12-2017	114.48	202.14	114.48	101.34	13.14	827	7.15	1.31	21.60
25	Dhanbad Urban	20XXXXXXXXXXZY	Tirupati Earth & Projects Works Pvt. Ltd.	04-11-2017	50.68	50.68	42.82	41.20	1.62	878	0.94	0.16	2.72
26	Dhanbad Urban	20XXXXXXXXXXZA	Royal Coal Industries	28-08-2017	0.64	0.64	0.64	0.00	0.64	946	0.40	0.10	1.14
27	Dumka	20XXXXXXXXXXZL	Dumka Kisan Vikas Swawlambi Sahkari Samiti Ltd.	11-10-2017	5.25	5.25	5.25	5.04	0.21	902	0.13	0.10	0.44
28	Giridih	20XXXXXXXXXXZW	Sri Langta Baba Steels Pvt. Ltd.	26-12-2017	44.67	44.67	44.67	0.00	44.67	826	24.26	4.47	73.40
29	Hazaribag	20XXXXXXXXXXZH	Bijay Concrete Udyog	25-10-2017	6.28	0.27	6.28	0.27	6.01	888	3.51	0.60	10.12
30	Hazaribag	20XXXXXXXXXXZP	Bharat Heavy Electricals Ltd.	27-12-2017	2,590.79	2,584.94	2,342.53	1,265.90	1,076.63	825	584.03	107.66	1,768.32
31	Hazaribag	20XXXXXXXXXXZA	Minaxi Fuels	29-08-2017	4.65	0.00	4.65	0.00	4.65	945	2.89	0.47	8.01
32	Jamshedpur	20XXXXXXXXXXZD	TRF Limited	27-12-2017	154.59	154.59	154.59	122.80	31.79	825	17.25	3.18	52.22
33	Jamshedpur	20XXXXXXXXXXZG	Timken India Ltd.	27-12-2017	86.40	102.33	86.40	74.42	11.98	825	6.50	1.20	19.68

Appendix-III
(Referred to in Paragraph 2.3.8.1)
Excess carry forward of input tax credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	ITC carried forwarded in the last VAT returns	Carry forward of ITC allowed by the Proper officer	ITC eligible to be carried forwarded	Excess ITC carried forwarded	Period of wrong availment till 31 March 2020 in days	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
34	Jamshedpur	20XXXXXXXXXXZ0	Ganpati Steel Ltd.	25-12-2017	61.39	61.49	61.38	55.52	5.86	827	3.19	0.59	9.64
35	Jamshedpur	20XXXXXXXXXXZQ	Tata Steel Downstream Ltd.	26-12-2017	211.29	79.33	211.29	79.32	131.97	826	71.67	13.20	216.84
36	Jamshedpur	20XXXXXXXXXXZ8	Shree Jagarnath Enterprises	27-12-2017	7.68	7.97	7.68	7.65	0.03	825	0.01	0.10	0.14
37	Jamshedpur Urban	20XXXXXXXXXXZ0	Tata Steel Ltd.	27-12-2017	723.53	768.21	723.53	0.00	723.53	825	392.49	72.35	1,188.37
38	Jharia	20XXXXXXXXXXZY	Jai Maa Gayatri Enterprises	01-11-2017	211.03	212.53	211.03	0.00	211.03	881	122.25	21.10	354.38
39	Jharia	20XXXXXXXXXXZ9	K.G.N. Enterprises	04-09-2017	30.98	11.77	11.77	0.00	11.77	939	7.27	1.18	20.22
40	Jharia	20XXXXXXXXXXZ9	Budget Signs	24-10-2017	2.19	2.19	2.19	0.00	2.19	889	1.28	0.22	3.69
41	Jharia	20XXXXXXXXXXZY	Sushee Infra & Mining Ltd.	15-09-2017	5.68	5.68	5.68	0.00	5.68	928	3.47	0.57	9.72
42	Pakur	20XXXXXXXXXXZH	Barsha Automobiles	01-12-2017	0.64	0.00	0.64	0.00	0.64	851	0.35	0.10	1.09
43	Ramgarh	20XXXXXXXXXXZ6	Dayal Alloy & Steel Casting	26-12-2017	4.57	4.57	4.57	0.00	4.57	826	2.48	0.46	7.51
44	Ramgarh	20XXXXXXXXXXZ9	Tirupati Enterprises	25-08-2017	0.86	0.86	0.65	0.00	0.65	949	0.41	0.10	1.16
45	Ramgarh	20XXXXXXXXXXZF	Pawan Automobile	27-12-2017	7.64	7.64	7.64	0.24	7.40	825	4.02	0.74	12.16
46	Ramgarh	20XXXXXXXXXXZE	Black Pearl Steel & Minerals Pvt. Ltd.	27-12-2017	43.45	43.49	43.45	12.30	31.15	825	16.89	3.11	51.15
47	Ramgarh	20XXXXXXXXXXZJ	Om Coke Industries	25-12-2017	4.77	0.00	4.77	0.00	4.77	827	2.59	0.48	7.84
48	Ramgarh	20XXXXXXXXXXZ7	Shree Balaji Coal Traders Ltd.	30-11-2017	140.97	140.97	140.97	0.00	140.97	852	78.97	14.10	234.04

Appendix-III
(Referred to in Paragraph 2.3.8.1)
Excess carry forward of input tax credit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	ITC carried forwarded in the last VAT returns	Carry forward of ITC allowed by the Proper officer	ITC eligible to be carried forwarded	Excess ITC carried forwarded	Period of wrong availment till 31 March 2020 in days	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
49	Ranchi East	20XXXXXXXXXXZ4	Tirupati Technical Services	31-08-2017	3.08	3.07	3.08	2.32	0.76	943	0.47	0.10	1.33
50	Ranchi South	20XXXXXXXXXXZN	Orange Business Services India Pvt. Ltd.	27-12-2017	38.13	11.13	11.13	10.76	0.37	825	0.20	0.10	0.67
51	Ranchi South	20XXXXXXXXXXZO	Bhilai Chemicals Pvt. Ltd.	30-10-2017	35.38	35.38	35.38	35.33	0.05	883	0.02	0.10	0.17
52	Ranchi West	20XXXXXXXXXXZT	Central Coal Fields Ltd.	27-12-2017	947.45	19.80	769.81	19.80	750.01	825	406.85	75.00	1,231.86
53	Ranchi West	20XXXXXXXXXXZC	K Tripathy International Automobiles Ltd.	26-12-2017	5.29	5.29	5.29	0.00	5.29	826	2.87	0.53	8.69
54	Ranchi West	20XXXXXXXXXXZQ	Kumar Enterprises & Co.	25-12-2017	2.45	2.45	2.45	0.00	2.45	827	1.33	0.24	4.02
55	Ranchi West	20XXXXXXXXXXZI	L.R. Ferro Alloys Pvt. Ltd.	27-12-2017	6.28	0.00	6.28	0.00	6.28	825	3.41	0.63	10.32
56	Ranchi West	20XXXXXXXXXXZA	Nexera Motors Pvt. Ltd.	26-12-2017	2.40	0.00	2.40	0.00	2.40	826	1.31	0.24	3.95
57	Singhbhum	20XXXXXXXXXXZF	Aditee Steels	23-12-2017	7.75	7.75	7.75	5.15	2.60	829	1.41	0.26	4.27
	Total				7,568.39	6,559.74	7,041.77	3,398.66	3,643.11		2,000.34	364.82	6,008.27

Appendix-IV
(Referred to in Paragraph 2.3.8.2)
Irregular availment of transitional credit on inadmissible items

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim	Amount allowed by the proper officer	Amount disallowed by the proper officer	Amount of ineligible credit	Type of ineligible credit carried forwarded	Incorrect claim of ITC carried forwarded	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Adityapur	20XXXXXXXXXXZ6	Infra Laxmi (JV)	30-10-2017	16.73	16.73	0.00	16.73	Tax Deducted at Source	16.73	883	9.72	1.67	28.12
2	Adityapur	20XXXXXXXXXXZN	Anvil Cables Pvt. Ltd.	23-12-2017	119.42	119.42	0.00	119.42	Tax Deducted at Source	119.42	829	65.10	11.94	196.46
3	Bokaro	20XXXXXXXXXXZM	HN Construction Pvt. Ltd.	24-08-2017	113.79	113.79	0.00	79.42	Tax Deducted at Source	79.42	950	49.62	7.94	136.98
4	Bokaro	20XXXXXXXXXXZB	Bhilai Engineering Corporation Ltd.	21-12-2017	173.70	173.70	0.00	22.40	Tax Deducted at Source	22.40	831	12.24	2.24	36.88
5	Bokaro	20XXXXXXXXXXZP	Bokaro Power Supply Co. Ltd.	27-12-2017	2,167.81	2,167.81	0.00	2,167.81	Goods burnt up or consumed during manufacturing process	2,167.81	825	1,175.96	216.78	3,560.55
6	Chirkunda	20XXXXXXXXXXZ9	Kanwar Enterprises Pvt. Ltd.	27-12-2017	4.05	1.67	2.72	4.05	Tax Deducted at Source	1.33	825	0.72	0.13	2.18
7	Deoghar	20XXXXXXXXXXZ8	Satish Kumar	14-11-2017	2.69	2.69	0.00	2.69	Tax Deducted at Source	2.69	868	1.54	0.27	4.50
8	Dhanbad Urban	20XXXXXXXXXXZP	JK Omaxe Reacon JV	14-12-2017	197.47	197.47	0.00	95.15	Tax Deducted at Source	95.15	838	52.43	9.51	157.09
9	Dumka	20XXXXXXXXXXZQ	Royal Infraconstru Ltd.	17-10-2017	56.67	56.67	0.00	56.67	Tax Deducted at Source	56.67	896	33.39	5.66	95.72
10	Giridih	20XXXXXXXXXXZO	Ashoka Buildcon Ltd.	27-12-2017	216.02	216.02	0.00	216.02	Tax Deducted at Source	216.02	825	117.18	21.60	354.80
11	Giridih	20XXXXXXXXXXZ1	Manik Chand Gupta	30-08-2017	9.77	9.77	0.00	3.50	Tax Deducted at Source	3.50	944	2.17	0.35	6.02

Appendix-IV
(Referred to in Paragraph 2.3.8.2)
Irregular availment of transitional credit on inadmissible items

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim	Amount allowed by the proper officer	Amount disallowed by the proper officer	Amount of ineligible credit	Type of ineligible credit carried forwarded	Incorrect claim of ITC carried forwarded	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
12	Jamshedpur	20XXXXXXXXXXZB	A.B. Construction	04-10-2017	1.49	1.49	0.00	0.46	Tax Deducted at Source	0.46	909	0.28	0.10	0.84
13	Jamshedpur	20XXXXXXXXXXZT	Dwarka Engicon Pvt. Ltd.	03-11-2017	14.31	14.31	0.00	14.31	Tax Deducted at Source	14.32	879	8.27	1.43	24.02
14	Jamshedpur	20XXXXXXXXXXZJ	ASC Infrastructure Pvt. Ltd.	24-10-2017	0.98	0.98	0.00	0.98	Tax Deducted at Source	0.98	889	0.57	0.10	1.65
15	Jamshedpur Urban	20XXXXXXXXXXZW	Teknow Overseas Pvt. Ltd.	23-08-2017	23.50	23.50	0.00	16.49	Tax Deducted at Source	16.49	951	10.31	1.65	28.45
16	Jamshedpur Urban	20XXXXXXXXXXZ2	IL & FS Water Ltd.	27-12-2017	51.72	51.72	0.00	51.72	Tax Deducted at Source	51.72	825	28.06	5.17	84.95
17	Jamshedpur Urban	20XXXXXXXXXXZY	JK Surface Coating Pvt. Ltd.	20-11-2017	14.42	13.30	1.12	12.25	Tax Deducted at Source	11.13	862	6.31	1.11	18.55
18	Ranchi South	20XXXXXXXXXXZS	Excel Enterprises	27-10-2017	8.58	8.58	0.00	4.17	Tax Deducted at Source	4.17	886	2.43	0.42	7.02
19	Ranchi South	20XXXXXXXXXXZQ	Unitech Power Transmission Ltd.	27-12-2017	31.73	31.73	0.00	31.73	Tax Deducted at Source	31.73	825	17.21	3.17	52.11
20	Sahibganj	20XXXXXXXXXXZN	Sri Ram Enterprises	26-12-2017	87.22	87.22	0.00	87.22	Tax Deducted at Source	87.22	826	47.37	8.72	143.31
21	Singhbhum	20XXXXXXXXXXZE	Kew Construction Pvt. Ltd.	24-10-2017	85.81	85.81	0.00	54.14	Tax Deducted at Source	54.14	889	31.65	5.41	91.20
22	Tenughat	20XXXXXXXXXXZ1	Paharpur Cooling Towers Ltd.	27-12-2017	60.38	60.38	0.00	60.38	Tax Deducted at Source	60.38	825	32.75	6.04	99.17
Total					3,458.26	3,454.76	3.84	3,117.71		3,113.88		1,705.28	311.41	5,130.57

Appendix-V
(Referred to in Paragraph 2.3.8.3)
Irregular availment of transitional credit on capital goods

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forwarded	Amount of ineligible credit	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Bokaro	20XXXXXXXXXXZM	Sundaram Steels Pvt. Ltd.	01-11-2017	0.68	0.00	0.68	881	0.39	0.10	1.17
2	Bokaro	20XXXXXXXXXXZQ	ESL Steel Ltd.	27-12-2017	5.44	0.00	5.44	825	2.95	0.54	8.93
3	Jamshedpur	20XXXXXXXXXXZM	Murat Construction	27-12-2017	1.92	0.00	1.92	825	1.04	0.19	3.15
4	Jamshedpur Urban	20XXXXXXXXXXZO	Tata Steel Ltd.	27-12-2017	894.76	0.00	894.76	825	485.37	89.48	1,469.61
5	Ranchi West	20XXXXXXXXXXZA	Nexera Motors Pvt. Ltd.	26-12-2017	0.46	0.00	0.46	826	0.25	0.10	0.81
Total					903.26		903.26		490.00	90.41	1,483.67

Appendix-VI
(Referred to in Paragraph 2.3.8.4)
Irregular availment of transitional credit on inputs held in stock

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forwarded	Amount allowed by the proper officer	Amount of ineligible credit	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Bokaro	20XXXXXXXXXXZ0	Uma Ispat Pvt. Ltd.	24-10-2017	76.33	0.00	76.33	76.33	889	44.62	7.63	128.58
2	Palamu	20XXXXXXXXXXZ4	Rakesh Kumar	12-09-2017	0.67	0.00	0.67	0.67	931	0.41	0.10	1.18
3	Ramgarh	20XXXXXXXXXXZQ	Rajendra Auto Centre	28-12-2017	3.31	0.00	3.31	3.31	824	1.79	0.33	5.43
4	Ranchi West	20XXXXXXXXXXZK	Toshiba Water Solutions Pvt. Ltd.	18-12-2017	47.88	46.66	47.88	1.22	834	0.67	0.12	2.01
Total					128.19	46.66	128.19	81.53		47.49	8.18	137.20

Appendix-VII
(Referred to in Paragraph 2.3.8.5)
Irregular availment of transitional credit on inputs in transit

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forwarded	Amount of ineligible credit	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Adityapur	20XXXXXXXXXXZS	AMI enterprises Pvt. Ltd.	26-12-2017	0.50	0.00	0.50	826	0.27	0.10	0.87
2	Bokaro	20XXXXXXXXXXZQ	ESL Steel Ltd.	27-12-2017	37.00	0.00	37.00	825	20.07	3.70	60.77
3	Jamshedpur	20XXXXXXXXXXZ7	Automotive Axles Ltd.	27-12-2017	3.40	0.00	3.40	825	1.84	0.34	5.58
4	Jamshedpur	20XXXXXXXXXXZQ	SRG Iron & Steel Ltd.	05-09-2017	13.17	0.00	13.17	938	8.12	1.32	22.62
5	Jamshedpur	20XXXXXXXXXXZQ	Tata Steel Downstream Ltd.	26-12-2017	3.45	0.00	3.45	826	1.87	0.34	5.66
6	Jamshedpur Urban	20XXXXXXXXXXZO	Tata Steel Ltd.	27-12-2017	6.23	0.00	6.23	825	3.38	0.62	10.23
7	Ramgarh	20XXXXXXXXXXZQ	Rajendra Auto Centre	28-12-2017	3.88	0.00	3.88	824	2.11	0.39	6.38
8	Singhbhum	20XXXXXXXXXXZF	Hindustan Copper Ltd.	26-12-2017	7.80	0.00	7.80	826	4.24	0.78	12.82
Total					75.43		75.43		41.90	7.59	124.93

Appendix-VIII
(Referred to in Paragraph 2.3.8.6)
Irregular availment of transitional credit on goods held by agent on behalf of principal

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forwarded	Amount of ineligible credit	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Dhanbad Urban	20XXXXXXXXXXZW	Black Diamond Explosive Pvt. Ltd.	27-12-2017	2.01	0.00	2.01	825	1.09	0.20	3.30
Total					2.01		2.01		1.09	0.20	3.30

Appendix-IX
(Referred to in Paragraph 2.3.8.7)
Irregular availment of transitional credit on works contract service

(₹ in lakh)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forwarded	Amount of ineligible credit	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Chaibasa	20XXXXXXXXXXZ3	D.K. Ghosh	25-08-2017	1.37	0.00	1.37	949	0.86	0.14	2.37
2	Jamshedpur	20XXXXXXXXXXZW	L&T Ltd.	19-12-2017	154.42	0.00	154.42	833	84.58	15.44	254.44
Total					155.79		155.79		85.44	15.58	256.81

Appendix-X
(Referred to in Paragraph 2.3.8.8)
Short/non-levy of interest and penalty on disallowed transitional credit

(₹ in thousand)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	Table of claim	Amount disallowed/reversed	Date of disallowance/reversal	Period of wrong availment (in days)	Interest leviable	Interest levied	Short levy of interest	Penalty leviable	Penalty levied	Non/Short Levy of Penalty	Total
1	Bokaro	20XXXXXXXXXXZL	S.R. Builders	02-10-17	154.34	5C	154.34	29-08-18	331	33.59	28.80	4.79	15.43	0.00	15.43	20.22
2	Chaibasa	20XXXXXXXXXXZI	Vnr Laxmi Vj	16-12-17	11,326.29	5C	11,326.29	19-06-19	550	4,096.08	0.00	4,096.08	1,132.63	0.00	1,132.63	5,228.71
3	Chirkunda	20XXXXXXXXXXZK	Ratan Coal Trading Pvt. Ltd.	27-12-17	743.87	5C	743.87	06-06-19	526	257.28	0.00	257.28	74.39	0.00	74.39	33167
4	Chirkunda	20XXXXXXXXXXZY	R.K. Traders	27-12-17	341.33	5C & 7C	33.23	17-07-19	567	12.39	10.63	1.75	10.00	3.32	6.68	8.43
5	Deoghar	20XXXXXXXXXXZQ	Sunil Hightech Engineers Ltd.	01-12-17	3,102.13	5C	3,102.13	03-11-18	337	68740	431.08	256.32	310.21	221.77	88.44	344.76
6	Dhanbad	20XXXXXXXXXXZY	Adarsh Enterprises	27-12-17	1,149.30	5C	1,106.68	24-02-21	1,155	840.47	0.00	840.47	110.67	0.00	110.67	951.14
7	Dhanbad	20XXXXXXXXXXZD	Jai Maa Kali Enterprises	01-11-17	13,180.61	5C	13,180.61	22-03-21	1,237	10,720.71	0.00	10,720.71	1,318.06	0.00	1,318.06	12,038.77
8	Dumka	20XXXXXXXXXXZ1	Ajay Kumar Jha	24-11-17	690.45	5C	690.45	19-03-19	480	217.92	0.00	217.92	69.04	0.00	69.04	286.96
9	Dumka	20XXXXXXXXXXZQ	Himat Singka Agencies Pvt. Ltd.	27-12-17	8,971.99	5C	2,595.69	15-12-18	353	602.48	467.22	135.26	259.57	259.57	0.00	135.26
10	Dumka	20XXXXXXXXXXZC	Mahesh Kr. Anjani Kr.	28-08-17	220.33	7B	220.33	19-07-18	325	47.08	0.00	47.08	22.03	0.00	22.03	69.11
11	Dumka	20XXXXXXXXXXZE	Bhakat Bhai	23-11-17	163.63	5C & 7C	163.63	09-05-18	167	17.97	0.00	17.97	16.36	0.00	16.36	34.33
12	Jamshedpur urban	20XXXXXXXXXXZ4	Chottagovindpur And Bagbera Drinking Water Supply Project Ltd.	27-12-17	8,040.51	5C	8,040.51	21-07-18	206	1,089.10	653.61	435.49	804.05	804.05	0.00	435.49
13	Pakur	20XXXXXXXXXXZB	Laxmi Electronic Work	30-11-17	624.65	5C & 7B	6,20.04	22-06-18	204	83.17	65.10	18.07	62.00	62.00	0.00	18.07
14	Pakur	20XXXXXXXXXXZC	Raja Motors	27-12-17	182.64	5C	2.31	22-06-18	177	0.27	0.21	0.06	10.00	10.00	0.00	0.06

Appendix-X
(Referred to in Paragraph 2.3.8.8)
Short/non-levy of interest and penalty on disallowed transitional credit

(₹ in thousand)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim in TRAN-1	Table of claim	Amount disallowed /reversed	Date of disallowance/reversal	Period of wrong availment (in days)	Interest leviable	Interest levied	Short levy of interest	Penalty leviable	Penalty levied	Non/ Short Levy of Penalty	Total
15	Ramgarh	20XXXXXXXXXXZI	Arpee Energy Pvt. Ltd.	27-12-17	8,101.95	5C	8,101.95	25-09-18	272	1,449.03	0.00	1,449.03	810.19	0.00	810.19	2,259.22
16	Ranchi east	20XXXXXXXXXXZF	Kone Elevator India (P) Ltd.	28-09-17	362.85	11	362.85	13-12-18	441	105.22	54.43	50.79	36.28	36.28	0.00	50.79
17	Ranchi South	20XXXXXXXXXXZN	Orange Business Service India (P) Ltd.	27-12-17	3,812.87	5C	2,700.19	08-01-20	742	1,317.40	0.00	1,317.40	270.02	0.00	270.02	1,587.42
18	Ranchi South	20XXXXXXXXXXZV	Monte Carlo Ltd.	27-12-17	7,794.11	5C	7,794.11	26-08-19	607	3,110.81	0.00	3,110.81	779.41	0.00	779.41	3,890.22
19	Ranchi South	20XXXXXXXXXXZ2	J.K. Tyre & Industries Ltd.	27-12-17	1,780.68	5C	1,780.68	07-08-19	588	688.46	0.00	688.46	178.07	0.00	178.07	866.53
20	Ranchi South	20XXXXXXXXXX1H	Mcl-Ksipl (Jv) Dhanbad)	27-12-17	7,208.28	5C	7,208.28	12-10-19	654	3,099.76	0.00	3,099.76	720.83	0.00	720.83	3,820.59
21	Ranchi Special	20XXXXXXXXXXZ3	Mcanally Bharat Engg. Co. Ltd.	21-12-17	86,080.67	5C & 7B	85,846.07	26-11-18	340	19,191.89	0.00	19,191.89	8,584.61	0.00	8,584.61	27,776.50
22	Ranchi Special	20XXXXXXXXXXZB	Soni & Sons	23-08-17	60.43	5C	45.00	03-02-20	894	26.45	0.00	26.45	10.00	0.00	10.00	36.45
23	Sahibaganj	20XXXXXXXXXXZJ	Sukrit Forwarding Agency	25-12-17	604.80	7C	604.80	27-06-18	184	73.17	0.00	73.17	60.48	0.00	60.48	133.65
24	Singhbhum	20XXXXXXXXXXZJ	S.H. Enterprises	27-12-17	3,153.54	5C	2,634.91	07-02-19	407	705.14	479.55	225.59	263.49	0.00	263.49	489.08
Total					1,67,852.25		1,59,058.95			48,473.23	2,190.63	46,282.60	15,927.82	1,396.99	14,530.83	60,813.43

Appendix-XI
(Referred to in Paragraph 2.3.8.9)
Irregular availment of transitional credit without filling of JVAT return

(₹ in thousand)

Sl. No.	Name of the Circle	GSTIN	Name of the taxpayer (M/s)	Date of filing of TRAN-1	Amount of claim	Amount eligible to be carried forward	Excess claim carried forwarded	Period of wrong availment till 31 March 2020	Interest u/s 50 (3)	Penalty u/s 73 (9)	Total
1	Deoghar	20XXXXXXXXXXZZ	Shree Durga Steel	28-10-2017	56.06	0.00	56.06	885	32.62	10.00	98.68
2	Deoghar	20XXXXXXXXXXZK	Debopriya Service Station	27-12-2017	78.43	0.00	78.43	825	42.55	10.00	130.98
3	Palamu	20XXXXXXXXXXZ4	Rakesh Kumar	12-09-2017	67.05	0.00	67.05	931	41.04	10.00	118.09
4	Ranchi west	20XXXXXXXXXXZT	Ranjan Kumar	27-12-2017	58.26	0.00	58.26	825	31.60	10.00	99.86
Total					259.80		259.80		147.81	40.00	447.61

Appendix-XII
(Referred to in Paragraph 3.3.1)
State Level Monitoring Committee

1. Additional Chief Secretary/ Principal Secretary/ Secretary, Planning-cum-Finance Department,
2. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Forest, Environment and Climate Change,
3. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Health, Medical Education and Family Welfare,
4. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Drinking Water and Sanitation,
5. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Higher Technical Education and Skill Development,
6. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of School Education and Literacy Development,
7. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Women, Child Development and Social Security,
8. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Mines and Geology and
9. Additional Chief Secretary/ Principal Secretary/ Secretary, Department of Rural Development.

Appendix-XIII
(Referred to in Paragraph 3.3.1)
Governing Council

1. Superintendent of Police,
2. Seniormost Divisional Officer of Forest Division of concerned district,
3. District Education Officer,
4. Civil Surgeon-cum-Chief Medical Officer,
5. Concerned Deputy Director of Mines,
6. Concerned Deputy Director of Geology,
7. Concerned District Mining Officer,
8. Representative of Chairman, *Zila Parishad*,
9. Representative of Jharkhand Small Industry Association,
10. Representative of Hon'ble Member of Parliament,
11. All Members of Legislative Assembly of the district or their representatives,
12. Two important mining lease holders who will be nominated by Governing Council,
13. Elected *Pramukh* and Deputy *Pramukh* of directly affected areas and
14. Elected *Mukhiya* and Deputy *Mukhiya* of directly affected areas.

Appendix-XIV
(Referred to in Paragraph 3.3.1)
Managing Committee

1. Superintendent of Police,
2. Senior most Divisional Officer of Forest Division of concerned district,
3. District/ Assistant Mining Officer,
4. Civil Surgeon-cum-Chief Medical Officer and
5. District *Panchayati Raj* Officer.

GLOSSARY OF ABBREVIATIONS

Glossary of Abbreviations

Abbreviation	Full form
AA	Assessing Authority
ACE	Assistant Commissioner of Excise
ADM	Additional Director of Mines
AMO	Assistant Mining Officer
ATN	Action Taken Note
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
CS	Chief Secretary
CS-cum-CMO	Civil Surgeon cum Chief Medical Officer
CST	Central Sales Tax
CTC	Commercial Tax Circle
CTD	Commercial Taxes Department
DC	Deputy Commissioner
DCST/ACST	Deputy/Assistant Commissioner State Tax
DDC	District Development Commissioner
DDM	Deputy Director of Mines
DMFT	District Mineral Foundation Trust
DMO	District Mining Officer/Office
DWS	Drinking Water and Sanitation
EC	Commissioner of Excise
ETD	Excise Transport Duty
GC	Governing Council
GoJ	Government of Jharkhand
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
IHHL	Individual House Hold Latrine
IMFL	India Made Foreign Liquor
IR	Inspection Report
ITC	Input Tax Credit
JCST	Joint Commissioner State Tax
JDMFT Rules	Jharkhand District Mineral Foundation (Trust) Rules
JGST	Jharkhand Goods and Services Tax
JIMMS	Jharkhand Integrated Mines and Minerals Management System
JVAT	Jharkhand Value Added Tax
MC	Managing Committee
MGD	Minimum Guaranteed Duty
MI	Mining Inspector
MMDR Act	Mines and Minerals (Development and Regulation) Act
MoU	Memorandum of Understanding

Abbreviation	Full form
NCLT	National Company Law Tribunal
PAC	Public Account Committee
PMKKKY	<i>Pradhan Mantri Khanij Kshetra Kalyan Yojana</i>
PMU	Project Monitoring Unit
RFCTLARR Act	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act
SE	Superintendent of Excise
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
SLMC	State Level Monitoring Committee
STO	State Tax Officer
TDS	Tax Deducted at Source
RFP	Request for Proposal
USG	Ultrasonography
VAT	Value Added Tax

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