

OVERVIEW

This report contains 29 paragraphs including three reviews relating to non/short levy of tax; interest etc. involving Rs. 838.92 crore. Some of the major findings are mentioned below:

I. General

Total receipts of the Government of Bihar for the year 2008-09 were Rs. 32,980.69 crore. The revenue raised by the State Government amounted to Rs. 7,326.06 crore comprising tax revenue of Rs. 6,172.74 crore and non-tax revenue of Rs. 1,153.32 crore. The receipts from the Government of India were Rs. 25,654.63 crore (States' share of divisible Union taxes: Rs. 17,692.51 crore and grants in aid: Rs. 7,962.12 crore). Thus, the State Government could raise only 22 *per cent* of total revenue.

(Paragraph 1.1.1)

The number of inspection reports and paragraphs issued upto December 2008 but not settled by June 2009 stood at 3,855 and 20,552 respectively involving Rs. 5,009.24 crore. For 2,888 inspection reports, even first replies have not been received though these were required to be furnished within one month of their receipt.

(Paragraph 1.10)

Test check of the records of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices conducted during the year 2008-09 revealed under assessment/short levy/loss of revenue of Rs. 1,363.16 crore in 1,380 cases. During the year 2008-09, the concerned departments accepted under assessments and other deficiencies of Rs. 1,028.06 crore involved in 920 cases.

(Paragraph 1.15)

II. Taxes on sales, trade etc.

A review on "**Implementation of Value Added Tax in Bihar**" indicated the following deficiencies.

- Deficiency in the format of the returns resulted in non-detection of application of incorrect rates and consequently there was short levy of tax of Rs. 104.55 crore.

(Paragraph 2.2.11.1)

- Overall 26.41 *per cent* of the returns relating to 2005-08 submitted by the dealers were not scrutinised within the prescribed time and the number of pending cases were gradually increasing.

(Paragraph 2.2.12)

- There was absence of vital information in the format of the Tax Audit Report. The returns were not self sufficient and well documented as there was no provision for submission of supporting evidence/declarations and details of tax invoices.

(Paragraph 2.2.13)

- There was low coverage as well as decreasing trend of dealers selected for tax audit against the norm of maximum of 10 *per cent* of the number of registered dealers in the State.

(Paragraph 2.2.14.2)

- Due to the withdrawal of the provision for cross verification of the purchase/sale figures of other dealers and absence of provisions for cross verification of returns with other records of the dealer, incorrect claim of input tax credit of Rs. 15.11 lakh as well as concealment of purchase of Rs. 79.87 crore remained undetected which resulted in short levy of tax of Rs. 23.97 crore including penalty.

(Paragraphs 2.2.15.2 and 2.2.17.3&4)

- Due to absence of a monitoring mechanism for filing of the Tax Audit Report, cases of non/delayed submission of TAR by 20 dealers of 10 circles during 2005-08 escaped levy of penalty of Rs. 5.34 crore.

(Paragraph 2.2.22.1)

- The internal controls were weak as evidenced by the absence of vital registers and also lack of internal audit.

(Paragraph 2.2.24)

In three commercial taxes circles, allowance of exemption on account of export sales without the documentary evidence resulted in non-levy of tax of Rs. 288.54 crore.

(Paragraph 2.4)

Non-inclusion of the excise duty component in the sales turnover led to non-levy of tax of Rs. 83.69 crore.

(Paragraph 2.5)

In two commercial taxes circles, purchase tax was not levied on within State purchase of cattle feed valued at Rs. 24.98 crore which resulted in non-levy of purchase tax of Rs. 2.81 crore.

(Paragraph 2.6.1)

In Gaya commercial taxes circle, a dealer claimed exemption on account of the interstate stock transfer of goods valued at Rs. 6.45 crore on the basis of fraudulent declaration form 'F' resulting in short levy of tax of Rs. 1.03 crore including leviable penalty.

(Paragraph 2.8)

In three commercial taxes circles, reduction of tax was allowed on the interstate sale of jute worth Rs. 12.67 crore not supported by prescribed declaration forms, resulting in underassessment of tax of Rs. 41.19 lakh.

(Paragraph 2.10)

III. State excise

In 14 excise districts, 455 country/spiced country liquor, 375 India made foreign liquor shops and 643 composite liquor shops were not settled and also

not operated through the Bihar State Beverage Corporation Ltd. This resulted in loss of revenue of Rs. 118.18 crore.

(Paragraph 3.3.1)

In nine excise districts, due to the delayed settlement of 86 country/spiced country liquor, 61 India made foreign liquor shops and 74 composite liquor shops during 2007-08, the Government lost revenue of Rs. 3.08 crore.

(Paragraph 3.3.2)

In Bettiah excise district, the retail licensees did not lift the minimum guaranteed quantity during the year 2006-07, which resulted in loss of revenue of Rs. 1.66 crore.

(Paragraph 3.4)

IV Taxes on motor vehicles

A review on "**Levy and Collection of Motor Vehicles Taxes**" indicated the following deficiencies.

- Due to the absence of a mechanism to review the taxation register at periodical intervals, the concerned district transport officers could not detect non-payment of tax by the vehicle owners and consequently demand of Rs. 40.93 crore including penalty was not raised.

(Paragraph 4.2.7)

- Due to the absence of a mechanism for reviewing of functioning of the MVIs, cases of irregular issue/renewal of certificate of fitness to transport vehicles remained undetected by the higher authorities.

(Paragraph 4.2.8)

- There was no time frame prescribed for sending cases of arrears of revenue by the district transport officers to the certificate officers which resulted in non-initiation of certificate cases for realisation of revenue of Rs. 38.41 crore.

(Paragraph 4.2.12.2)

- The department did not have a manual to serve as a reference point for effective practices for its efficient functioning.

(Paragraph 4.2.14.2)

- Due to lack of monitoring to ensure that reliable data/information are available to higher authorities, there were discrepancies in the various figures furnished at the State Transport Commissioner's office level and those at the DTO level. The revenue implications were substantial.

(Paragraph 4.2.14.3)

- Surrender of the vehicles was accepted without adherence to prescribed procedures which resulted in non-realisation of Rs. 2.53 crore.

(Paragraph 4.2.18)

- Transfer of ownership of the vehicles/issue of the duplicate registration certificates were allowed without realisation of upto date tax, resulting in non-realisation of Rs. 1.31 crore during 2003-08.

(Paragraph 4.2.20)

V. Other tax receipts

A review on "Computerisation in Registration Department (SCORE)" revealed the following deficiencies.

- User requirement specifications was not properly assessed. As a result manual intervention continued in the process of registration of the documents.

(Paragraph 5.2.6.1)

- Agreements made by the district level societies were not according to the best trade practices which facilitated recurring profitable source to vendors.

(Paragraph 5.2.6.2)

- Security policy was inadequate and made the computer systems vulnerable to manipulations or unauthorised deletions/modifications.

(Paragraph 5.2.13)

- Lack of input controls resulted in incomplete database and due to the deficient system design with regard to categorisation of the documents, identification of executants and prevention of double registration of the same property, the benefits of computerisation could not be achieved.

(Paragraphs 5.2.12, 5.2.14 and 5.2.15)

In District Sub Registrar, Banka, a sum of Rs. 26.22 lakh shown as deposited into Banka treasury was not found deposited into the Government account resulted in defalcation of Rs. 26.22 lakh.

(Paragraph 5.4)

In *khas mahal* office, Sitamarhi, 109 occupiers of lease hold *khas mahal* land continued to occupy the land unauthorisedly which resulted in non-realisation of revenue of Rs. 23.81 crore including penal rent and interest.

(Paragraph 5.8)

VI. Non-tax receipts

In five district mining offices 187 brick kilns were operated in brick seasons 2006-07 and 2007-08 without/partial payment of the consolidated royalty which resulted in non/short realisation of royalty of Rs. 69.30 lakh.

(Paragraph 6.3.1)

In 16 irrigation divisions, *khatian* for 3.31 lakh hectares of *kharif*, 1.59 lakh hectares of *rabi* and 3,513.72 hectares of hot weather crops land irrigated during 2006-08 were not prepared and forwarded to the executive engineers by the junior engineers. This resulted in non-raising of demand for payment of water rates for Rs. 10.24 crore.

(Paragraph 6.5)