

CHAPTER I - GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jharkhand during 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the period 2004-05 to 2007-08 were as indicated in the following table:

(Rupees in crore)

| Sl. no. | | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---------|--|-----------------|-----------------------|------------------|------------------|------------------|
| I. | Revenue raised by the State Government | | | | | |
| | • Tax revenue | 2,382.79 | 2,758.04 | 3,188.50 | 3,473.55 | 3,753.21 |
| | • Non-tax revenue | 1,052.45 | 1,426.53 ¹ | 1,250.40 | 1,601.40 | 1,951.74 |
| | Total | 3,435.24 | 4,184.57 | 4,438.90 | 5,074.95 | 5,704.95 |
| II. | Receipts from the Government of India | | | | | |
| | • State's share of divisible Union taxes | 2,366.40 | 3,175.89 | 4,050.90 | 5,109.83 | 5,392.11 |
| | • Grants-in-aid | 858.87 | 1,103.42 | 1,520.02 | 1,841.77 | 2,115.78 |
| | Total | 3,225.27 | 4,279.31 | 5,570.92 | 6,951.60 | 7,507.89 |
| III. | Total receipts of the State Government (I & II)² | 6,660.51 | 8,463.88 | 10,009.82 | 12,026.55 | 13,212.84 |
| IV. | Percentage of I to III | 52 | 49 | 44 | 42 | 43 |

The above table indicates that during 2008-09, the revenue raised by the State Government was 43 *per cent* of the total revenue receipts (Rs. 13,212.84 crore) against 42 *per cent* in the preceding year. The balance 57 *per cent* of receipts during 2008-09 were from the Government of India.

¹ Adjustment entry of Rs. 1 lakh.

² For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2008-09. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State booked in the Finance Accounts under "A-Tax revenue" have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.1 The following table presents the details of the tax revenue raised during the period 2004-05 to 2008-09:

(Rupees in crore)

| Sl. no. | Heads of revenue | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | Percentage of increase/decrease in 2008-09 over 2007-08 |
|--------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|---|
| 1. | Taxes on sales, trade etc. | 1,881.53 | 2,212.03 | 2,556.90 | 2,845.88 | 2,996.20 | (+) 5 |
| 2. | State excise | 145.76 | 161.64 | 129.62 | 156.86 | 205.46 | (+) 31 |
| 3. | Stamp duty and registration fees | 86.59 | 91.93 | 122.02 | 156.26 | 192.16 | (+) 23 |
| 4. | Taxes on vehicles | 130.24 | 138.32 | 218.27 | 135.67 | 201.57 | (+) 49 |
| 5. | Taxes and duties on electricity | 36.14 | 33.87 | 45.14 | 76.47 | 43.47 | (-) 43 |
| 6. | Taxes on goods and passengers - Tax on entry of goods into local areas | 78.19 | 96.66 | 74.19 | 71.07 | 54.02 | (-) 24 |
| 7. | Other taxes and duties on commodities and services | 6.87 | 5.93 | 6.01 | 5.08 | 7.00 | (+) 38 |
| 8. | Land revenue | 17.47 | 17.66 | 36.35 | 26.26 | 53.33 | (+) 103 |
| Total | | 2,382.79 | 2,758.04 | 3,188.50 | 3,473.55 | 3,753.21 | (+) 8 |

The reasons for variation in receipt for 2008-09 from those of 2007-08 in respect of principal heads of revenue were as under:

Taxes on sales, trade etc.: The increase of five *per cent* was attributed by the department to better and effective tax administration. However, the growth rate decreased from eleven *per cent* in 2007-08 to five *per cent* in 2008-09.

State excise: The increase in revenue was attributed by the department to new excise policy.

The remaining departments did not inform (January 2010) the reasons for variations in receipts from those of the previous year though requested in May 2009.

1.1.2 The following table presents the details of non-tax revenue raised during the period 2004-05 to 2008-09:

(Rupees in crore)

| Sl. no. | Heads of revenue | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | Percentage of increase/decrease in 2008-09 over 2007-08 |
|---------|---|---------|----------|----------|----------|----------|---|
| 1. | Non-ferrous mining and metallurgical industries | 937.41 | 1,013.15 | 1,022.12 | 1,177.77 | 1,477.94 | (+) 25 |
| 2. | Forestry and wild life | 4.51 | 40.84 | 3.68 | 4.06 | 7.20 | (+) 77 |
| 3. | Interest receipts | 18.63 | 71.49 | 38.09 | 87.14 | 109.53 | (+) 26 |

| | | | | | | | |
|--------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| 4. | Social security and welfare | 8.48 | 17.94 | 11.65 | 12.57 | 4.25 | (-) 66 |
| 5. | Others | 83.42 | 283.11 | 174.86 | 319.86 | 352.82 | (+) 10 |
| Total | | 1,052.45 | 1,426.53 | 1,250.40 | 1,601.40 | 1,951.74 | (+) 22 |

The reasons for variations in receipts for 2008-09 from those of 2007-08 in respect of principal heads of revenue, have not been intimated (January 2010) by the departments although requested (May 2009).

1.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for 2008-09 under the principal heads of tax and non-tax revenue were as per the following table:

| (Rupees in crore) | | | | | |
|---------------------------|--|------------------|-----------------|---------------------------------------|---|
| Sl. no. | Heads of revenue | Budget estimates | Actual receipts | Variations (+) increase (-) shortfall | Percentage of variation (+) increase (-) decrease |
| A. Tax revenue | | | | | |
| 1. | Taxes on sales, trade etc. | 3,715.00 | 2,996.20 | (-) 718.80 | (-) 19 |
| 2. | State excise | 357.52 | 205.46 | (-) 152.06 | (-) 43 |
| 3. | Stamp duty and registration fees | 372.61 | 192.16 | (-) 180.45 | (-) 48 |
| 4. | Taxes on vehicles | 400.60 | 201.57 | (-) 199.03 | (-) 50 |
| 5. | Taxes and duties on electricity | 74.00 | 43.47 | (-) 30.53 | (-) 41 |
| 6. | Land revenue | 52.75 | 53.33 | (+) 0.58 | (+) 1 |
| 7. | Other taxes and duties on commodities and services | 18.65 | 7.00 | (-) 11.65 | (-) 62 |
| 8. | Taxes on goods and passengers – Tax on entry of goods into local areas | 93 | 54.02 | (-) 38.98 | (-) 42 |
| B. Non-tax revenue | | | | | |
| 1. | Non-ferrous mining and metallurgical industries | 1,740.00 | 1,477.94 | (-) 262.06 | (-) 15 |
| 2. | Forestry and wild life | 50.00 | 7.20 | (-) 42.80 | (-) 86 |
| 3. | Interest receipts | 73.51 | 109.53 | (+) 36.02 | (+) 49 |
| 4. | Social security and welfare | 21.64 | 4.25 | (-) 17.39 | (-) 80 |

The reasons for variation reported by the concerned departments in respect of some principal heads of revenue were as under:

Taxes on sales, trade etc.: The variation was attributed to reduction in the rate of tax on diesel/Central Sales Tax and economic recession from October 2008.

Stamp duty and registration fees: The variation was attributed to reduction in the rate of stamp duty and registration fees.

State excise: Decrease in revenue collection was attributed by the department to late approval of shops.

Forestry and wild life: The variation was attributed by the department to non-exploitation of forest produce. However, the department has not intimated the reasons for non-exploitation of forest produce.

The other departments did not inform (January 2010) the reasons for variation despite being requested to do so (May 2009).

1.3 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services for the period 2008-09 and figures of tax for the period 2006-07 and 2007-08 as furnished by the department was as indicated in the following table:

| (Rupees in crore) | | | | | | |
|----------------------|--|---|--|-----------------|----------------|-----------------------------|
| Year | Amount collected at pre assessment stage | Amount collected after regular assessment | Penalties for delay in payment of taxes and duties | Amount refunded | Net collection | Percentage of column 2 to 6 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2006-07 ³ | 2,574.69 | 22.95 | 0.87 | 9.55 | 2,682.24 | 95.99 |
| 2007-08 ⁴ | 3,336.78 | 54.52 | 1.58 | 4.15 | 3,387.14 | 98.51 |
| 2008-09 ⁵ | 3,017.13 | 54.74 | 1.49 | 0.46 | 3,071.41 | 98 |

It would be seen from above table that the percentage of collection of taxes at pre-assessment stage over net collection ranged between 96 and 99 *per cent* during 2006-07 to 2008-09.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2006-07 to 2008-09 alongwith the all India average percentage of expenditure on collection to gross collection for 2007-08 were as indicated in following table:

³ Figures furnished by the department for 2006-07 and 2007-08 differ from those previously furnished.

⁴ The figures furnished by department are different from those reflected in the Finance Account and referred to Paragraph 1.1.1.

⁵ Figures are excluding electricity duty.

(Rupees in crore)

| Sl. no. | Heads of revenue | Year | Collection | Expenditure on collection of revenue | Percentage of expenditure on collection | All India average percentage for the year 2007-08 |
|---------|----------------------------------|---------|------------|--------------------------------------|---|---|
| 1. | Taxes on sales, trade etc. | 2006-07 | 2,556.90 | 14.29 | 0.56 | 0.83 |
| | | 2007-08 | 2,845.88 | 16.66 | 0.59 | |
| | | 2008-09 | 2,996.20 | 24.88 | 0.83 | |
| 2. | Taxes on vehicles | 2006-07 | 218.27 | 2.49 | 1.14 | 2.58 |
| | | 2007-08 | 135.67 | 2.90 | 2.14 | |
| | | 2008-09 | 201.57 | 4.03 | 2.00 | |
| 3. | State excise | 2006-07 | 129.62 | 7.38 | 5.69 | 3.27 |
| | | 2007-08 | 156.86 | 7.51 | 4.79 | |
| | | 2008-09 | 205.46 | 10.38 | 5.05 | |
| 4. | Stamp duty and registration fees | 2006-07 | 122.02 | 9.86 | 8.08 | 2.09 |
| | | 2007-08 | 156.26 | 7.81 | 5.00 | |
| | | 2008-09 | 192.16 | 9.91 | 5.16 | |

The foregoing table indicates that percentage of expenditure on collection in respect of state excise and stamp duty and registration fee was higher than the all India average.

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 2,069.02 crore; of which Rs. 742.12 crore were outstanding for more than five years as mentioned below:

(Rupees in crore)

| Sl. no. | Heads of revenue | Amount outstanding as on 31 March 2009 | Amount outstanding for more than five years as on 31 March 2009 | Remarks |
|---------|--|--|---|--|
| 1. | Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services | 1,737.21 | 683.68 | Out of Rs. 1,737.21 crore, demands amounting to Rs. 139.87 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 1,043.68 crore was stayed by Courts. Specific action taken in respect of the remaining arrears of Rs. 553.66 crore has not been intimated (January 2010). |
| 2. | Land revenue | 2.61 | Not provided | Specific action taken in respect of the arrears of Rs. 2.61 crore has not been intimated (January 2010). |
| 3. | Stamp duty & registration fees | 1.45 | Not provided | Specific action taken in respect of the arrears of Rs. 1.45 crore has not been intimated (January 2010). |
| 4. | Non-ferrous mining and metallurgical industries | 298.35 | 58.44 | Out of Rs. 298.35 crore, demands amounting to Rs. 217.88 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 44.50 |

| | | | | |
|--------------|--------------|-----------------|---------------|---|
| | | | | crore and Rs. 5.29 crore were stayed by Courts and the Government respectively. Recovery of Rs. 0.88 crore and Rs. 1.72 crore was held up due to rectification/review and the parties becoming insolvent respectively. Amount of Rs. 0.09 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 28 crore has not been intimated (January 2010). |
| 5. | State excise | 29.39 | Not provided | Out of Rs. 29.39 crore, demands for Rs. 11.54 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 16.58 crore and Rs. 0.16 crore were stayed by Courts and the Government respectively. Recovery of Rs. 0.11 crore was held up due to parties becoming insolvent. Amount of Rs. 0.24 crore was likely to be written off. Specific action taken in respect of the balance arrears of Rs. 0.76 crore has not been intimated (January 2010). |
| Total | | 2,069.02 | 742.12 | |

The status of arrears of revenue pending collection at the end of 2008-09 in respect of other departments was not furnished (January 2010) despite being requested in May 2009.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes department, cases finalised and the demands for additional tax raised as indicated in the following table:

(Rupees in lakh)

| Sl. no. | Heads of revenue | Cases pending as on 31 March 2008 | Cases detected during 2008-09 | Total | Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised | | Number of cases pending finalisation as on 31 March 2009 |
|---------|--|-----------------------------------|-------------------------------|-------|--|------------------|--|
| | | | | | No. of cases | Amount of demand | |
| 1. | Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services | 21 | 55 | 76 | Nil | Nil | 76 |
| 2 | State excise | 1 | Nil | 1 | Nil | Nil | 1 |

It would be seen from the above table that no efforts were made by the Commercial Taxes and State Excise Departments during 2008-09 for settlement of pending cases. The Government may, therefore, take effective steps to dispose off the cases.

1.7 Refunds

The refund cases pending at the beginning of 2008-09, claims received during the year, refunds allowed during the year and cases pending at the close of the year as indicated in the following table:

| Sl. no. | Particulars | (Rupees in crore) | |
|---------|---|-------------------|--------|
| | | Sales tax | |
| | | No. of cases | Amount |
| 1. | Claims outstanding at the beginning of the year | 728 | 18.74 |
| 2. | Claims received during the year | 215 | 3.32 |
| 3. | Refunds made during the year | 365 | 0.46 |
| 4. | Balance outstanding at the end of the year | 578 | 21.60 |
| 5. | Interest paid due to belated refunds | Nil | Nil |

The pendency of refund cases under sales tax, beyond six months entails mandatory payment of interest at the rate of nine *per cent* per annum. The Government may, therefore, take effective steps to dispose the cases within six months.

1.8 Failure of senior officials to enforce accountability and protect the interest of the Government

Audit observations on financial irregularities and defects in initial records, noticed during local audit and not settled on the spot, are communicated to the heads of offices and to the higher departmental authorities through audit inspection reports for prompt action. The more important irregularities are reported to the heads of departments and to the Government for initiating immediate corrective action. Besides, half yearly reports of such observations outstanding for more than six months are forwarded to the Government to expedite their settlement.

In respect of inspection reports issued up to December 2008, 14,545 paragraphs involving money value of Rs. 7,705.91 crore relating to 2,803 inspection reports remained outstanding at the end of June 2009. Even the first replies, required to be received within one month of the receipt of the inspection reports, were not received in respect of 580 inspection reports issued between 1984-85 and 2006-07.

The position was brought to the notice of the Chief Secretary to Government in August 2009 but no reply has been received (January 2010). Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of outstanding audit observations and inspection reports.

The large pendency of inspection reports due to non-receipt of replies indicates that heads of offices and heads of departments did not initiate action to rectify defects, omission and irregularities pointed out in the inspection reports. It is recommended that the Government should take suitable steps to ensure that effective procedure exists for prompt and appropriate response to the audit observations, action against officials/officers failing to send replies to inspection reports/paras as per the prescribed time schedule and action to recover loss/outstanding demands in a time bound manner.

1.9 Departmental audit committee meetings

In order to expedite the settlement of outstanding audit observations included in the inspection reports, departmental audit committees are constituted by the Government. These committees consist of representatives of the concerned administrative department and are attended, among others, by the concerned officers and officers from the office of the Principal Accountant General. To expedite clearance of outstanding observations, it is necessary that audit committees meet regularly and ensure that final action is taken in respect of all the audit observations outstanding for more than a year, leading to their settlement. During 2008-09, 15 audit committee meetings were held between April 2008 and February 2009 in which 1,460 paragraphs involving Rs. 115.12 crore were settled.

1.10 Response of the departments to draft audit paragraphs

According to the instructions issued (1966) by the Government of Bihar, replies to the draft audit paragraphs are required to be communicated to the Principal Accountant General within six weeks from the date of receipt of the same. The draft paragraphs are forwarded to the Secretaries of the departments drawing their attention to the audit findings requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government is indicated at the end of each paragraph included in the Audit Report.

Thirty eight paragraphs and three reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Revenue Receipts), Government of Jharkhand, were forwarded to the Secretaries to the Government of the departments concerned between April and August 2009. The reviews and draft paragraphs were discussed with the Principal Secretaries/Secretaries to the Government in September 2009. They assured that corrective/remedial measures would be taken wherever found necessary in accordance with the rules and procedures for arresting potential risk and leakage of revenue.

1.11 Compliance with the earlier audit reports

During the years 2003-04 to 2007-08, the department/Government accepted audit observations with a total revenue impact of Rs. 1,129.96 crore of which Rs. 529.58 crore had been recovered as on 31 March 2009 as mentioned in the following table:

(Rupees in crore)

| Year of Audit Report | Total money value | Accepted money value | Recovery made | |
|----------------------|-------------------|----------------------|-----------------------------|---------------|
| | | | during 2008-09 ⁶ | upto 2008-09 |
| 2003-04 | 319.72 | 265.50 | 17.73 | 51.55 |
| 2004-05 | 508.13 | 417.61 | 38.16 | 157.49 |
| 2005-06 | 520.78 | 92.01 | 31.10 | 161.88 |
| 2006-07 | 591.10 | 201.08 | 32.40 | 101.39 |
| 2007-08 | 842.65 | 153.76 | 57.27 | 57.27 |
| Total | 2,782.38 | 1,129.96 | 176.66 | 529.58 |

It would be seen from the above table that 46.87 per cent of the accepted money value has been recovered by the departments during the last five years. It is recommended that the Government may issue direction to the concerned departments for prompt recovery of the money in respect of the cases already accepted by them.

1.12 Follow up on Audit Reports- summarised status

| Sl. no. | Audit Report ending on | Date of presentation in legislature | No. of draft Paragraphs | No. of draft paragraphs ⁷ discussed | No. of DP where Action taken note not received |
|---------|------------------------|-------------------------------------|-------------------------|--|--|
| 1. | 31 March 2000 | 21.03.2002 | 36 | 20 | 34 |
| 2. | 31 March 2001 | 17.12.2003 | 35 | 8 | 33 |
| 3. | 31 March 2002 | 03.08.2004 | 27 | 7 | 27 |
| 4. | 31 March 2003 | 24.03.2005 | 42 | 8 | 42 |
| 5. | 31 March 2004 | 19.12.2005 | 31 | 4 | 31 |
| 6. | 31 March 2005 | 24.08.2006 | 29 | 1 | 29 |
| 7. | 31 March 2006 | 04.04.2007 | 27 | Discussion not started | - |
| 8. | 31 March 2007 | 26.03.2008 | 36 | Discussion not started | - |
| 9. | 31 March 2008 | 10.07.2009 | 42 | Discussion not started | - |

N.B. Audit had no information about any decision taken by the competent authority about discussion by PAC of the pending paragraphs of the Audit Reports relating to the areas/districts falling under the jurisdiction of Jharkhand, for the periods prior to the constitution of the State of Jharkhand.

⁶ Figures are based on data/information furnished by the Commercial Taxes, Mines and Geology and Transport and State Excise and Prohibition Departments.

⁷ During 2006-07, 47 paragraphs including reviews of Audit Report (Revenue Receipts) 1999-2000 to 2004-05 were discussed in the Public Accounts Committee (PAC) of Jharkhand. Action taken note on four paragraphs have been received. PAC has not taken any decision regarding settlement of other paragraphs.

1.13 Results of audit

Test check of the records of sales tax, land revenue, state excise, taxes on vehicles, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 indicated underassessment/short levy/loss of revenue amounting to Rs. 2493.50 crore in 33,484 cases. During the year, the concerned departments accepted underassessments and other deficiencies amounting to Rs. 609.53 crore involved in 25,146 cases of which 25,126 cases amounting to Rs. 602.73 crore were pointed out in audit during 2008-09 and the rest in earlier years.

This report contains 41 paragraphs including three reviews bringing out deficiencies in different aspects of tax administration involving a revenue effect of Rs. 1,171.03 crore. Of these, while the departments/Government accepted audit observations amounting to Rs. 88.57 crore, it did not accept observations involving Rs. 40.61 lakh. Final reply has not been received in other cases. These are discussed in succeeding chapters II to VIII.