

OVERVIEW

This Report contains 41 paragraphs including three reviews relating to non/short levy/loss of tax involving Rs. 1,171.03 crore. Some of the major findings are mentioned in the following paragraphs:

I. General

The total receipts of the Government of Jharkhand for the year 2008-09 were Rs. 13,212.84 crore against Rs. 12,026.55 crore during 2007-08. The revenue raised by the State Government amounted to Rs. 5,704.95 crore comprising tax revenue of Rs. 3,753.21 crore and non-tax revenue of Rs. 1,951.74 crore. The receipts from the Government of India were Rs. 7,507.89 crore (State's share of divisible Union taxes: Rs. 5,392.11 crore and grants-in-aid: Rs. 2,115.78 crore). Thus, the State Government could raise only 43 *per cent* of the total revenue. Taxes on sales, trade etc. (Rs. 2,996.20 crore) and non-ferrous mining and metallurgical industries (Rs.1,477.94 crore) were the major source of tax and non-tax revenue respectively during the year 2008-09.

(Paragraph 1.1)

The number of inspection reports and audit observations issued upto December 2008, but not settled by June 2009, stood at 2,803 and 14,545 respectively involving Rs. 7,705.91 crore. In respect of 580 inspection reports issued between 1984-85 and 2006-07, even the first replies had not been received though these were required to be furnished within one month of their receipt.

(Paragraph 1.8)

During the years 2003-04 to 2007-08, the department/Government accepted audit observations involving Rs. 1,129.96 crore of which only Rs. 529.58 crore had been recovered as on 31 March 2009. The recovery percentage out of the accepted amount is 46.87 per cent and the Government needs to expedite the recovery proceedings.

(Paragraph 1.11)

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 underassessment and other deficiencies of Rs. 609.53 crore involved in 25,146 cases, of which 25,126 cases involving Rs. 602.73 crore were pointed out in audit during 2008-09 and the rest in earlier years.

(Paragraph 1.13)

II. Taxes on sales, trade etc.

A review on “**Transition from sales tax to VAT and application of IT system**” indicated many system deficiencies, some of which were:

- The growth rate of revenue collection during post VAT period had declined as compared to pre-VAT period.

(Paragraph 2.2.7)

- The scheme implemented for computerisation of commercial tax activities during 2004-06 failed to give desired results as it was not for VAT module. This resulted in unfruitful expenditure of Rs. 6.10 crore. Non-mapping of essential rules in the application resulted in continuation of manual operation of business processes.

(Paragraph 2.2.8.5)

- Taxpayer's Identification Number (TIN) was granted to all the 42,964 dealers registered under the repealed Act where as only 17,458 dealers applied for registration under the JVAT Act, 2005.

(Paragraph 2.2.9.2)

- Non-registration of 418 dealers with tax effect of Rs. 48.53 crore was detected by audit through cross verification of data relating to mining offices with eight commercial tax circles.

(Paragraph 2.2.9.4)

- Payment of tax made with delays ranging from 1 to 1,041 days from 2006-07 to 2008-09 in 6,039 cases could not be monitored by the department as the application did not have provision for detection of delay and calculation of interest and penalty.

(Paragraph 2.2.10.5)

- Non-provision for cross verification with records of other departments of State/Central Government resulted in suppression of taxable turnover of Rs. 43.32 crore and consequent short levy of VAT and penalty of Rs. 15.20 crore.

(Paragraph 2.2.13)

- No uploading of data was made in Tax information Exchange System (TINXSYS) despite payment of Jharkhand Government share of Rs. 32 lakh.

(Paragraph 2.2.14)

- Payment by Military Engineering Service (MES) of Rs. 64.30 crore to 64 unregistered contractors without deduction of tax on works contract resulted in non-levy of VAT amounting to Rs. 16.15 crore.

(Paragraph 2.2.15.1)

- Failure of the department to collect data/information from different departments and cross verify the transactions shown in the returns and application of incorrect rates resulted in short realisation of revenue of Rs. 70.39 crore.

(Paragraph 2.4.1)

- The irregularities in determination of sales/purchase turnover resulted in non/short levy of tax and penalty of Rs. 46.18 crore.

(Paragraph 2.5)

- Incorrect/irregular grant of exemption on intra and export sale resulted in non/short levy of tax of Rs. 22.85 crore.

(Paragraph 2.7)

III. State excise

- Non-renewal and non/delayed settlement of wholesale country spirit/spiced country spirit and retail excise shops resulted in non/short levy of licence fee of Rs. 74.80 crore.

(Paragraph 3.3.1)

- Irregular allowance of operational wastage of rectified spirit resulted in non-realisation of excise duty of Rs. 11.57 lakh.

(Paragraph 3.4)

- Non/delayed institution of certificate cases resulted in non-recovery of arrears amounting to Rs. 42.17 lakh and loss of interest of Rs. 10.38 lakh.

(Paragraph 3.5)**IV. Taxes on vehicles**

- Tax of Rs. 16.18 crore due to from 3,646 vehicle owners was neither paid nor was it demanded by the department.

(Paragraph 4.3.1)

- Non-renewal of national permits resulted in non-realisation of fee of Rs. 3.28 crore.

(Paragraph 4.4)**V. Land revenue**

- Non-renewal of 1,250 leases involving 263.60 acres of *khas mahal* land, which expired between 1968-69 and 2000-01, resulted in loss of revenue of Rs. 66.96 crore in the shape of penal rent and interest besides *salami* of Rs. 152.18 crore.

(Paragraph 5.3.1)

- In five anchal offices, non-renewal/settlement of 17.20 acres of encroached public land resulted in non-realisation of *salami* and rent of Rs. 3.67 crore.

(Paragraph 5.3.2)**VI. Other tax receipts****Electricity duty**

- In one commercial taxes circle, in two cases, levy of electricity duty at incorrect rate and suppression of purchase of electrical energy resulted in short levy of electricity duty of Rs. 3.94 crore.

(Paragraphs 6.3.1)**VII. Mineral concession, fees and royalties**

- In one district mining office, sublet of lease without consent of the State Government resulted in illegal mining and consequent non-levy of penalty of Rs. 12.61 crore.

(Paragraph 7.3.1.1)

- In six district mining offices, non-submission of affidavits in prescribed forms in support of minerals procured and consumed resulted in loss of revenue of Rs. 2.70 crore.

(Paragraph 7.3.1.2)

- In two district mining offices, downgrading of coal due to non-scrutiny/ verification of monthly returns of lessees with the annual grade notification of coal by district mining officers resulted in short levy of royalty of Rs. 2.42 crore.

(Paragraph 7.3.2.1)

- A lessee having lease of two collieries paid royalty at different rates for each colliery. This resulted in short levy of royalty of Rs. 1.89 crore.

(Paragraph 7.3.2.2)

VIII. Other non-tax receipts

Following deficiencies were noticed in the system of **levy and collection of Interest Receipts**:

- Non-adherence to the provision of the Bihar Reorganisation Act, 2000 resulted in non-realisation of interest of Rs. 97.21 lakh.

(Paragraph 8.2.7.2)

- Lack of monitoring by the Finance department led to disbursement of loans by the loan sanctioning departments without fixing the terms and conditions for its repayment. This resulted in loss of interest of Rs. 1,015.74 crore.

(Paragraph 8.2.8)

- Non-initiation of certificate proceedings resulted in a loss of Rs.12.41 lakh, non-realisation of interest of Rs. 4.37 crore and principal of Rs. 3.89 crore from 254 loanees. Further, short initiation of certificate cases resulted in non-realisation of Government dues amounting to Rs. 19.88 crore.

(Paragraphs 8.2.9.1 and 8.2.9.2)

- The loan sanctioning departments did not recover the instalments due from defaulting loanees and accrued interest. This resulted in non-recovery of interest of Rs. 577.72 crore and principal of Rs. 442.37 crore.

(Paragraph 8.2.10)

- Arithmetical mistakes in working out the amount of interest payable by 15 loanees resulted in short raising of demand of Rs. 3.24 crore.

(Paragraph 8.2.11)

- Penal interest of Rs. 38.59 crore, though leviable against 22 loanees who had defaulted in repayment of principal and interest, was not levied.

(Paragraph 8.2.12)

A review on “**Forest Receipts**” indicated the following deficiencies:

- Certificate cases for Rs. 44.85 lakh, were not instituted against defaulters. Further, non/delayed finalisation of certificate cases resulted in non-realisation of Rs. 71.93 lakh besides loss of interest of Rs. 55.23 lakh.

(Paragraph 8.3.7.1 to 8.3.7.3)

- Working plan of only 13 out of 31 territorial divisions had been prepared and approved by the Government of India. Delay in preparation/approval of working plans ranged between 2 and 14 years. Control forms prescribed for management of forests were not prepared/submitted by six divisions test checked.

(Paragraph 8.3.8)

- In five forest divisions, non-harvesting of bamboo from 78,249.64 hectares of forest area, due for exploitation during 1992-93 to 2007-08, resulted in loss of Rs. 354.15 crore.

(Paragraph 8.3.11.1)

- In Gumla Forest Division, non-exploitation of timber during 2003-08 in 380 hectares annually resulted in loss of revenue of Rs. 47.04 crore.

(Paragraph 8.3.11.4)

- In Kolhan and Porahat forest divisions, though 14,072.51 hectares of encroached forest land was evicted from encroachers but royalty of Rs. 324.69 crore for trees illicitly felled from that area was not levied/realised.

(Paragraph 8.3.12.2)

- In 16 forest divisions, non-disposal of seized minerals (extracted illegally from forest area) resulted in blockage of revenue of Rs. 1.14 crore.

(Paragraph 8.3.15)