

EXECUTIVE SUMMARY

Increase in tax collection	The percentage of receipts from State excise increased consistently in comparison to the total receipts of the State from 9.47 <i>per cent</i> to 15.43 <i>per cent</i> during the period from 2006-07 to 2010-11, while the percentage of receipts from stamp duty and registration fees when compared with the Budget estimates varied between (-) 35 <i>per cent</i> to (+) 33.05 <i>per cent</i> during the above periods which indicated unrealistic budget preparation.
Very low recovery by the Department in respect of observations pointed out by us in earlier years	<p>During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,141.77 crore in 6,500 cases in respect of State excise revenue. Of these, the Department/Government had accepted audit observations in 540 cases involving ₹ 387.11 crore. The negligible recovery of ₹ 0.23 crore (0.06 <i>per cent</i>) against accepted cases involving ₹ 387.11 crore indicates lack of promptness on the part of the Government/ Department in recovering the Government dues.</p> <p>During the period from 2007-08 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, blocking of Govt. revenue etc., with revenue implication of ₹ 40.47 crore in 184 cases in the Registration Department. The Department/ Government had accepted audit observations in 185 cases involving ₹ 37.03 crore which also include the cases pointed out by us during earlier years and had since recovered ₹ 3.16 lakh. This negligible recovery of ₹ 3.16 lakh (0.09 <i>per cent</i>) against the accepted cases involving ₹ 37.03 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.</p>
Results of audit conducted by us in 2010-11	In 2010-11, we test-checked the records of 38 units relating to State excise revenue and found non/short realisation, loss of revenue and other irregularities involving ₹ 131.62 crore in 95 cases whereas during test-check of the records of 30 units relating to stamp duty and registration fees we found non/short realisation, loss of revenue and other irregularities involving ₹ 3.02 crore in 38 cases.
What we have highlighted in this Chapter	<p>In this Chapter we present few illustrative cases of ₹ 4.35 crore selected from observations noticed during our test-check of records relating to non/short levy, non/short realisation etc., where we found that the provisions of the Acts/Rules/Government notifications were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Departments did not take corrective action till we pointed out in audit.</p> <p>We are also concerned that though these omissions were apparent from the records which were made available to us, the Assistant Commissioners/Superintendent of Excise and District Sub Registrar /Sub Registrars were unable to detect these mistakes.</p>
Our conclusion	<p>The concern departments need to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.</p> <p>It also needs to take appropriate steps to recover the amount involved, at least in the accepted cases.</p>

A: STATE EXCISE**4.1.1 Tax administration**

The assessment, levy and collection of excise revenue is administered by the Secretary, Department of Registration, Excise and Prohibition (Excise) at the Government level and by the Commissioner of Excise (CE) at the apex level of the Department of Excise and Prohibition. The CE is also the ex-officio Controller of Molasses for the administration and execution of the Bihar Molasses Control Act and Rules. The CE is assisted by one Joint Commissioner of Excise (JCE), one Deputy Commissioner of Excise (DCE) and one Assistant Commissioner of Excise (ACE) at the headquarters level. Further, there is one DCE at each of the four¹ divisional headquarters. At the district level, the Collector of the district is in-charge of the excise administration, assisted by an ACE or by a Superintendent of Excise (SE).

For supply of all types of liquor to retailers of excise shops in the State, the Bihar State Beverage Corporation Limited (BSBCL) headed by a Managing Director was formed in October 2006, to function as an exclusive wholesale depot.

4.1.2 Trend of receipts

The variation between budget estimates and actual receipts from State excise during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

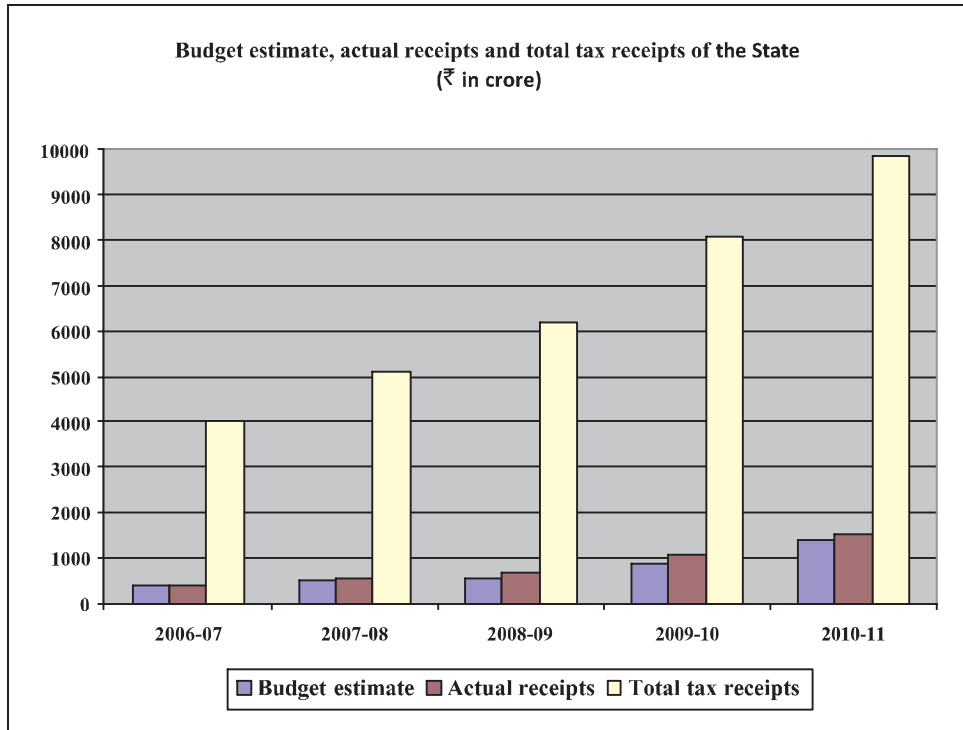
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	400.00	381.93	(-) 18.07	4.52	4,033.08	9.47
2007-08	500.00	525.42	25.42	5.08	5,085.53	10.33
2008-09	537.69	679.14	141.45	26.31	6,172.74	11.00
2009-10	850.00	1,081.68	231.68	27.26	8,089.67	13.37
2010-11	1,400.00	1,523.35	123.35	8.81	9,869.85	15.43

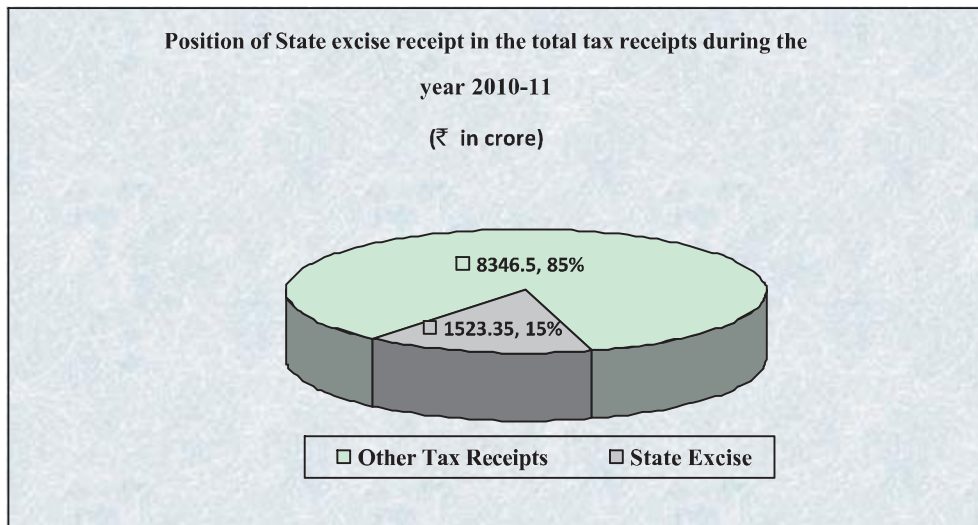
The above table indicates that the percentage of receipts from State excise when compared with the total receipts of the State increased consistently during the period which is required to be maintained in subsequent years.

The trend of receipts vis-à-vis the estimated receipts of State excise and total tax receipts are given in the following bar diagram:

¹ Bhagalpur-cum-Munger, Darbhanga-cum-Kosi-cum-Purnea, Patna-cum-Magadh and Tirhut-cum-Saran.



The pie chart below depicts the contribution of State excise receipts to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:



4.1.3 Cost of collection

The gross collection of State excise receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	679.14	24.15	3.56	3.27
2009-10	1,081.68	44.02	4.07	3.66
2010-11	1,523.35	37.65	2.47	3.64

The above table indicates that the percentage of expenditure to gross collection in respect of State excise revenue in 2010-11 was below the all India average percentage for the previous year. The Department should ensure that this trend is maintained in the subsequent years also.

4.1.4 Impact of audit

Revenue impact

During the period from 2005-06 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,141.77 crore in 6500 cases. Of these, the Department/Government had accepted audit observations in 540 cases involving ₹ 387.11 crore and had since recovered ₹ 23 lakh. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	42	2,659	149.90	83	1.08	Nil	Nil
2006-07	30	3,404	167.09	258	48.15	-	0.15
2007-08	32	149	149.60	4	0.47	Nil	Nil
2008-09	32	113	223.58	43	31.99	11	0.08
2009-10	39	175	451.60	152	305.42	Nil	Nil
Total	175	6,500	1,141.77	540	387.11	11	0.23

This negligible recovery of ₹ 23 lakh (0.06 per cent) against the accepted cases involving ₹ 387.11 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

We recommend that the Government may take appropriate steps to recover the amounts involved, at least in the accepted cases.

4.1.5 Working of internal audit wing

There is an internal audit wing called Finance (Audit) which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department.

An audit team of Finance (Audit) comprises of three members, one being the head of the team. In consideration of the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. The Registration, Excise and Prohibition (Excise) Department did not furnish

further information to us regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved in the cases.

B: STAMP DUTY AND REGISTRATION FEES

4.2.1 Tax administration

The levy and collection of stamp duty, registration fee, penalties and other dues under the Acts and Rules² is administered by the Registration, Excise and Prohibition (Registration) Department headed by the Inspector General, Registration (IGR). The Department functions under the administrative control of the Secretary of the Registration Department who is the chief revenue controlling authority. The IGR is assisted by a Joint Secretary, two Deputy Inspector Generals (DIGs) and four Assistant Inspector Generals (AIGs) at the Headquarter's level. Further, there are nine Inspectors of Registration Office (IROs) at the divisional level. Thirty eight District Registrars (DRs), 38 District Sub Registrars (DSRs) and Sub Registrars (SRs) at the district/primary units are responsible for levy and collection of stamp duty and registration fees.

4.2.2 Trend of receipts

The variation between budget estimates and actual receipts from stamp duty and registration fees during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

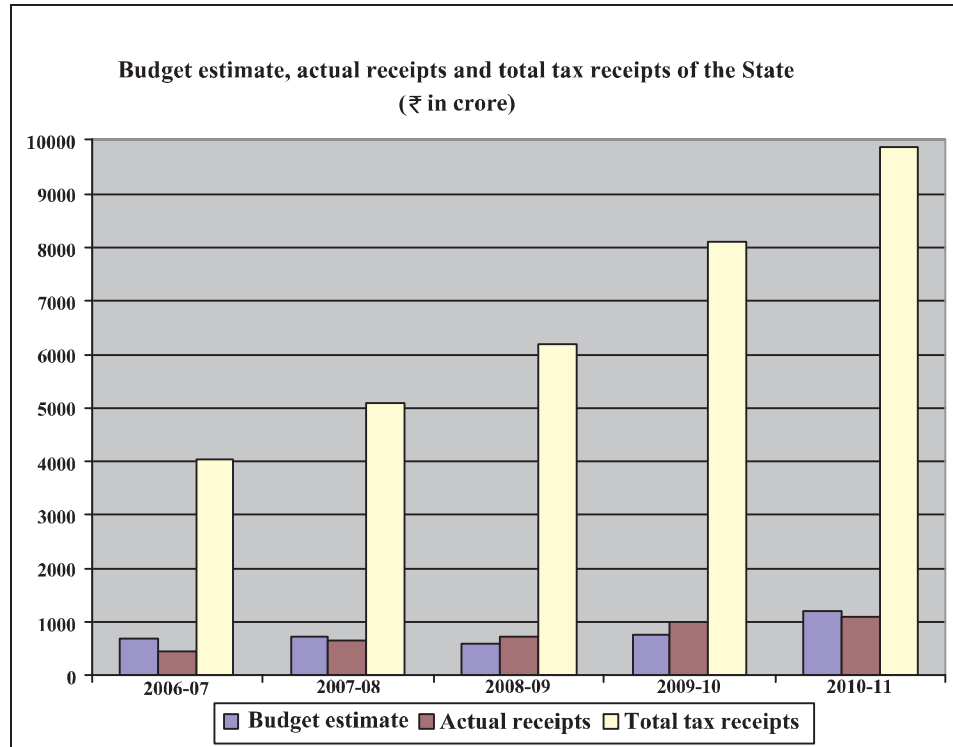
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	700.00	455.02	(-) 244.98	(-) 35.00	4,033.08	11.28
2007-08	720.00	654.15	(-) 65.85	(-) 9.15	5,085.53	12.86
2008-09	581.02	716.19	(+) 135.17	(+) 23.26	6,172.74	11.60
2009-10	750.00	997.90	(+) 247.90	(+) 33.05	8,089.67	12.34
2010-11	1215.00	1,098.68	(-) 116.32	(-)9.57	9,869.85	11.13

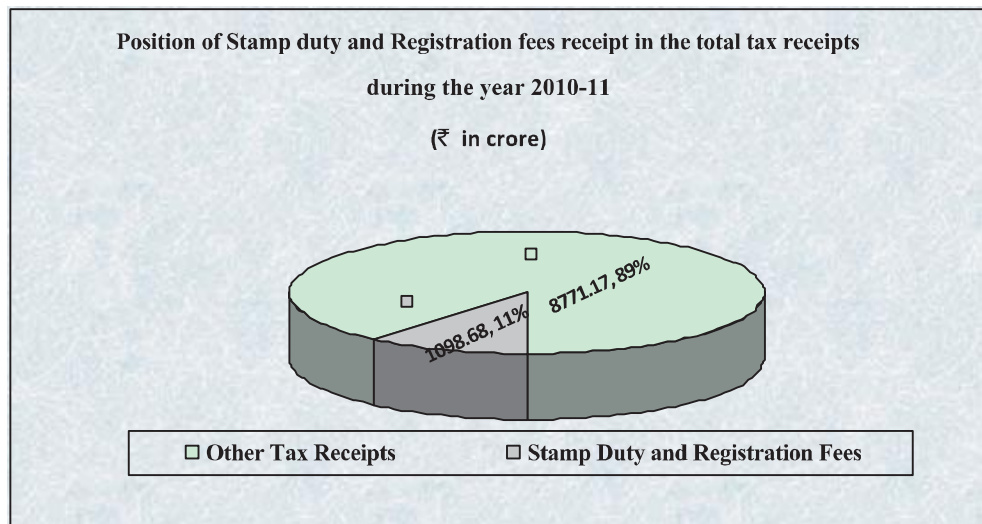
The above table indicates that the percentage of receipts from stamp duty and registration fees when compared with the budget estimates varied between (-) 35 per cent to (+) 33.05 per cent during the period 2006-11 which indicates that the budget was prepared by the Finance Department unrealistically.

The trend of receipts vis-à-vis the estimated receipts of stamp duty and registration fees and total tax receipts are given in the following bar diagram:

² The Indian Stamp Act, 1899; The Registration Act, 1908; The Bihar Stamp Rules, 1991 and the Bihar Stamp (Prevention of Under-valuation of Instruments) Rules, 1995.



The pie chart below depicts the contribution of receipts from Stamp duty and Registration fees to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:



4.2.3 Cost of collection

The gross collection of stamp duty and registration fees, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of

expenditure on collection to gross collection for the relevant previous years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	716.19	37.68	5.26	2.09
2009-10	997.90	45.90	4.60	2.77
2010-11	1,098.68	46.58	4.24	2.47

The above table indicates that during the year 2008-11, the percentage of expenditure on collection in respect of stamp duty and registration fees was higher than the all India average percentage for the previous year.

The Government needs to take appropriate measures to keep the percentage of expenditure on collection below the all India average percentage in the coming years.

4.2.4 Impact of audit

Revenue impact

During the period from 2007-08 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 40.47 crore in 184 cases. The Department/ Government had accepted audit observations in 185 cases involving ₹ 37.03 crore which also include the cases pointed out by us during earlier years and had since recovered ₹ 3.16 lakh. The details are shown in the following table:

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in lakh)
2007-08	20	11	0.17	4	0.01	1	1.52
2008-09	39	81	33.42	95	31.69	Nil	Nil
2009-10	31	92	6.88	86	5.33	2	1.64
Total	90	184	40.47	185	37.03	3	3.16

This negligible recovery of ₹ 3.16 lakh (0.09 *per cent*) against the accepted cases involving ₹ 37.03 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

We recommend that the Government may take appropriate steps to recover the amounts involved, at least in the accepted cases.

4.3 Results of audit

During 2010-11, our test-check of the records of the following receipts revealed non/short realisation, loss of revenue and other irregularities involving ₹ 183.90 crore in 258 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
A: State excise			
1	Non/delayed settlement of excise shops	51	120.20
2	Non-settlement of excise shops after cancellation	7	2.84
3	Loss due to non/short lifting of MGQ	3	0.08
4	Non-realisation of license fee	4	0.58
5	Loss of revenue due to low yield of spirit	1	0.62
6	Other cases	29	7.30
Total		95	131.62
B: Stamp duty and registration fees			
1	Blocking of Government revenue due to non-disposal of referred cases	20	2.11
2	Blocking of Government revenue due to non-disposal of penalty cases	5	0.13
3	Other cases	13	0.78
Total		38	3.02
C: Land revenue			
1	Loss due to non-settlement of sairats	6	0.29
2	Non-settlement of <i>G.M Khas</i> land	7	0.09
3	Short / collection of demand	22	41.30
4	Loss of interest	4	0.07
5	Other cases	86	7.51
Total		125	49.26
Grand total		258	183.90

During the year 2010-11, the concerned Departments accepted underassessment and other deficiencies *etc.* involving ₹ 79 lakh in 14 cases, out of which two cases involving ₹ 6 lakh were pointed out during the year 2010-11 and the rest during the earlier years.

A few illustrative cases involving tax effect of ₹ 4.35 crore are mentioned in the following paragraphs.

4.4 Non-compliance of the Government notification/decision

Our scrutiny of the records of the offices of the Assistant Commissioners of Excise/Supintendent of Excise and District Registrar/Sub Registrar revealed several cases of non-compliance of the provisions of the Act/Rules and departmental orders as mentioned in the following paragraphs. These cases are illustrative and are based on test-checks carried out by us. Such omissions on the part of the departmental officers are pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system and the internal audit.

A: STATE EXCISE

4.5 Settlement of Excise shops

4.5.1 Non-settlement of excise shops

Under the Bihar Excise (Settlement of Licences for Retail sale of Country/Spiced Country Liquor, Foreign Liquor, Beer and Composite Liquor Shop) Rules, 2007 framed under the Bihar Excise Act, 1915, the settlement of licences for retail excise shops is to be made through lottery system. According to the Bihar Excise Rules, 2007 and conditions of the sale notification, the excise shops are required to be settled before the commencement of the excise year. Further, the Rules provide that failure in deposit of monthly licence fee in time shall lead to cancellation of licence and forfeiture of security deposit.

Department of Excise and Prohibition instructed (January 2009) all District Collectors to settle licences of hundred *per cent* excise shops. For this, the excise shops were required to be offered for lottery in a group of one to three shops. The groups were required to be made in such a manner that each shop is settled in the interest of revenue. Further, if any retail shop was not settled through lottery, the Bihar State Beverage Corporation Limited (BSBCL), with the approval of the Commissioner of Excise, was authorised to establish and run such shops.

In course of test-check of settlement registers/files in 18³ District excise offices, we observed between May 2010 and March 2011 that out of total sanctioned 2,915 excise shops⁴, licences for 720⁵ shops remained unsettled for the year 2009-10 leading to loss of revenue of ₹ 97.43 crore. **(Annexure-XX)**

Non-settlement of these shops were indicative of the fact that either the revenue potential of these shops was not properly assessed or proper grouping was not done. In absence of an authorised excise shop, supply of liquor in these areas from other

excise shop(s) at the expense of licence fee for the unsettled shop as also apprehended (January 2009) by the Department can not be ruled out.

³ Araria, Begusarai, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Jehanabad, Katihar, Khagaria, Madhepura, Madhubani, Nalanda, Patna, Purnea, Rohtas, Saran and West Champaran.

⁴ Country Spirit/Spiced Country Spirit (CS/SCS): 818, India Made Foreign Liquor (IMFL): 736 and Composite shops :1,361.

⁵ CS/SCS: 195, IMFL: 144 and Composite shops : 381.

4.5.2 Delayed settlement of excise shops

We observed between June 2010 and March 2011 that in 11 excise districts⁶, 80 excise shops⁷ were settled after expiry of time ranging between six and 256 days during 2009-10 which resulted in loss of revenue of ₹ 2.95 crore to the Government (Annexure-XXI).

4.5.3 Non-settlement of excise shops after cancellation

We observed between December 2010 and March 2011 that in five⁸ excise districts, licences of 17 excise shops⁹ settled for the year 2009-10 were cancelled between April and December 2009 which resulted in loss of revenue of ₹ 1.40 crore to the Government.

After we pointed this out, the Assistant Commissioners of Excise/Superintendents of Excise concerned stated that efforts were made to settle the shops. The reply is not acceptable because the excise shops were required to be operated through BSBCL during the period when these shops remained unsettled. However these shops were neither settled nor operated through BSBCL.

Thus, the Government was deprived of revenue of ₹ 101.78 crore¹⁰ during the period 2009-10. Besides, the Department could not achieve its own target of hundred *per cent* settlement of excise shops.

The matter was reported to the Government/Department in June 2011; we are yet to receive their reply (October 2011).

⁶ Begusarai, Bhagalpur, Bhojpur, Gaya, Khagaria, Muzaffarpur, Nalanda, Patna, Purnea, Saran and West Champaran.

⁷ CS/SCS: 19, IMFL: 28 and Composite shops: 33.

⁸ Jehanabad, Nalanda, Patna, Sitamarhi and West Champaran.

⁹ CS/SCS: 05, IMFL: 07 and Composite shops: 05.

¹⁰ Amount calculated on the basis of monthly licence fee fixed for respective excise shops.

B: STAMP DUTY AND REGISTRATION FEES**4.6 Blocking of Government revenue due to non-disposal of referred cases**

Under section 47(A) of Indian Stamp Act, 1899, where the registering authority has reason to believe that the market value of the property has not been rightly set forth in the instrument, he may refer the same to the Collector for determining its market value. Further, the Commissioner cum Secretary and Inspector General of Registration Department, Government of Bihar instructed all Collectors on 20 May 2006 to transfer the cases referred under section 47(A) to the Inspector of Registration Offices (IRO) concerned for speedy disposal within 90 days.

We observed between January and February 2011 during scrutiny of the register of referred cases and information made available by the registering authority (District Sub Registrar, Aurangabad and Sub Registrar, Daudnagar) that 227 cases were referred to the Collector, Aurangabad / IRO, Gaya for determination of market value of property under section 47(A) during the period 2001-10. We further test checked (July 2011) the case

records of 194 cases out of the above 227 cases and observed that 58 cases involving ₹ 25.31 lakh referred to IRO, Gaya between August 2006 and July 2009 were still pending for disposal. Besides, 54 number of cases involving ₹ 36.13 lakh relating to the period from 2001-02 to May 2006 which were transferred from the Collector, Aurangabad to the IRO Gaya were also pending for disposal. Thus non-disposal of referred cases resulted in blocking of Government revenue of ₹ 61.44 lakh.

After we pointed this out, the DSR/SR concerned stated that IRO would be requested for early disposal of pending cases, while IRO, Gaya stated that large number of cases were disposed and rest of the cases were under process. The replies were not acceptable as the cases were to be disposed off within 90 days.

The matter was reported to the Government/ Department in August 2011; we are yet to receive their reply (October 2011).