

OVERVIEW

This Report contains 32 paragraphs including three reviews relating to non/short levy/loss of tax/duty having financial implication of ₹ 1,051.61 crore, of which, audit observations of ₹ 889.18 crore have been accepted by the Government/Department. Of ₹ 1,051.61 crore, ₹ 653.95 crore are recoverable and the balance amount of ₹ 397.66 crore was notional loss to the Government due to lacunae in the Acts/Rules and losses due to non-observance of norms/norms not being prescribed. Some of the major findings are mentioned in the following paragraphs:

I. General

The total receipts of the Government of Jharkhand for the year 2010-11 were ₹ 18,781.12 crore against ₹ 15,118.47 crore during 2009-10. The revenue raised by the State Government amounted to ₹ 8,519.52 crore comprising tax revenue of ₹ 5,716.63 crore and non-tax revenue of ₹ 2,802.89 crore. The receipts from the Government of India were ₹ 10,261.60 crore (State's share of divisible Union taxes: ₹ 6,154.35 crore and grants-in-aid: ₹ 4,107.25 crore). Thus, the State Government could raise only 45 *per cent* of the total revenue. During 2010-11, taxes on sales, trade etc. (₹ 4,473.43 crore) and non-ferrous mining and metallurgical industries (₹ 2,055.90 crore) were the major source of tax and non-tax revenue respectively.

(Paragraph 1.1)

The number of inspection reports and audit observations issued upto December 2010, but not settled by June 2011, stood at 1,998 and 9,320 respectively involving ₹ 11,500.30 crore. In respect of 505 inspection reports, issued upto December 2010, even the first replies had not been received though these were required to be furnished within one month of their receipt.

(Paragraph 1.2.1)

During the years 2005-06 to 2009-10, the departments/Government accepted audit observations with a total revenue impact of ₹ 584.16 crore (out of total observation ₹ 3,363.53 crore pointed out in the Audit Reports) of which, ₹ 869.30 crore had been recovered as on 31 March 2011.

(Paragraph 1.2.6)

Test check of the records of 116 units of commercial taxes, state excise, motor vehicles, stamps and registration fees, electricity duty, mines and geology, forest and other non-tax receipts conducted during the year 2010-11 revealed under-assessments/short levy/loss of revenue aggregating ₹ 1,369.85 crore in 10,833 cases. During the course of the year, the departments concerned accepted under-assessments and other deficiencies of ₹ 932.93 crore involved in 7,632 cases.

(Paragraph 1.5.1)

II. Value added tax/Taxes on sales, trade etc.

A review on “**Utilisation of declaration forms in inter-State trade and commerce**” revealed the following:

- There was no system in place for physical verification of central declaration forms which resulted in shortage in the number and risk of misuse of these forms. This is fraught with the possibility of loss of revenue.
(Paragraphs 2.10.7 and 2.10.8)
- Data was not uploaded on the Tax Information Exchange System (TINXSYS) website.
(Paragraph 2.10.10.3)
- Non-verification of utilisation of forms while scrutinising returns resulted in non/short levy of central sales tax (CST) of ₹ 3.55 crore including penalty of ₹ 2.40 crore.
(Paragraph 2.10.12)
- Cross-verification of data/information received from other States indicated non/short accounting of purchase/stock receipt of ₹ 8.51 crore by four dealers of four Commercial taxes circles of the State during the period from 2004-05 to 2008-09 which resulted in short levy of CST of ₹ 2.86 crore including penalty of ₹ 2.04 crore.
(Paragraphs 2.10.13.1 and 2.10.13.2)
- Cross-verification of data/information received from other States indicated that during 2006-08, nine dealers of five Commercial taxes circles of the State non/short accounted sales turnover of ₹ 24.62 crore, resulting in short-levy of CST of ₹ 2.96 crore including penalty of ₹ 1.97 crore.
(Paragraph 2.10.13.3)
- Incorrect allowance of concessions/exemptions by the assessing officers in the assessments of 20 dealers of nine Commercial taxes circles resulted in short levy of CST of ₹ 24.10 crore.
(Paragraph 2.10.14.1)
- Cross-verification of purchase/stock receipts of edible oil, iron ore, motor parts, marble and Fast Moving Commodity Goods (FMCG) worth ₹ 28.56 crore received from other States during the period from 2003-04 to 2008-09, indicated utilisation of 96 unauthorised C form and 21 unauthorised F form by 47 dealers registered in 15 Commercial taxes circles of the State which resulted in non-levy of CST amounting to ₹ 4.88 crore including penalty of ₹ 3.48 crore.
(Paragraph 2.10.14.3)
- The system of furnishing of declaration forms while submitting returns was not made mandatory resulting in non-levy of interest and penalty of ₹ 53.17 crore in case of 13 dealers.
(Paragraph 2.10.15)

Failure of the Department to collect data/information from different departments and cross verify the transactions shown in the returns resulted in short realisation of revenue of ₹ 7.68 crore including penalty of ₹ 4.05 crore.

(Paragraph 2.12)

Irregularities in determination of sales/purchase turnover resulted in non/short levy of tax and penalty of ₹ 178.10 crore.

(Paragraph 2.13)

In four Commercial taxes circles, in case of 10 assesseees, application of incorrect rate of tax resulted in short levy of tax of ₹ 9.66 crore.

(Paragraph 2.14)

In three Commercial taxes circles, in case of three assesseees, there was inadmissible allowance of input tax credit of ₹ 1.02 crore which resulted in non-levy of tax of ₹ 3.06 crore including penalty of ₹ 2.04 crore.

(Paragraph 2.15)

In four Commercial taxes circles, in case of six assesseees, incorrect grant of exemptions resulted in short levy of tax of ₹ 11.99 crore.

(Paragraph 2.16)

III. State excise

In six excise districts, short lifting of liquors by 163 retail vendors resulted in non-realisation of Government revenue of ₹ 8.63 crore.

(Paragraph 3.9)

In 11 excise districts, non/delayed settlement of wholesale and retail excise shops resulted in loss of excise revenue of ₹ 99.47 crore.

(Paragraphs 3.10 and 3.11)

In one excise district, incorrect fixation of reserve fee, in respect of 38 retail excise shops, resulted in short realisation of licence fee of ₹ 1.40 crore.

(Paragraph 3.12)

IV. Taxes on vehicles

A review on “**Computerisation in the Transport Department**” revealed the following:

- Computerisation in Transport Department was restricted to district transport offices, RTA and STA offices leaving aside other transport offices viz. Motor Vehicles Inspectors and Check-posts.

(Paragraph 4.8.6)

- Calculation of penalty on delayed payment of tax was being done and fed manually indicating insufficient mapping of business rules in the application.

(Paragraph 4.8.9.4)

- There was break in period of payment of tax ranging from three to 298 months in 5,249 cases indicating that the application was not suitably designed to flag such cases of non-payment of tax in the table.

(Paragraph 4.8.9.7)

- Irregular clearance of tax position due to manual feeding in the field Tax_Upto_date was indicative of poor input controls in the application.

(Paragraph 4.8.9.8)

In 19 District Transport Offices, demand notices were not issued against the owners of 2,834 tax defaulter vehicles, for the period between 2006-07 and 2010-11, resulting in non-realisation of tax dues of ₹ 11.11 crore.

(Paragraphs 4.10.1 and 4.10.2)

In two District Transport Offices, no tax was realised in case of 12 vehicles even after the expiry of period of surrender resulting in non-realisation of tax of ₹ 8.60 lakh.

(Paragraph 4.13)

V. Other Tax Receipts

Stamp duty and Registration fees

In the office of the District Sub-Registrar, Jamshedpur, transfer of lease deeds was misclassified as sale deeds. This resulted in incorrect execution of sale deeds of Government land besides non-fixing of responsibilities on the erring officials/officers.

(Paragraph 5.8)

Electricity Duty

In one Commercial taxes circle, levy of electricity duty at incorrect rate resulted in short levy of electricity duty of ₹ 48.06 lakh.

(Paragraphs 5.9)

VI. Mineral Concession, Fees and Royalty

In four district mining offices, in case of five lessees there was short levy of royalty of ₹ 20.30 crore due to suppression of stock and application of incorrect rates/formula prescribed by the Central Government.

(Paragraph 6.8)

Cross-verification of returns filed by two lessees of one district mining office with the data of dispatch of iron ore from Railways revealed suppression of dispatch of 12.18 lakh metric tonne. This resulted in under-assessment of royalty of ₹ 2.27 crore.

(Paragraph 6.10)

VII. Other non-tax receipts

A review on “Receipts from Major and Medium Irrigation Projects” revealed the following:

- Non-achievement of targets of irrigation resulted in non-irrigation of 3.59 lakh hectares and 8,943 hectares of *Kharif* and *Rabi* crops respectively during 2005-10 and loss of revenue amounting to ₹ 6.34 crore.
(Paragraph 7.6.8)
- Though irrigation was provided, *Sudkar* was not prepared in respect of 1.54 lakh hectares of *Kharif* and 37,142 hectares of *Rabi* crops during 2005-10 resulting in non-realisation of revenue of ₹ 3.21 crore.
(Paragraph 7.6.9)
- The establishment expenditure on collection of per rupee of water rates for irrigation ranged between ₹ 9.13 to ₹ 35.31 during the period 2005-10.
(Paragraph 7.6.10)
- Due to poor realisation of demand, the Government could not realise the amount of ₹ 384.77 crore from the users. Moreover, no certificate case under Bihar & Orissa Public Demand Recovery Act, 1914 was filed except in the case of M/s South Eastern Railway, Hatia, Ranchi of ₹ 1.01 crore.
(Paragraph 7.6.11.1)
- User agencies were drawing water for commercial and domestic purposes either without agreement or in excess of the agreed volume of water for which no demand was raised by the divisions resulting in non/short raising of demand of ₹ 124.84 crore.
(Paragraph 7.6.14)

Forest receipts

In four forest divisions, non-disposal of unclaimed seized produce and minerals illegally extracted from forest area resulted in blockade of revenue of ₹ 17.44 lakh.

(Paragraphs 7.7 and 7.8)