

## OVERVIEW

This Report contains 37 paragraphs and one performance audit relating to non/short levy of tax, interest etc. involving ₹ 568.99 crore. Some of the major findings are mentioned below:

### I. General

Total receipts of the Government of Bihar for the year 2011-12 were ₹ 51,320.17 crore. The revenue raised by the State Government amounted to ₹ 13,501.96 crore comprising tax revenue of ₹ 12,612.10 crore and non-tax revenue of ₹ 889.86 crore. The receipts from the Government of India were ₹ 37,818.21 crore (States' share of divisible Union taxes: ₹ 27,935.23 crore and grants in aid: ₹ 9,882.98 crore). Thus, the State Government's own contribution to tax revenue was only 26 *per cent* of total revenue.

(Paragraph 1.1.1)

The number of inspection reports (IRs) and paragraphs issued up to December 2011 but not settled by June 2012 stood at 3,858 and 20,979 respectively involving ₹ 8,754.19 crore. We are yet to receive even first replies for 1,317 IRs though these were required to be furnished within one month of their receipt.

(Paragraph 1.7.1)

We conducted 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 during the year 2011-12 and observed underassessment/short levy/loss of revenue of ₹ 1,369.51 crore in 1,816 cases. During the year 2011-12, the concerned departments accepted underassessment and other deficiencies of ₹ 246.47 crore involved in 499 cases.

(Paragraph 1.10.1)

### II. Commercial Taxes

A Performance Audit on '**Internal Control Mechanism in Commercial Taxes Department**' indicated the following deficiencies.

Issuance of notification for reduction of rate of VAT from 12.5 *per cent* to four *per cent* on a commodity without the approval of the competent authority resulted into loss of revenue of ₹ 43.96 crore.

(Paragraph 2.2.7.1)

The rate of entry tax on stone chips, stone boulders and stone ballast was reduced on wrong premise from eight *per cent* to four *per cent* resulting into loss of revenue of ₹ 20 crore.

(Paragraph 2.2.7.2)

Many notifications were issued not as per the authority and procedures laid down under the existing laws.

(Paragraphs 2.2.7.3 to 2.2.7.6)

Due to no follow up action on a letter of the Ministry of Finance, Government of India, despite the Minister's directives, the State Government is losing substantial amount of revenue.

**(Paragraph 2.2.8)**

A total of 344 cases were pending for *suo-motu* revision in the CCT court involving ₹ 135.52 crore and 953 cases involving ₹ 623.92 crore was pending in the Appellate courts as on March 2012.

**(Paragraph 2.2.9)**

There was low coverage of dealers for VAT audit by the Department and the criteria for selection of dealers for VAT audit for 2010-11 was flawed. Absence of Audit plan/control registers affected the audit process.

**(Paragraph 2.2.10.2)**

No periodicity/target was prescribed/fixed for conducting survey and inspections.

**(Paragraph 2.2.12.1)**

In 16 test-checked circles, 36.38 to 46.29 *per cent* of the registered dealers had not filed their returns during the year 2007-08 to 2011-12 and about 37 to 60 *per cent* returns filed by the dealers remained un-scrutinised.

**(Paragraph 2.2.12.5)**

Deficient/non-scrutiny of returns by the AAs resulted in availing of deduction without proper substantiation and underassessment of VAT and CST of ₹ 29.71 crore.

**(Paragraph 2.2.12.5)**

Cross-verification of transactions revealed availing of excess ITC and suppression of turnover under VAT and Entry tax.

**(Paragraphs 2.2.13.1 to 2.2.13.3)**

In 13 commercial taxes circles, suppression of sales/purchase turnover of ₹ 89.80 crore by 30 dealers resulted in underassessment of tax of ₹ 41.35 crore including leviable penalty.

**(Paragraph 2.4)**

Irregular claim of ITC by the 12 dealers in nine commercial taxes circles resulted in excess allowance of ITC of ₹ 100.92 crore including leviable penalty.

**(Paragraph 2.5)**

Non-detection of application of incorrect rates of tax in 13 commercial taxes circles resulted in short levy of tax of ₹ 39.85 crore including interest and leviable penalty.

**(Paragraph 2.6)**

Non-detection of application of incorrect rates of entry tax in seven commercial taxes circles resulted in short levy of tax of ₹ 8.80 crore including interest and leviable penalty.

**(Paragraph 2.15)**

### III. State Excise

Delay in finalising tenders necessitated extensions to the existing suppliers for 15 months beyond the period of contract.

**(Paragraph 3.2.2.1)**

Revision of rates in June 2009 without approval of the Board of Revenue led to undue benefit of ₹ 107.94 crore and ₹ 4.21 crore to the wholesale suppliers/BSBCL/retailers of CS and SCS respectively during 2009-12 in the 38 districts of the State at the cost of consumers.

**(Paragraph 3.2.2.2 and 3.2.2.3)**

In four excise offices lot of CS, which were of sub-standard preparation or unfit for consumption, were issued to BSBCL for sale to retailers, before receipt of test report of samples from laboratory, without any rectification of the deficiency of whole lot from which samples were collected.

**(Paragraph 3.2.2.5)**

Non-maintenance of challan register and not verifying the amount deposited by licensee from the records of treasury by the Excise officers in two excise districts resulting in defalcation of Government Revenue.

**(Paragraph 3.2.3)**

### IV. Taxes on vehicles

In nine DTOs, tax dues of ₹ 1.89 crore pertaining to 517 transport vehicles for the period between September 2005 and December 2011 were neither paid by the vehicle owners nor action was taken towards realisation of dues of ₹ 5.67 crore (including penalty) by the concerned DTOs.

**(Paragraph 4.3)**

Due to non-raising of demands by the Department for realisation of principal and interest on loans granted during the period 2008-09 to 2010-11, an amount of ₹ 148.05 crore was not realised from BSRTC.

**(Paragraph 4.11)**

### V. Other Tax Receipts

Due to failure of the Department to evict the encroachers and resettle the land resulted in non-realisation of *Salami* and rent to the tune of ₹ 2.47 crore.

**(Paragraph 5.5)**

In two test-checked districts, the Department failed to cancel the leases followed by fresh leases, though lessees had violated the conditions of lease. This resulted in non-realisation of *Salami* and rent of ₹ 130.93 crore.

**(Paragraph 5.6.1)**

Non-disposal of referred cases resulted in blocking of Government revenue of ₹ 21.49 lakh.

**(Paragraph 5.9)**

## **VI. Non-Tax Receipts**

In seven districts, 435 brick kilns were operated during the brick season 2010-11 and 2011-12 without/partial payment of the consolidated royalty which resulted in non/short levy of royalty of ₹ 2.23 crore.

**(Paragraph 6.3.1)**

In four districts, an auctioned amount of ₹ 3.47 crore including interest was not realised from the defaulter 15 stone quarry leaseholders.

**(Paragraph 6.6)**