

# OVERVIEW



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This Report contains 39 paragraphs including Performance Audit on 'System of assessment under Value Added Tax' and Information Technology Audit on 'Computerisation of Commercial Taxes Department' relating to non/short levy of tax, duty, fees, interest, penalty etc. involving ₹ 1,235.07 crore. Some of the major findings are mentioned below:

### I. General

Total receipts of the Government of Bihar for the year 2014-15 were ₹ 78,417.54 crore. The revenue raised by the State Government amounted to ₹ 22,308.21 crore comprising tax revenue of ₹ 20,750.23 crore and non-tax revenue of ₹ 1,557.98 crore. The receipts from the Government of India were ₹ 56,109.33 crore (States' share of divisible Union taxes: ₹ 36,963.07 crore and grants in aid: ₹ 19,146.26 crore). Thus, revenue raised by the State Government was only 28 *per cent* of total revenue receipts.

**(Paragraph 1.1.1)**

The number of inspection reports (IRs) and paragraphs issued up to December 2014 but not settled by June 2015 stood at 1,790 and 13,028 respectively involving ₹ 9,157.77 crore. We are yet to receive even first replies for 1,166 IRs though these were required to be furnished within four weeks of its receipt.

**(Paragraph 1.6)**

We conducted test-check of the records of commercial taxes, State excise, taxes on vehicles, stamp duty and registration fees, land revenue and non-ferrous mining and metallurgical industries during the year 2014-15 and observed underassessment/short levy/loss of revenue of ₹ 2,808.25 crore in 3,537 cases. During the period April 2014 to October 2015, the Departments accepted underassessment and other deficiencies of ₹ 688.10 crore in 373 cases, out of which 87 cases involving ₹ 596.43 crore were pointed out during 2014-15 and the rest in earlier years.

**(Paragraph 1.9)**

### II. Commercial Taxes

A Performance Audit on 'System of Assessment under VAT' indicated the following deficiencies:

The Department had not made filling of all the fields and boxes mandatory while up-loading of returns. As a result dealers filed incomplete returns which were treated as self-assessed by the Department.

**(Paragraph 2.3.10.1)**

Surveys to detect un-registered dealers and enlarge the tax-base were conducted in only three to five circles out of the test checked 18 circles during 2010-11 to 2014-15, as a result only 275 dealers got registered under the BVAT Act on account of surveys.

**(Paragraph 2.3.10.2)**

The status of scrutiny done by the assessing authority was very low, as 99 *per cent* of dealer's returns remained un-scrutinised during 2010-11 to 2013-14 in 10 circles which is also indicative of lack of internal control and monitoring mechanism in the Department towards scrutiny.

**(Paragraph 2.3.10.3)**

In the 10 test checked circles 38.29 to 42.01 *per cent* of the registered dealers had not filed any return during 2010-11 to 2013-14 and despite that only a few number of cases were assessed under Section 27 of the BVAT Act.

**(Paragraph 2.3.10.4)**

Absence of provision for mandatory cross-verification of turnover with the other records of the dealer as well as returns of the other dealers coupled with non/deficient scrutiny/assessment resulted in suppression of turnover and consequential under-assessment of tax of ₹ 451.83 crore including leviable interest and penalty in case of 63 dealers in 15 circles out of 2,590 test checked dealers in 18 circles.

**(Paragraph 2.3.11)**

Non-prescribing of evidence or information to be furnished along-with the claims of ITC by the Government despite legislative intent to do so coupled with non/deficient scrutiny/assessment resulted in excess allowance/availing of ITC and consequential under-assessment of tax of ₹ 43.50 crore including leviable interest and penalty in case of 51 dealers in 12 circles out of test checked 2,590 dealers in 18 circles.

**(Paragraphs 2.3.12.1 and 2.3.12.2)**

The selection process of dealers for VAT audit was flawed as 55 dealers could not be selected despite fulfilling the eligibility criteria and due to absence of an Audit manual, the audit procedures and its follow-up actions were not prescribed resulting in low impact of VAT audit.

**(Paragraphs 2.3.24.2 to 2.3.24.5)**

Register to record the scrutiny/assessment done by the assessing authorities and Report/Return to be furnished in this regard was not prescribed for periodic monitoring at prescribed regular interval by the higher authorities.

**(Paragraph 2.3.24.8)**

Information Technology (IT) Audit on '**Computerisation of Commercial Taxes Department**' indicated the following deficiencies:

The service level agreement between BSEDC (State Designated Agency) and M/s TCS Ltd (Nominated agency for implementation of VATMIS) was not signed till date of audit (June 2015) and the User Requirement Specification, Software Requirement Specification, System Design Document, data flow diagram, data dictionary etc. were not on record. In addition, Commercial Taxes Department (CTD) had no source code of application, exit management and Disaster Recovery Centre for the system.

**(Paragraph 2.4.6)**

Due to non-completion of project activities within stipulated period, Central share of Mission Mode Project for Commercial Taxes (MMPCT) was curtailed. The Disaster Recovery Centre of the system was established at Patna instead of New Delhi.

**(Paragraphs 2.4.7 and 2.4.8)**

The application control of the system had various shortcomings like Tax Payers Identification Number (TIN) and Unique Electronic Identification Number (SUVIDHA) was generated with incomplete information of dealers and required business rules and validation checks were not mapped in the system. As a result, a number of errors in the uploaded data remained undetected and dealers were able to conceal facts in their favour.

**(Paragraphs 2.4.12 to 2.4.14)**

Irregular claim of Input Tax Credit (ITC) by the four dealers in four commercial taxes circles resulted in excess allowance of ITC of ₹ 2.56 crore including leviable penalty and interest.

**(Paragraph 2.7)**

In Bhagalpur commercial taxes circle, concealment of sale of energy by a dealer resulted in non-levy of electricity duty amounting to ₹ 121.75 crore including minimum leviable penalty of ₹ 60.87 crore.

**(Paragraph 2.17)**

Non-detection of irregular alteration of admission rate resulted in non-levy of entertainment tax amounting to ₹ 1.90 crore.

**(Paragraph 2.19)**

### **III. State Excise**

No action was initiated by the excise authorities for realisation of the Government dues of ₹ 9.47 crore in respect of cancelled licences of excise shops.

**(Paragraph 3.4)**

Adjustment of security money against outstanding dues instead of forfeiture of security money in case of cancellation of excise shops resulted in undue favour to the licensees.

**(Paragraph 3.5)**

### **IV. Taxes on Vehicles**

In 21 District Transport Offices, tax dues of ₹ 1.07 crore pertaining to 981 transport vehicles for the period between April 2011 and September 2014 were neither paid by the vehicle owners nor notices of demand for realisation of dues of ₹ 3.19 crore (including penalty) were issued by the concerned District Transport Officers.

**(Paragraph 4.4)**

Non/short levy of one time tax by the DTOs resulted in non-realisation of ₹ 6.26 crore in 19 DTOs.

**(Paragraph 4.6.1)**

## **V. Other Tax Receipts**

Non-execution of fresh lease in cases of violation of terms and conditions of leases resulted in non-realisation of *Salami* and rent of ₹ 72.19 crore.

**(Paragraph 5.4.3.1)**

Non-regularisation of unauthorised construction in Gandhi Maidan, Gaya even after elapse of 19 months resulted into non-realisation of revenue in the shape of *salami* and rent amounting to ₹ 44.97 crore.

**(Paragraph 5.4.3.4)**

Misclassification of land in execution of 35 leases of petrol pumps resulted in short realisation of *salami* and rent amounting to ₹ 2.17 crore.

**(Paragraph 5.4.4.2)**

District Land Acquisition officer did not ensure realisation of the establishment charges of ₹ 97.15 crore for lands acquired on behalf of requisitioning body/departments.

**(Paragraph 5.5)**

Non-disposal of referred cases by the AIGs resulted in blocking of Government revenue of ₹ 1.47 crore in shape of stamp duty.

**(Paragraph 5.8)**

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

Lack of inter-departmental coordination resulted in non-levy of penalty of ₹ 40.76 crore against the works contractors for illegal procurement of minerals.

**(Paragraph 6.4)**

Penalty of ₹ 6.64 crore was not levied on works contractors for extraction of ordinary earth without obtaining requisite quarrying permits.

**(Paragraph 6.8)**