

# OVERVIEW

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This Report contains 32 paragraphs including one Performance Audit and two audits relating to taxes that were either not or short levied and loss of tax/duty ₹ 11,676.35 crore. Out of this ₹ 10,282.30 crore is recoverable and remaining amount of ₹ 1,394.05 crore is avoidable loss to the Government. Audit observations of ₹ 11,672.52 crore including avoidable loss of ₹ 1,394.05 crore have been accepted by the Government/Departments. Some of the major findings are summarised below:

### I. General

The total receipts of the Government of Jharkhand for the year 2015-16 were ₹ 40,638.35 crore against ₹ 31,564.56 crore during 2014-15. The revenue raised by the State Government amounted to ₹ 17,331.96 crore comprising tax revenue of ₹ 11,478.95 crore and non-tax revenue of ₹ 5,853.01 crore. The receipts from the Government of India were ₹ 23,306.39 crore comprising State's share of divisible Union taxes: ₹ 15,968.75 crore and grants-in-aid: ₹ 7,337.64 crore. Thus, the State Government on its own could raise only 43 *per cent* of its total revenue. The appreciable increase in total receipts in 2015-16 over 2014-15 of 28.75 *per cent* was largely on account of a 68.32 *per cent* increase in State's share of divisible union taxes followed by a 35 *per cent* increase in non-tax revenue. Taxes on Sales, Trade etc. (₹ 8,998.95 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 4,384.43 crore) were the major sources of tax and non-tax revenue respectively during 2015-16.

**(Paragraph 1.1)**

The arrears of revenue as on 31 March 2016 in respect of Taxes on Sales, Trade etc., Taxes on Vehicles and State Excise amounted to ₹ 3,237.28 crore, of which ₹ 2,608.99 crore was outstanding for more than five years. Out of the above outstanding, ₹ 313.48 crore was certified for recovery as arrears of land revenue and ₹ 1,343.84 crore was held up due to proceedings in Courts and other legal processes whereas specific action taken in respect of the remaining ₹ 1,579.96 crore was not intimated by the concerned departments.

**(Paragraph 1.2)**

The number of Inspection Reports (IRs) and audit observations issued upto the year 2015-16, but not settled by June 2016, stood at 740 and 7,192 respectively involving ₹ 8,075 crore.

**(Paragraph 1.6.1)**

During the year, test check of the records of 123 departmental units relating to Taxes on Sales, Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mining Receipts was conducted. It revealed failure to or short levy and loss of tax/duty of ₹ 12,737.35 crore in 45,954 cases. The concerned Departments accepted under-assessment and other deficiencies of ₹ 12,120.88 crore involved in 40,355 cases and effected recovery of ₹ 362.23 crore in 804 cases in 2015-16.

**(Paragraph 1.9)**

## **II. Taxes on Sales, Trade etc.**

Audit of “**Implementation of mechanism of cross-verification of VAT/CST transactions in Commercial Taxes Department**” revealed the following:

- There was tax evasion of ₹ 37.65 crore by 277 unregistered dealers due to inadequate implementation of mechanism for cross-verification of transactions in the Department to identify the dealers who were liable for registration.

**(Paragraph 2.3.6)**

- Cross-verification of intra-departmental data revealed suppression of purchase/sales turnover by 42 dealers and consequent under-assessment of tax and penalty of ₹ 51.17 crore.

**(Paragraph 2.3.7.1)**

- Cross-verification of data obtained from other departments of Government of Jharkhand revealed suppression of purchase/sale turnover by 25 registered dealers and consequent under-assessment of tax and penalty of ₹ 95.58 crore.

**(Paragraph 2.3.7.2)**

- Cross-verification of data obtained from departments of Government of India/PSUs with the returns filed by 64 dealers registered in Commercial Taxes Department revealed suppression of purchase/sale turnover and consequent under-assessment of tax of ₹ 1,026.36 crore.

**(Paragraph 2.3.7.3)**

Audit of “**System of collection of arrears of revenue in Commercial Taxes Department in Jharkhand**” revealed the following:

- The amount of arrears increased from ₹ 1,406.35 crore as on 1 April 2011 to ₹ 2,384.39 crore as on 31 March 2016, thus registering an increase of 69.54 per cent.

**(Paragraph 2.4.4.1)**

- There was discrepancy in arrears reported by the Department with those collected from 10 circles. The Department reported arrears of ₹ 722.09 crore from 28 circles pending with courts, other judicial authorities and Government, while information furnished directly to audit by only 10 circles, reflected arrears of ₹ 1,360.21 crore.

**(Paragraph 2.4.5)**

- In the courts of Commercial Taxes Tribunal (CTT) and Commissioner of Commercial Taxes (CCT), 166 revision cases involving ₹ 274.85 crore out of 418 cases filed between January 2010 and March 2014 became barred by limitation of time under the JVAT Act.

**(Paragraphs 2.4.6.1 and 2.4.6.2)**

- Certified arrears involving ₹ 44.68 crore in 229 cases were pending for disposal for more than 10 years.

**(Paragraph 2.4.10)**

Irregularities in determination of sales/purchase turnover of 36 dealers registered in 14 Commercial Taxes Circles by the assessing authorities resulted in under-assessment of tax and penalty of ₹ 294.32 crore during 2009-10 to 2012-13.

(Paragraph 2.5)

In 12 Commercial Taxes Circles, interest of ₹ 173.06 crore was not levied by the assessing authorities on the claims on account of exemptions not supported by documents in case of 34 assesseees during the period between 2010-11 and 2012-13.

(Paragraph 2.6)

### III. State Excise

In four Excise Districts, 79 shops were not settled during 2014-15 which deprived the Government of excise revenue of ₹ 47 crore.

(Paragraph 3.4)

Demurrage charges (fee for delay) of ₹ 4.16 crore on dumped stock of IMFL/Beer in JSBCL godowns/depots were not levied in 11 excise districts.

(Paragraph 3.6)

### IV. Taxes on Vehicles

In 16 Transport Offices, 5,845 vehicle owners had defaulted in payment of tax and penalty of ₹ 17.35 crore due for the period between October 2005 and March 2016, the Department also did not raise demand against the defaulting vehicle owners.

(Paragraphs 4.4 and 4.5)

### V. Other Tax Receipts

#### Land Revenue

A Performance Audit of “Lease management in Revenue and Land Reforms Department in Jharkhand” revealed the following:

- Government was deprived of revenue of ₹ 3,376.24 crore as *salami*, rent and cess in case of 1,279 sub-leases involving 469.38 acres of land for the period 1971-72 to 2014-15.

(Paragraph 5.3.9.1)

- Government was deprived of revenue of ₹ 974.48 crore for the period 1999 to 2015 as lease rights of plant area land of 122.82 acres given to Tata Steel Limited, Jamshedpur were irregularly transferred to another company. The Rules do not envisage the transfer of lease rights by lessees.

(Paragraph 5.3.9.2)

- Government was deprived of revenue of ₹ 26.76 crore as 23 sale deeds of land involving 4.31 acres of land were registered during the period 2010-11 to 2014-15 even though sub-lessee was not authorised to sell these lands/flats.

(Paragraph 5.3.9.3)

- Department failed to collect rent and interest of ₹ 3,964.94 crore as 7,862 lessees out of 10,425 lessees did not renew their lease involving 2,547.42 acres of *khas mahal* land for periods 1934-35 to 2014-15. The department neither issued notices to the lessees for renewal of leases nor took steps to evict them.

(Paragraph 5.3.10.1)

- Government was deprived of revenue of ₹ 248.77 crore for the period 1996-97 to 2014-15 as the Department failed to evict and earn revenue from 1,859.68 acres of land due to encroachment and could not account for location of 69.43 acres of land leased out to Tata Steel Limited, Jamshedpur.

(Paragraph 5.3.10.3)

- Government was deprived of revenue of ₹ 216.59 crore as Department failed to realise the lease rent, cess, interest, *salami* and capitalised value of land in respect of 78 lessees during the period 2006-07 to 2014-15.

(Paragraph 5.3.11)

- National Land Records Modernisation Programme was not completed in any district even six years after commission. There were discrepancies in 12,098.25 acres of *Khas Mahal* land due to improper maintenance of records.

(Paragraphs 5.3.12.2 and 5.3.12.3)

### **Stamp Duty and Registration Fees**

Cross-verification of data relating to 106 leases executed between 2011-12 and 2014-15 by Circle offices, Municipal Council, Notified Area Committee etc. with records of six District Sub-registrar offices revealed that these documents were not registered, as such Stamp duty and Registration fees of ₹ 29.48 lakh was not levied.

(Paragraph 5.7)

### **Taxes and Duties on Electricity**

Application of incorrect rate of electricity duty by the assessing authority of Hazaribag Commercial Taxes Circle in case of two assesseees resulted in short levy of electricity duty of ₹ 24.34 lakh.

(Paragraph 5.11)

## **VI. Mining Receipts**

Undervaluation of basic sale value of middling, tailing and reject coal in the returns submitted by a colliery in District Mining Office, Ramgarh resulted in short levy of royalty of ₹ 446.21 crore including interest.

(Paragraph 6.4)

Application of incorrect rate of royalty by four District Mining Officers on dispatch of 94 lakh MT of coal, felspar, mica, quartz and soapstone during 2007-08 to 2008-09 and 2013-14 to 2014-15 in case of six lessees resulted in short levy of royalty of ₹143.52 crore.

(Paragraph 6.5)