

CHAPTER-I

GENERAL

CHAPTER – I: GENERAL

1.1 Introduction

This chapter presents the overview of trend of receipts raised by the Government of Jharkhand and arrears of taxes pending collection against the backdrop of audit findings.

1.2 Trend of receipts

1.2.1 The tax and non-tax revenue raised by the Government of Jharkhand, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during 2017-18 and the corresponding figures for the preceding four years are presented in **Table – 1.1**.

Table – 1.1
Trend of revenue receipts

		(₹ in crore)				
Sl. No.		2013-14	2014-15	2015-16	2016-17	2017-18
	Revenues raised by the State Government					
1	• Tax revenue	9,379.79	10,349.81	11,478.95	13,299.25	12,353.44
	Percentage of growth compared to previous year	14.06	10.34	10.91	15.86	(-) 7.11
	• Non-tax revenue	3,752.71	4,335.06	5,853.01	5,351.41	7,846.67
	Percentage of growth compared to previous year	6.14	15.52	35.02	(-) 8.57	46.63
	Total	13,132.50	14,684.87	17,331.96	18,650.66	20,200.11
	Receipts from the Government of India					
2	• State's share of divisible Union taxes	8,939.32	9,487.01	15,968.75	19,141.92	21,143.63 ¹
	• Grants-in-aid	4,064.97	7,392.68	7,337.64	9,261.35	11,412.29
	Total	13,004.29	16,879.69	23,306.39	28,403.27	32,555.92
3	Total receipts of the State Government (1 & 2)	26,136.79	31,564.56	40,638.35	47,053.93	52,756.03
4	Percentage of 1 to 3	50	47	43	40	38

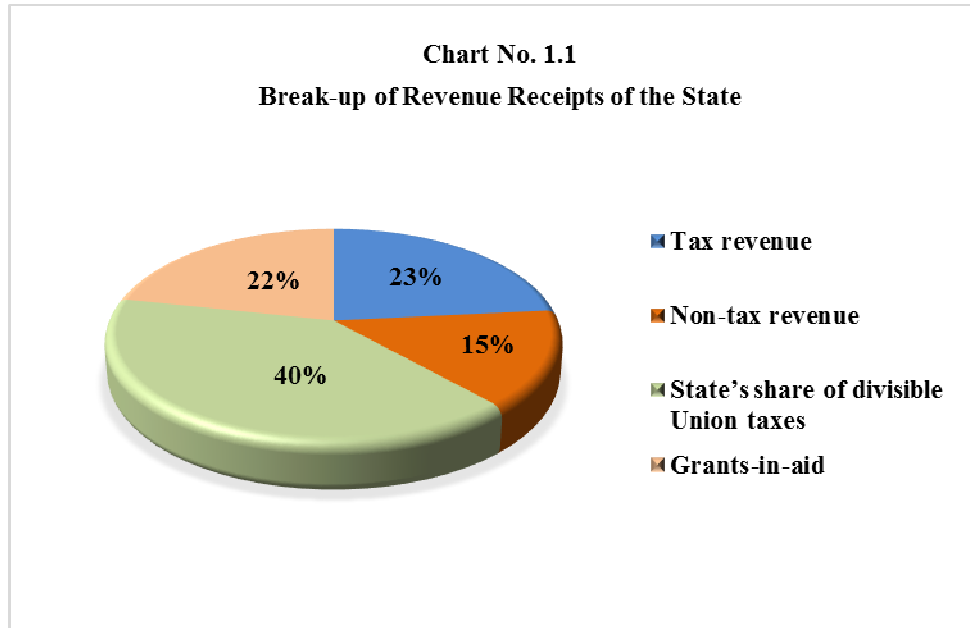
Source: Finance Accounts of the Government of Jharkhand.

The above table indicates that during the year 2017-18, the revenue raised by the State Government (₹ 20,200.11 crore) was 38 *per cent* of the total revenue receipts. The balance 62 *per cent* of receipts during 2017-18 was from the Government of India. Tax revenue raised by the State Government decreased

¹ For details, please see Statement No. 14 - Detailed statement of revenue and capital receipts by minor heads in the Finance Accounts of the Government of Jharkhand for the year 2017-18. Figures under the major heads 0005 – Central goods and services tax, 0008 – Integrated goods and services tax, 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0031 – Miscellaneous tax receipts (Estate duty), 0032 - Taxes on wealth, 0037 – Customs, 0038 - Union excise duties, 0044 – Service tax and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State booked in the Finance Accounts under “A-Tax revenue” have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

by 7.11 per cent in 2017-18 over 2016-17, whereas non-tax revenue increased by 46.63 per cent over the same period.

The break-up of revenue receipts of the State for the year 2017-18 in terms of percentage is shown in **Chart - 1.1**.



1.2.2 Details of tax revenue raised during the period 2013-14 to 2017-18 are given in **Table - 1.2**.

Table – 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in 2017-18 in	
								BE over 2016-17	Actual over 2016-17
1	Taxes on sales, trade etc.	BE	7,874.50	9,267.95	11,180.02	12,703.00	5,000.00	(+)	10.21
		Actual	7,305.08	8,069.72	8,998.95	10,549.25	5,714.69		
2	State goods and services tax	BE	0.00	0.00	0.00	0.00	9,000.00	(+)	10.21
		Actual	0.00	0.00	0.00	0.00	4,123.88		
3	State excise	BE	700.00	1,931.84	1,200.00	1,500.00	1,600.00	(+)	6.67
		Actual	627.93	740.16	912.47	961.68	840.81		
4	Stamps and registration fees	BE	568.00	680.48	800.00	900.00	900.00	0.00	(-)
		Actual	502.61	530.67	531.64	607.00	469.34		
5	Taxes on vehicles	BE	639.40	836.33	900.76	1,100.00	1,000.00	(-)	9.09
		Actual	494.79	660.37	632.59	681.52	778.37		
6	Taxes and duties on electricity	BE	161.00	193.82	200.00	250.00	300.00	(+)	20.00
		Actual	145.79	175.40	125.68	151.89	183.50		
7	Land revenue	BE	95.00	300.14	300.00	400.00	400.00	0.00	(-)
		Actual	229.84	83.54	164.35	240.26	156.01		
8	Taxes on professions, trades, callings and employments	BE	80.00	61.38	80.00	150.00	150.00	0.00	(+)
		Actual	49.91	57.11	82.88	67.69	73.98		

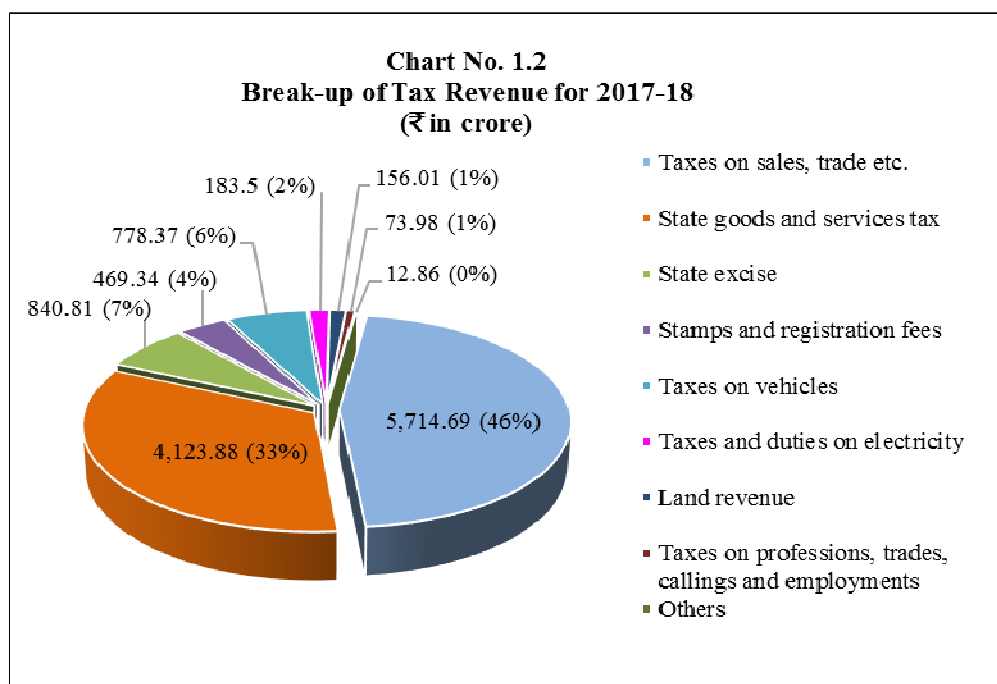
Table – 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in 2017-18 in	
								BE over 2016-17	Actual over 2016-17
9	Others ²	BE	34.50	42.06	40.00	47.00	50.50	(+) 7.45	(-) 67.81
		Actual	23.84	32.85	30.39	39.95	12.86		
	Total	BE	10,152.40	13,314.00	14,700.78	17,050.00	18,400.50	(+) 7.92	(-) 7.11
		Actual	9,379.79	10,349.81	11,478.95	13,299.25	12,353.44		

Source: Finance Accounts of the Government of Jharkhand and revised budget estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

The break-up of tax revenue for the year 2017-18 is shown in **Chart - 1.2**.



It can be seen from **Table – 1.2** that the growth of budget estimates (revised) over the previous year ranged between (-) 9.09 to 20 per cent. In respect of Taxes on sales and trade etc. budget estimate was reduced by ₹ 7,703 crore due to implementation of Goods and Services Tax (GST) from July 2017 and budget estimates of ₹ 9,000 crore was fixed for State Goods and Services Tax.

The reasons for variation in receipts in 2017-18 from those of 2016-17 in respect of some principal heads of tax revenue were as under:

Taxes on Sales, Trade etc. and State goods and service tax: The decrease of 6.74 per cent was attributed (December 2018) by the Department to implementation of GST from July 2017 in place of VAT.

State Excise: The decrease of 12.57 per cent was attributed (February 2019) by the Department to decrease in number of retail shops from 1,432 in

² Figures under the major heads –0022 - Taxes on agriculture income, 0023 – Hotel receipts tax, 0042 – Taxes on goods and passengers and 0045 – Other taxes and duties on commodities and services.

2016-17 to 679 retail shops in 2017-18, and due to direction of the Supreme Court regarding mandatory distance of excise shops from State and National highways. Economic Survey of Jharkhand for the year 2018-19 also mentioned that decline in revenue from excise duty was mainly because of a policy change in which the retail sale of liquor was taken over by the State Government. As a result, the number of outlets got reduced drastically and revenue from state excise duties fell significantly. Further, Audit scrutiny of consumption statement of liquor/beer included in the report of 'Achievement of 2018-19 and Action Plan for 2019-20' of Excise and Prohibition Department for the year 2018-19 revealed that consumption of liquor decreased (15.29 per cent) from 2.34 crore London Proof Litre (LPL) in 2016-17 to 1.98 crore LPL in 2017-18. Similarly, consumption of beer decreased (2.73 per cent) from 2.06 crore Bulk Litre (BL) in 2016-17 to 2.01 crore BL in 2017-18.

Stamps and Registration Fees: The decrease of 22.68 per cent was attributed (November 2018) by the Department to exemption of stamp duty and registration fees on sale deeds of immovable properties made in favour of women with effect from June 2017.

Taxes on Vehicles: The increase of 14.21 per cent was attributed (April 2019) by the Department to increase in registration of vehicles from 4,67,897 vehicles in 2016-17 to 6,07,311 vehicles in 2017-18; and revision of fees under Rules 32 and 81 of the Central Motor Vehicle Rules, 1989 with effect from 29 December 2016.

Land Revenue: The decrease of 35.07 per cent was attributed (October 2018) by the Department to free of cost transfer of land to NHAI projects and decrease in rate of cess and rent with effect from 3 January 2017 in respect of transfer/ settlement of Government/ khas mahal lands.

1.2.3 Details of non-tax revenues raised during the period 2013-14 to 2017-18 are indicated in **Table - 1.3**.

Table – 1.3
Details of Non-Tax Revenue

(₹ in crore)

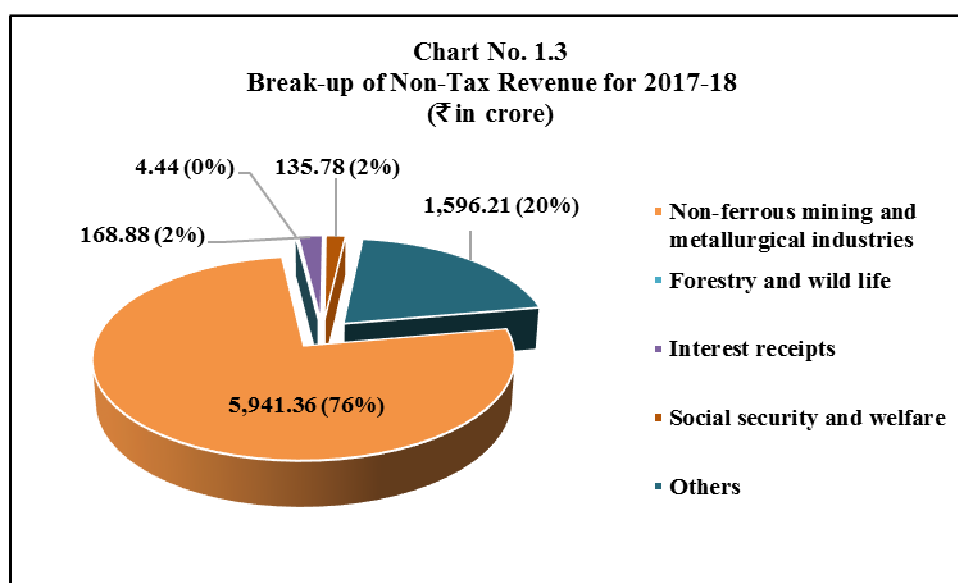
Sl. No.	Head of revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in 2017-18 in	
								BE over 2016-17	Actual over 2016-17
1	Non-ferrous mining and metallurgical industries	BE	3,500.00	4,699.47	5,500.00	7,050.00	8,508.33	(+) 20.69	(+) 45.11
		Actual	3,230.22	3,472.99	4,384.43	4,094.25	5,941.36		
2	Forestry and wild life	BE	5.25	4.18	10.39	6.00	8.00	(+) 33.33	(-) 0.89
		Actual	5.17	3.66	4.13	4.48	4.44		
3	Interest receipts	BE	115.00	243.36	90.00	275.00	300.00	(+) 9.09	(+) 39.18
		Actual	69.48	143.04	122.44	121.34	168.88		
4	Social security and welfare	BE	20.00	3.62	10.00	6.00	6.00	0.00	(+) 269.07
		Actual	5.24	4.16	3.73	36.79	135.78		

Table – 1.3
Details of Non-Tax Revenue

Sl. No.	Head of revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in 2017-18 in	
								BE over 2016-17	Actual over 2016-17
								5	Others ³
		Actual	442.60	711.21	1,338.28	1,094.55	1,596.21		
	Total	BE	4,343.65	5,693.02	6,304.13	8,425.76	11,257.39	(+) 33.61	(+) 46.63
		Actual	3,752.71	4,335.06	5,853.01	5,351.41	7,846.67		

Source: Finance Accounts of the Government of Jharkhand and revised budget estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

The break-up of non-tax revenue for the year 2017-18 is shown in **Chart - 1.3**.



The Departments did not furnish the reasons for variation in receipts in 2017-18 from those of 2016-17 despite several requests.

To analyse the reasons for increase of 45.11 *per cent* in Mines and Geology Department during 2017-18, Audit obtained information regarding substantial collections by the Department. From the information obtained it was noticed that:

1. Penalty of ₹ 468.31 crore was realised in Chaibasa from Iron ore mines in light of Hon'ble Supreme Court verdict on Common Cause cases (i.e., mineral production over quantity mentioned in approved mining plan and production without mining plan);

³ Others include Animal Husbandry (₹ 10.57 crore), Civil Aviation (₹ 6.02 crore), Civil Supplies (₹ 14.67 crore), Crop Husbandry (₹ 166.19 crore), Education, Sports, Art and Culture (₹ 19.46 crore), Fisheries (₹ 9.52 crore), Housing (₹ 24.56 crore), Industries (₹ 1.14 crore), Labour and Employment (₹ 87.63 crore), Medical and Public Health (₹ 14.22 crore), Major Irrigation (₹ 131.46 crore), Medium Irrigation (₹ 142.69 crore), Miscellaneous General Services (₹ 79.41 crore), Other Administrative Services (₹ 218.16 crore), Other Rural Development Programmes (₹ 83.40 crore), Other Social Services (₹ 191.83 crore), Police (₹ 51.47 crore), Public Works (₹ 14.30 crore), Road and Bridges (₹ 73.37 crore), Urban Development (₹ 121.83 crore), Water Supply and Sanitation (₹ 77.09 crore) etc. {Figures in brackets are actual receipts during the year 2017-18}.

2. ₹ 448.41 crore from M/s Tata Steel Ltd., West Bokaro Colliery was recovered at the instance of audit (Para no. 6.4 of the Audit Report (Revenue Sector) for the year 2015-16); and
3. Production from a new coal block of M/s Hindalco Industries Ltd. had started in Palamu during 2017-18 from which the Department collected ₹ 248.91 crore.

Interest Receipts: Receipts under the head ‘0049-Interest receipts’ increased by 39 *per cent* in 2017-18 over the previous year. Audit noticed that the Joint Secretary, Welfare Department, Government of Jharkhand had issued (August 2017) instruction that interest amounts on unspent balances of schemes which had been lying in banks for years should be deposited in the treasury within 15 days. Accordingly, amounts were deposited into the minor head ‘800-Other Receipts’ under ‘0049-Interest Receipts’ leading to significant increase in Interest receipts during the year 2017-18. Bifurcation of the interest amount into Central share and State share were not available in challans and schedules of revenue head ‘0049.

Social Security and Welfare: Receipts under the head “Social Security and Welfare” increased by 269 *per cent* in 2017-18 over the previous year. Audit noticed that the main reason for this increase was that the recoveries of unspent balances of Grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head ‘913-Recoveries of unspent balances of Grants-in-aid’.

Audit further noticed that recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head ‘913-Recoveries of unspent balances of Grants-in-aid’ under other major heads of revenue receipts also such as 0070 – Other Administrative Services (₹ 166.84 crore), 0075 – Miscellaneous General Services (₹ 61.13 crore), 0217 – Urban Development (₹ 96.31 crore), 0250 – Other Social Services (₹ 72.28 crore), 0401 – Crop Husbandry (₹ 100.28 crore), 0515 – Other Rural Development Programmes (₹ 48.77 crore). Bifurcation of the refunded amount into Central share and State share were not available in VLC database/Challans.

Recommendation: The Government may review the accounting system for recoveries of unspent balances of grants-in-aid in consultation with Accountant General (A&E) Jharkhand. The Government may also consider working out the amounts of recoveries of unspent balances of grants-in-aid which were incorrectly shown as revenue receipts of the State under the minor head ‘913-Recoveries of unspent balances of Grants-in-aid’ under all revenue major heads and return the amounts of unspent balances of Central share of grants-in-aid, if any, to the Government of India.”

1.3 Analysis of arrears of revenue

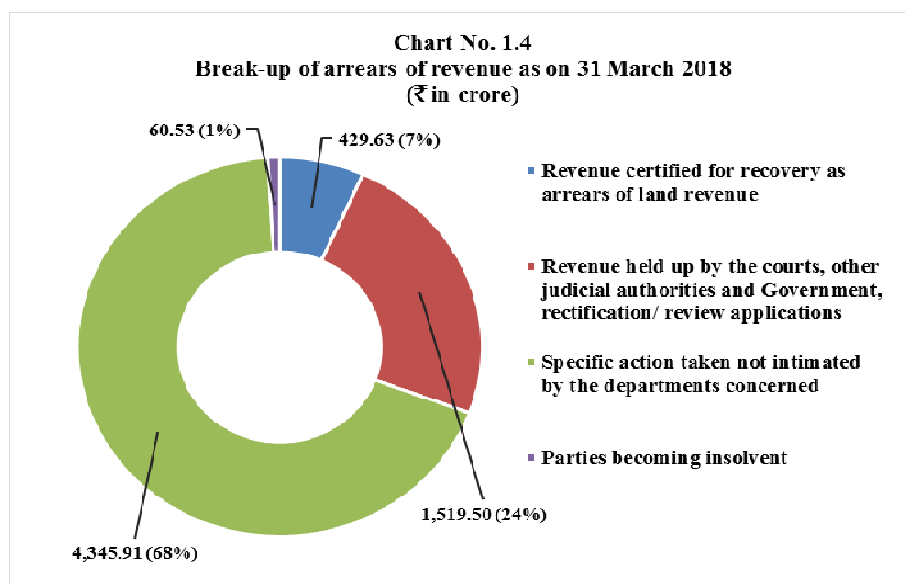
The arrears of revenue as on 31 March 2018 in respect of some principal heads of revenue amounted to ₹ 6,355.57 crore, of which ₹ 1,824.43 crore was outstanding for more than five years as detailed in **Table-1.4**.

Table-1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Remarks
1	Taxes on Sales, Trade etc.	6,047.23	1,579.81	Out of ₹ 6,047.23 crore, demands of ₹ 315.53 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 872.89 crore and ₹ 403.80 crore was stayed by the Courts/ other judicial authorities and the Government respectively. Demands of ₹ 234.99 crore were held up due to rectification/ review application and a sum of ₹ 60.37 crore was likely to be written off. Specific action taken in respect of the remaining arrears of ₹ 4,159.65 crore has not been intimated (February 2020).
2	Taxes on Vehicles	272.16	215.25	Out of ₹ 272.16 crore, demands of ₹ 98.57 crore were certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of ₹ 173.59 crore has not been intimated (February 2020).
3	State Excise	36.18	29.37	Out of ₹ 36.18 crore, demands for ₹ 15.53 crore were certified for recovery as arrears of land revenue, recovery of ₹ 7.65 crore and ₹ 6.90 lakh was stayed by the Courts/ other judicial authorities and the Government respectively, recovery of ₹ 10.56 lakh was held up due to rectification/ review application and a sum of ₹ 16.08 lakh was likely to be written off. Specific action taken in respect of the remaining amount of ₹ 12.67 crore has not been intimated (February 2020).
Total		6,355.57	1,824.43	

Break-up of arrears of revenue as on 31 March 2018 is shown in **Chart-1.4**.



Out of the above outstanding of ₹ 6,355.57 crore, ₹ 429.63 crore was certified for recovery as arrears of land revenue and ₹ 1,284.41 crore was held up by the Courts/ other appellate authorities and Government, ₹ 235.09 crore was held up due to rectification/ review application and ₹ 60.53 crore was likely to be written off, whereas specific action taken in respect of the remaining ₹ 4,345.91 crore was not intimated by the departments concerned.

Recommendation:

The Government may periodically review outstanding arrears of revenue and ensure that arrears which are not held up by Courts/other appellate authorities are realised on priority basis.

1.4 Follow up on Audit Reports – summarised position

As per instructions issued (August 1993) by the Chairperson, Bihar Legislative Assembly, Patna, Government departments are required to submit explanatory notes to the Public Accounts Committee (PAC) within three months of laying of the Report of the Comptroller and Auditor General of India (CAG) in the Legislative Assembly. Further, action taken notes (ATNs) on recommendations made by the Committee should be submitted by the departments within six months. Significant delays were observed, however, in submission of explanatory notes itself (replies of the departments), with average delays of three months in respect of 136 paragraphs (including performance audit) appearing in the CAG’s Revenue Audit Reports for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between March 2014 and July 2018. Details of pending explanatory notes pertaining to various departments⁴ are given in **Table – 1.5**.

Table - 1.5

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	31 March 2013	04.03.2014	27	12	15
2	31 March 2014	26.03.2015	28	20	8
3	31 March 2015	15.03.2016	32	4	28
4	31 March 2016	02.02.2017	32	14	18
5	31 March 2017	20.07.2018	17	0	17
Total			136	50	86

The PAC discussed 16 selected paragraphs pertaining to the Audit Reports for the years 2012-13 to 2016-17, but no recommendation had been made on those paragraphs.

1.5 Response of the Departments/ Government towards Audit

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices, with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to Heads of the Departments and the Government.

⁴ Commercial Taxes (39 paragraphs); State Excise and Prohibition (9 paragraphs); Transport (22 paragraphs); Revenue, Registration and Land Reforms (9 paragraphs) and Mines and Geology (7 paragraphs).

Review of IRs issued for the years 2008-09 to 2017-18 revealed that 8,906 paragraphs relating to 907 IRs remained outstanding at the end of June 2019. The potentially recoverable revenue as brought out in these IRs was as much as ₹ 14,387.85 crore whereas the total revenue collection of the State was ₹ 20,200.11 crore in 2017-18. Department-wise details relating to the revenue sector of the State government are given in **Table - 1.6**.

Table - 1.6
Department-wise details of Inspection Reports

(₹ in crore)					
Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on sales, trade etc.	220	4,734	6,891.85
		Entry tax	5	5	9.54
		Electricity duty	12	67	100.11
		Entertainment tax etc.	1	2	0.12
2	Excise and Prohibition	State excise	149	776	854.70
3	Revenue, Registration and Land Reforms	Land revenue	59	603	4,107.98
4	Transport	Taxes on motor vehicles	160	1,143	349.80
5	Revenue, Registration and Land Reforms	Stamps and registration fees	140	642	36.73
6	Mines and Geology	Non-ferrous mining and metallurgical industries	161	934	2,037.02
Total			907	8,906	14,387.85

Even the first replies, required to be received from the heads of offices within one month from the date of issue of the IRs, were not received for 142 IRs issued from 2008-09 onwards. Department wise details are given in **Table - 1.7**.

Table - 1.7
Details of Inspection Reports pending first reply

(₹ in crore)					
Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on sales, trade etc.	28	560	494.26
		Entry tax	4	4	9.97
		Electricity duty	8	18	16.30
		Entertainment tax etc.	1	1	0.10
2	Revenue and Land Reforms	Land revenue	40	488	3,227.97
3	Transport	Taxes on motor vehicles	32	240	95.79
4	Registration	Stamps and registration fees	10	42	8.05
5	Mines and Geology	Non-ferrous mining and metallurgical industries	19	107	132.49
Total			142	1,460	3,984.93

1.6 Results of audit

Position of local audit conducted during the year

Audit covered five departments⁵ of the State Government and test-checked the records of 57 out of 548 auditable units (10.40 *per cent*) 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 during the year 2017-18. Audit further scrutinised dump data of national permits and registration of documents, and the same was verified with the records of the concerned units of Transport and Revenue, Registration and Land Reforms Departments respectively. In five departments revenue of ₹ 17,133.96 crore was collected during 2016-17, out of which the 57 audited units collected ₹ 5,272.39 crore (30.77 *per cent*). In the 57 audited units, and from scrutiny of dump data, audit revealed under-assessment/ short levy/ loss of revenue aggregating ₹ 1,288.46 crore (24.44 *per cent* of revenue collected by units) in 8,769 cases. The departments concerned accepted under-assessment and other deficiencies of ₹ 340.20 crore (26.40 *per cent*) in 7,776 cases pointed out by audit and effected recovery of ₹ 3.57 crore in 781 cases.

1.7 Coverage of this Report

This Report contains eight selected paragraphs from the local audits conducted during the year and a Performance Audit on “**Acquisition and Alienation of Land in Jharkhand**”, involving financial effect of ₹ 886.47 crore.

The Department/ Government have accepted audit observations involving ₹ 331.47 crore and recovered ₹ 3.03 crore. These are discussed in succeeding Chapters II to IV.

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, to rectify them; and to put a system in place that would prevent such errors/omissions.

⁵ Commercial Taxes, Excise and Prohibition, Transport, Revenue, Registration and Land Reforms and Mines and Geology.