

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 2016-17 and the corresponding figures for the preceding four years are presented in **Table – 1.1**.

Table – 1.1
Trend of revenue receipts

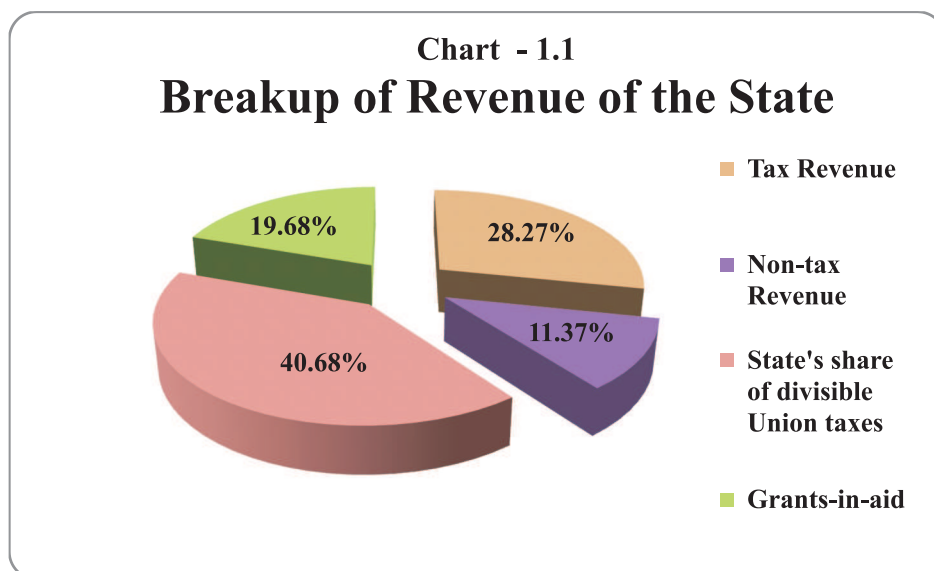
		(₹ in crore)				
		2012-13	2013-14	2014-15	2015-16	2016-17
1	Revenues raised by the State Government					
	• Tax revenue	8,223.67	9,379.79	10,349.81	11,478.95	13,299.25
	• Non-tax revenue	3,535.63	3,752.71	4,335.06	5,853.01	5,351.41
	Total	11,759.30	13,132.50	14,684.87	17,331.96	18,650.66
2	Receipts from the Government of India					
	• State's share of divisible Union taxes	8,188.05	8,939.32	9,487.01	15,968.75	19,141.92 ¹
	• Grants-in-aid	4,822.20	4,064.97	7,392.68	7,337.64	9,261.35
	Total	13,010.25	13,004.29	16,879.69	23,306.39	28,403.27
3	Total receipts of the State Government (1 & 2)	24,769.55	26,136.79	31,564.56	40,638.35	47,053.93
4	Percentage of 1 to 3	47	50	47	43	40

Source: Finance Accounts of the Government of Jharkhand.

The State's share in central taxes increased after the implementation (from 2015-16) of the recommendations of the 14th Finance Commission to increase the State's share by 10 *per cent* (from 32 to 42 *per cent*).

The breakup of revenue receipts of the State for the year 2016-17 in terms of percentage is shown in **Chart - 1.1**.

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 for the year 2016-17. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure (except Minor Head - 107- Taxes on Professions, Trades, Callings and Employments), 0032 - Taxes on wealth, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties 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.



1.2.2 Details of tax revenue raised during the period 2012-13 to 2016-17 are given in **Table - 1.2**.

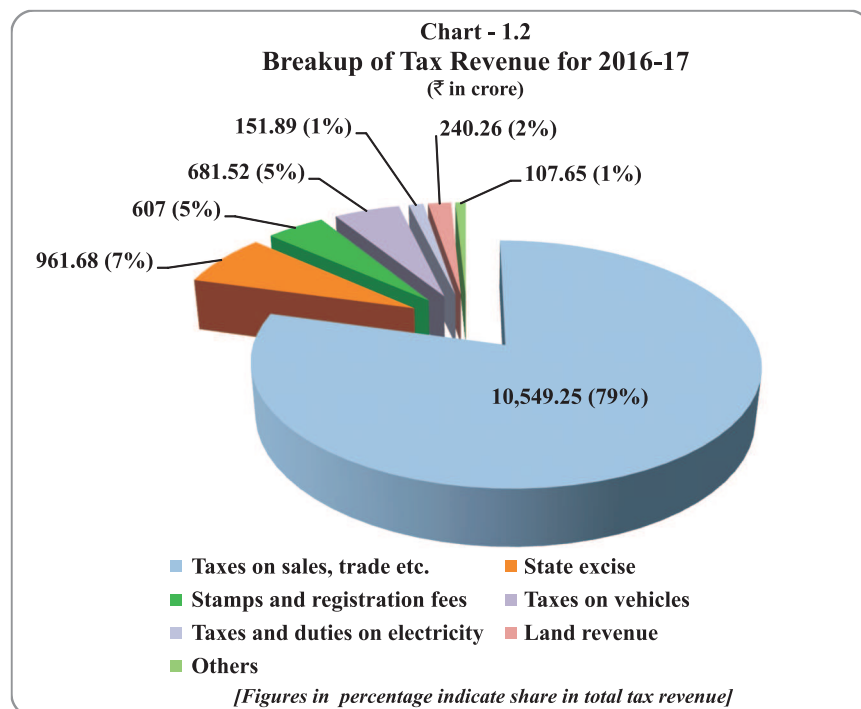
Table – 1.2
Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
1	Taxes on sales, trade etc.	BE	6,650.00	7,874.50	9,267.95	11,180.02	12,703.00	(+) 13.62
		Actual	6,421.61	7,305.08	8,069.72	8,998.95	10,549.25	(+) 17.23
2	State excise	BE	650.00	700.00	1,931.84	1,200.00	1,500.00	(+) 25.00
		Actual	577.92	627.93	740.16	912.47	961.68	(+) 5.39
3	Stamps and registration fees	BE	490.00	568.00	680.48	800.00	900.00	(+) 12.50
		Actual	492.40	502.61	530.67	531.64	607.00	(+) 14.18
4	Taxes on vehicles	BE	550.00	639.40	836.33	900.76	1,100.00	(+) 22.12
		Actual	465.36	494.79	660.37	632.59	681.52	(+) 7.73
5	Taxes and duties on electricity	BE	142.00	161.00	193.82	200.00	250.00	(+) 25.00
		Actual	110.72	145.79	175.40	125.68	151.89	(+) 20.85
6	Land revenue	BE	82.00	95.00	300.14	300.00	400.00	(+) 33.33
		Actual	96.38	229.84	83.54	164.35	240.26	(+) 46.19
7	Taxes on goods and passengers - Tax on entry of goods into local areas	BE	20.00	Not fixed	0.15	5.00	7.00	(+) 40.00
		Actual	0.51	1.08	0.28	0.17	0.01	(-) 94.12
8	Other taxes and duties on commodities and services	BE	28.00	34.50	41.91	35.00	40.00	(+) 14.29
		Actual	15.28	22.76	32.57	30.22	39.94	(+) 32.16
9	Taxes on professions, trades, callings and employments	BE	65.00	80.00	61.38	80.00	150.00	(+) 87.50
		Actual	43.49	49.91	57.11	82.88	67.69	(-) 18.33
	Total	BE	8,677.00	10,152.40	13,314.00	14,700.78	17,050.00	(+) 15.98
		Actual	8,223.67	9,379.79	10,349.81	11,478.95	13,299.25	(+) 15.86

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

The breakup of tax revenue for the year 2016-17 is shown in **Chart - 1.2**.



1.2.3 Details of non-tax revenues raised during the period 2012-13 to 2016-17 are indicated in **Table - 1.3**.

Table - 1.3
Details of Non-Tax Revenue

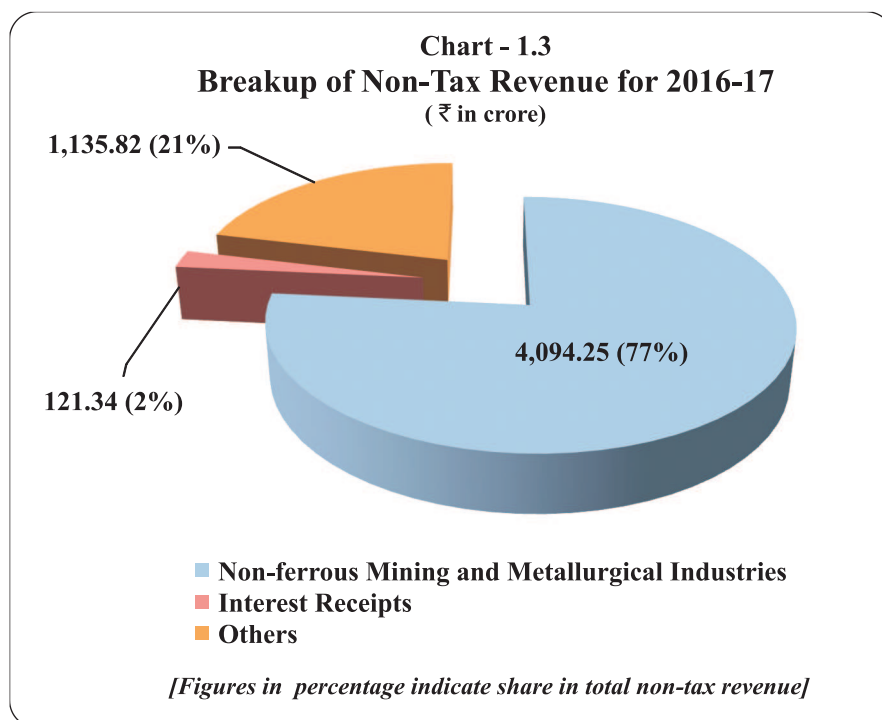
(₹ in crore)

Sl. No.	Head of revenue		2012-13	2013-14	2014-15	2015-16	2016-17	Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
1	Non-ferrous mining and metallurgical industries	BE	3,209.92	3,500.00	4,699.47	5,500.00	7,050.00	(+) 28.18
		Actual	3,142.47	3,230.22	3,472.99	4,384.43	4,094.25	(-) 6.62
2	Forestry and wild life	BE	4.80	5.25	4.18	10.39	6.00	(-) 42.25
		Actual	4.22	5.17	3.66	4.13	4.48	(+) 8.48
3	Interest receipts	BE	65.00	115.00	243.36	90.00	275.00	(+) 205.56
		Actual	72.23	69.48	143.04	122.44	121.34	(-) 0.90
4	Social security and welfare	BE	19.00	20.00	3.62	10.00	6.00	(-) 40.00
		Actual	20.48	5.24	4.16	3.73	36.79	(+) 886.33
5	Others ²	BE	542.37	703.40	742.39	693.64	1,088.76	(+) 56.96
		Actual	296.23	442.60	711.21	1,338.28	1,094.55	(-) 18.21
Total		BE	3,841.09	4,343.65	5,693.02	6,304.13	8,425.76	(+) 33.65
		Actual	3,535.63	3,752.71	4,335.06	5,853.01	5,351.41	(-) 8.57

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

The breakup of non-tax revenue for the year 2016-17 is shown in **Chart - 1.3**.

² Dividend and Profits, Economic Services (excluding non-ferrous mining and metallurgical industries and forestry and wild life), General Services, Other Fiscal Services, Social Services (excluding social security and welfare).



Audit noted the continually wide variations between budget estimates prepared by the Finance Department and actual revenues (Tables 1.2 and 1.3 refer). The Bihar Financial Rules, Vol. I (as adopted by the Government of Jharkhand) stipulate that the Finance Department is required to prepare budget estimates on the basis of details obtained from the Administrative department, which is responsible for the correctness of the material. Audit examination of files of the Administrative and Finance Departments, revealed however, that in violation of the Financial Rules, estimates communicated by the Administrative departments were unilaterally increased during meetings chaired by the Chief Secretary without assigning reasons. Consequently, the estimates are fixed by the Finance Department without considering the actual trend of receipts. This fact has been confirmed by the Administrative Departments.

Recommendation:

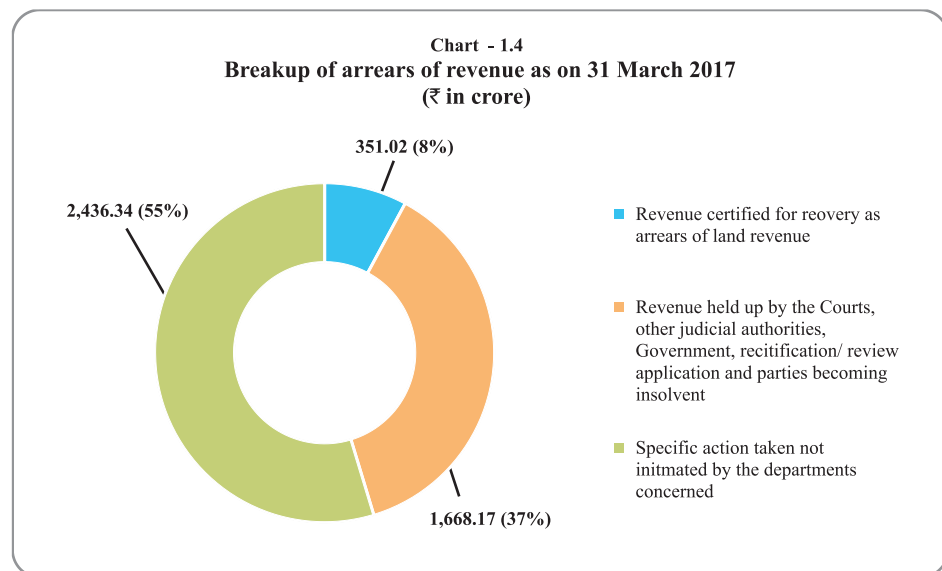
The Finance Department may use the inputs provided by the Administrative departments while finalizing the budget estimates and record written reasons for deviations.

1.3 Analysis of arrears of revenue

Arrears of revenue as on 31 March 2017 in respect of some principal heads of revenue amounted to ₹ 4,455.53 crore³, of which ₹ 2,200.92 crore⁴ was outstanding for more than five years. Details as provided by the concerned departments are given in **Chart – 1.4**.

³ Taxes on Sales, Trade etc.: ₹ 4,154.70 crore; Taxes on Vehicles: ₹ 270.27 crore; State Excise: ₹ 30.56 crore.

⁴ Taxes on Sales, Trade etc.: ₹ 2,020.87 crore; Taxes on Vehicles: ₹ 169.05 crore; State Excise: ₹ 11.00 crore.



Audit examined the files and records of departments concerned to ascertain the reasons for pendency in collection of arrears. The departments intimated pendency at different stages, but individual records relating to outstanding arrears were not produced to Audit for examination. Audit, however, test checked the arrears of revenue of ₹ 919.71 crore out of ₹ 2,396.26 crore of the Commercial Taxes Department involved in other cases in respect of three commercial taxes circles⁵. It was noticed that the accumulation of arrears of revenue was due to cases pending with different appellate authorities for the period 2006-07 to 2013-14.

It was further observed that there was no mechanism to monitor the progress of collection of arrears or to assess reasons for accumulation of arrears. The departments do not have a database of outstanding arrears. Figures of outstanding arrears were compiled each year, at the instance of Audit, from the data furnished by field units. The departments also accepted that there was no system in place to monitor the arrears at department level.

Recommendation:

The departments may create a database of outstanding arrears and introduce a mechanism to monitor the progress of arrears and to assess the reasons for accumulation of arrears.

1.4 Follow up on Audit Reports – summarised position

In terms of the Public Accounts Committee (PAC) notification (December 2002) departments are required to initiate action on the audit paragraphs contained in the Report of the Comptroller and Auditor General of India (CAG) within three months of their laying in the Legislative Assembly, and Government shall submit action taken explanatory notes (ATN) thereon for consideration by the PAC. Significant delays were observed, however, in submission of explanatory notes itself (reply of the departments), with average delays of three months in respect of 144 paragraphs (including performance audit) appearing in the CAG's Revenue Audit Reports for the years ended 31 March 2012, 2013, 2014, 2015 and 2016 placed before the State Legislative

⁵ Ranchi East, Ranchi South and Ranchi West.

Assembly between July 2013 and February 2017. Details of pending explanatory notes pertaining to various departments⁶ are given in **Table – 1.4**.

Table - 1.4

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 2012	27.07.2013	25	8	17
2	31 March 2013	04.03.2014	27	12	15
3	31 March 2014	26.03.2015	28	20	8
4	31 March 2015	15.03.2016	32	3	29
5	31 March 2016	02.02.2017	32	2	30
Total			144	45	99

Audit examined the files of the departments to ascertain reasons for the same type of irregularities occurring year after year even though these had repeatedly been pointed out by Audit. It was observed that though the departments initiated action for recovery of revenue, corrective measures to prevent persistent irregularities were not addressed by the departments at any level.

The PAC discussed 16 selected paragraphs pertaining to the Audit Reports for the years 2011-12 to 2015-16 and gave its recommendations on five paragraphs and two sub-paragraphs relating to Mines and Geology Department incorporated in the Report (2009-10) on which only one ATN has been received from the Department (September 2016).

Recommendation:

The State government may initiate action to address the shortcomings and system defects pointed out by Audit, to plug the leakage of revenue, and also ensure that all departments promptly prepare ATNs on recommendations of PAC.

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.

Review of IRs issued for the years 2008-09 to 2016-17 revealed that 8,336 paragraphs relating to 851 IRs remained outstanding at the end of June 2017. The potentially recoverable revenue as brought out in these IRs is as much as ₹ 12,985.32 crore whereas the total revenue collection of the State is ₹ 18,650.66 crore. Department wise details relating to the revenue sector of the State government are given in **Table - 1.5**.

⁶ Commercial Taxes (46 paragraphs); State Excise and Prohibition (13 paragraphs); Transport (19 paragraphs); Revenue, Registration and Land Reforms (8 paragraphs) and Mines and Geology (13 paragraphs).

Table - 1.5
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.	212	4,598	6,707.55
		Entry tax	5	5	9.55
		Electricity duty	12	66	100.07
		Entertainment tax etc.	1	2	0.12
2	Excise and Prohibition	State excise	136	738	812.64
3	Revenue and Land Reforms	Land revenue	59	590	3,290.20
4	Transport	Taxes on motor vehicles	155	965	331.02
5	Registration	Stamps and registration fees	125	591	36.59
6	Mines and Geology	Non-ferrous mining and metallurgical industries	146	781	1,697.58
Total			851	8,336	12,985.32

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 147 IRs issued from 2008-09. Department wise details are given in **Table – 1.6** below:

Table - 1.6
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.	32	701	649.28
		Entry tax	4	4	9.97
		Electricity duty	8	18	16.30
		Entertainment tax etc.	1	1	0.10
2	Excise and Prohibition	State excise	7	67	9.25
3	Revenue and Land Reforms	Land revenue	33	400	2,152.74
4	Transport	Taxes on motor vehicles	31	229	91.82
5	Registration	Stamps and registration fees	13	56	9.68
6	Mines and Geology	Non-ferrous mining and metallurgical industries	18	96	123.75
Total			147	1,572	3,062.89

Recommendation:

The State government may introduce a mechanism to ensure that departmental officers respond to IRs promptly, take corrective action, and work closely with Audit to bring about early settlement of IRs.

1.6 Results of audit

Position of local audit conducted during the year

The audit covered five departments⁷ of the State Government and test checked the records of 132 out of 548 auditable units (24 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 2016-17. Further, this was a test audit. In five departments revenue of ₹ 15,460.08 crore was collected during 2015-16, out of which the 132 audited units collected ₹ 14,772.58 crore (96 per cent). In the 132 audited units, records were test checked on the basis of turnover/ tax payments and cross-verification of data collected from other departments which revealed under-assessment/ short levy/ loss of revenue aggregating ₹ 2,487.73 crore (17 per cent of revenue collected by units) in 29,688 cases. The departments concerned accepted under assessment and other deficiencies of ₹ 1,817.84 crore (73 per cent) in 26,662 cases pointed out by audit. The Departments effected recovery of ₹ 9.51 crore in 507 cases.

Recommendation:

The State may evolve a mechanism to ensure that departments recover all under-assessments/ short levies pointed out by Audit and accepted by the departments.

1.7 Coverage of this Report

This Report contains 15 selected paragraphs from the local audits conducted during the year and those of earlier years which could not be included in the previous reports, a Performance Audit on “**Mining Receipts in Jharkhand State**” and an audit on “**Implementation of Value Added Tax and preparedness of the Department for Goods and Services Tax**”, involving financial effect of ₹ 1,651.44 crore.

Most of the audit observations are of a nature that may reflect similar errors/ omissions in other units of the State Government departments, but not covered in the test audit.

The Departments/ Government may therefore like to internally examine all the other units by them with a view to ensuring that they are functioning as per requirement and rules.

The Department/ Government have accepted audit observations involving ₹ 1,586.57 crore and recovered ₹ 9.22 crore. These are discussed in succeeding Chapters II to VI.

⁷ Commercial Taxes, Excise and Prohibition, Transport, Revenue, Registration and Land Reforms and Mines and Geology.