

# OVERVIEW



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This Report contains a Performance Audit on “Mining Receipts in Jharkhand State”, an audit on “Implementation of Value Added Tax and preparedness of the Department for Goods and Services Tax” and 15 paragraphs relating to taxes on sales, trade etc., state excise, taxes on vehicles, stamps and registration fees and taxes and duties on electricity. The total financial implication of the Report is ₹ 1,651.44 crore which constitutes 8.85 *per cent* of tax and non-tax revenue of the year 2016-17. Out of the above, the concerned departments accepted audit observations involving ₹ 1,586.57 crore (96.07 *per cent* of observations). Some of the major findings are summarised below:

### I. General

The total receipts of the Government of Jharkhand for the year 2016-17 were ₹ 47,053.93 crore. The revenue raised by the State Government was ₹ 18,650.66 crore (39.64 *per cent* of the total receipts). The share of receipts from the Government of India amounting to ₹ 28,403.27 crore (60.36 *per cent* of the total receipts) comprised of State’s share of divisible Union taxes of ₹ 19,141.92 crore (40.68 *per cent* of the total receipts) and grants-in-aid of ₹ 9,261.35 crore (19.68 *per cent* of the total receipts). The State’s share in central taxes after the implementation of the 14<sup>th</sup> Finance Commission has increased. There was an increasing trend in the tax revenue collected by the State. Till 2014-15, both the State’s own tax revenue and the State’s share in central taxes increased at the same rate. From 2015-16 onwards, the State’s share in central taxes increased at a faster rate than the State’s own taxes. Audit observed that the wide variations between the budget estimates and actual receipts were due to the Finance Department unilaterally increasing the estimates of the Administrative departments without assigning reasons.

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

(Paragraph 1.2)

Arrears of revenue as on 31 March 2017 in respect of taxes on sales, trade etc., taxes on vehicles and state excise amounted to ₹ 4,455.53 crore, of which ₹ 2,200.92 crore was outstanding for more than five years.

**Audit recommends that 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.**

(Paragraph 1.3)

### II. Taxes on sales, trade etc.

An audit on “Implementation of Value Added Tax and preparedness of the Department for Goods and Services Tax” revealed the following:

- The acute shortage of officers (42.37 *per cent*) and supporting staff (54.97 *per cent*) severely affected the performance of the Commercial Taxes Department, resulting in 31,187 assessments pending finalisation as on 31 March 2017.

**Audit recommends that the Government may expedite the recruitment process and focus on legacy issues relating to the Value Added Tax regime so that pending assessments and recovery of arrears do not become time barred.**

**(Paragraph 2.2.8 and 2.2.13)**

- Concealment of sales/ purchase turnover of ₹ 1,306.34 crore was not detected due to non-formulation of a comprehensive checklist for finalisation of assessment, leading to under assessment of tax of ₹ 405.37 crore including penalty of ₹ 270.26 crore in the case of 108 dealers registered in 24 commercial taxes circles.

**Audit recommends that the Department may comply with the orders of the Chief Secretary, prepare a comprehensive checklist for scrutiny of returns applicable in both, Value Added Tax and Goods and Services Tax regimes, and enforce their use by assessing authorities in the scrutiny of returns.**

**(Paragraph 2.2.15.1)**

- Non-formulation of norms by the Commercial Taxes Department for scrutiny of returns led to incorrect determination of taxable turnover of ₹ 418.11 crore and consequential under assessment of tax of ₹ 41.71 crore in respect of 27 dealers/ contractors for the period 2010-11 and 2012-13.

**Audit recommends that the Department may direct assessing authorities not to rely merely on the returns filed by dealers when determining gross turnover/ taxable turnover, but to cross verify the returns using all relevant documents and records available with them/ furnished to them. The Department may also issue norms for verification of records in this regard.**

**(Paragraph 2.2.15.2)**

- Failure of the Department to evolve a mechanism to check allowance of incorrect exemption allowed by assessing authorities resulted in under assessment of tax of ₹ 15.43 crore in the case of 64 dealers/ contractors for the period 2010-11 to 2013-14.

**Audit recommends that the Department may formulate a mechanism to prevent large scale irregular allowance of exemptions that are contrary to the Act.**

**(Paragraph 2.2.15.3)**

- Short levy of tax of ₹ 14.71 crore due to incorrect classification of goods resulted in application of incorrect rate of tax in case of 27 dealers registered in 14 commercial taxes circles.

**Audit recommends that the Department may correctly classify commodities in the schedules appended to the Act.**

**(Paragraph 2.2.15.4)**

- Failure of the Department to introduce a procedure to levy interest, as per the Act, on the tax assessed due to disallowance of exempted/ concessional turnover, resulted in non-levy of interest of ₹ 142 crore on 62 dealers registered in 19 commercial taxes circles.

**Audit recommends that the Department may issue instructions to levy interest on disallowed exemptions/ concessions or incorrect adjustment of input tax credit.**

**(Paragraph 2.2.15.7)**

- Cross verification of data from different Central/ State Government Departments with the assessment records of the 87 dealers/ contractors led to detection of suppression of turnover of ₹ 2,311.95 crore between 2010-11 and 2015-16 and consequent under assessment of tax of ₹ 474.37 crore including penalty of ₹ 343.46 crore.

**Audit recommends that the Department may consider proposing appropriate amendments to the Jharkhand Goods and Services Tax Act to constitute a Bureau of Investigation or Enforcement wing. The Department may also evolve a mechanism for collection of data from different departments of Central/ State Government/ Public Sector Undertakings etc., and their cross verification with the turnover of the dealers under the Jharkhand Goods and Services Tax Act.**

**(Paragraph 2.2.17)**

### **III. State excise**

The Government was deprived of excise revenue of ₹ 79.72 crore due to non-settlement of 111 shops for the period 2015-16 in four excise districts.

**(Paragraph 3.5)**

Absence of system for periodical monitoring of lifting of liquor against minimum guaranteed quota, by the Department, in 12 excise districts, resulted in short lifting of liquor by 695 vendors during 2015-16 and consequential non-levy of penalty equivalent to loss of excise duty of ₹ 23.20 crore.

**Audit recommends that the Department may introduce a mechanism to ensure that revenue loss arising out of short lifting of minimum guaranteed quota is minimised.**

**(Paragraph 3.6)**

### **IV. Taxes on vehicles**

Non-raising of demands, inadequate functioning of enforcement wing and weak internal controls led to non-realisation of tax and penalty of ₹ 57.73 crore from 14,604 defaulting vehicles, for the period between January 2011 and March 2017 in 17 transport offices.

**(Paragraphs 4.4)**

Input control deficiencies in VAHAN software led to recording of lesser registered laden weight of vehicles resulting in short levy of taxes of ₹ 1.15 crore in District Transport Office, Hazaribag.

**(Paragraphs 4.5)**

Improper mapping of Acts/ Rules in VAHAN software allowed registering of ambulances as personalised vehicles instead of transport vehicles resulting in short levy of tax.

**Audit recommends that the Government should ensure that all vehicles registered as ambulances in the VAHAN database are categorized as transport vehicles and taxed and tested for fitness appropriately. The Department may formulate specifications for different types of ambulances, and tax them appropriately.**

(Paragraphs 4.9)

## **V. Other tax receipts**

### **Stamp duty and registration fees**

Failure of mechanism to ensure that leases are registered on the basis of verification of the average annual royalty projected in the approved mining plan, as required under the law and rules, resulted in incorrect valuation of documents and consequential short levy of stamp duty and registration fees of ₹ 3.85 crore in eight district sub-registrar offices.

**Audit recommends that the Department may introduce a system to ensure that lease deeds are registered on the basis of the average annual royalty projected in the approved mining plan, as required under the law and rules.**

(Paragraph 5.4)

Absence of system for inter-departmental exchange of data/ information resulted in failure to ensure presentation of documents relating to two toll contracts and leases executed by circle offices and local bodies for registration and consequential non-levy of stamp duty and registration fee of ₹ 3.88 crore in eight district sub-registrar offices.

**Audit recommends that the Department may introduce a mechanism (preferably electronic) to ensure that data/ information relating to lease of government property (including tolls) is shared by all departments, so that there is no leakage of revenue through failure to register documents.**

(Paragraph 5.5)

### **Taxes and duties on electricity**

Failure of the assessing authorities to levy higher electricity duty on mining activity in terms of the amended Act, and failure of the Department to introduce software applications to implement its orders to make e-filing of taxes mandatory, resulted in short levy of electricity duty of ₹ 2.12 crore and interest of ₹ 3.36 crore in four commercial taxes circles.

**Audit recommends that the Department may suitably instruct the assessing authorities to levy electricity duty on mining activity at higher rates in terms of amended Jharkhand Electricity Duty Act and immediately develop the software application required to make e-filing of returns mandatory.**

(Paragraph 5.8)

## VI. Mining receipts

The Performance Audit on “Mining Receipts in Jharkhand State” contained the following observations:

- More than 30 minerals *viz.*, coal, iron ore, bauxite, copper, lime stone, kyanite, quartz, mica, graphite, building stone etc., are found in Jharkhand and constitute 40 *per cent* of India’s total mineral resources. Mining receipts constitute the second largest receipts of the State and ranged between 24 and 27 *per cent* of the total receipts during last five years.

(Paragraph 6.2.1)

- The State Government is yet to finalise a State Mineral Policy, seven years after the Government of India circulated a model policy. Consequently, the mineral resources of the State continued to be exploited on *ad hoc* basis.

(Paragraph 6.2.10)

- Significant shortage of District Mining Officers/ Assistant Mining Officers (59 *per cent*), Mining Inspectors (48 *per cent*) and other supporting staff (61 *per cent*) coupled with inadequate inspections by the departmental higher officers and negligible frequency of internal audits rendered internal control systems of the department inefficient, resulting in recurrence of irregularities.

(Paragraph 6.2.11)

- The Department failed to perform the annual assessment of lessee records as required under the Rules. Only 42 records were assessed out of 6,359 assessable during 2011-12 to 2015-16. Assessment of 1,350 records pertaining to the period 2011-12, became time barred due to failure to fill up vacancies in critical cadres.

(Paragraph 6.2.11.2)

- Failure of departmental officers to verify the current price notified by Coal India Limited and Indian Bureau of Mines on coal and iron ore respectively, and the Jharkhand Minor Mineral Concession Rules on royalty on stone resulted in loss of revenue of ₹ 6.65 crore in eight leases due to application of incorrect rate of royalty on despatch of 4.17 lakh MT of coal and iron ore and 4.81 lakh m<sup>3</sup> of stone during 2015-16.

**Audit recommends that the Department may initiate measures to ensure that departmental officers verify the current prices notified by Coal India Limited and Indian Bureau of Mines on coal and iron ore respectively, and the Jharkhand Minor Mineral Concession Rules on royalty on stone.**

(Paragraph 6.2.11.3)

- Failure of the mining officer to cross verify monthly returns filed by the lessee with data/ information of the Commercial Taxes Department resulted in undervaluation of basic sale value of by-product of washed coal and short levy of royalty of ₹ 56.85 crore and interest thereon of ₹ 13.64 crore.

**Audit recommends that the Department should ensure that District Mining Officers invariably cross verify the data/ information of other**

**departments/ organisations with the data/ information available in the Mining Department to detect such cases of leakage of revenue.**

**(Paragraph 6.2.12.1)**

- The Mining Department, without enquiring about the source of procurement of minerals, accepted an amount of ₹ 777.69 crore, deducted and transferred by Works divisions during 2011-16 from the bills of contractors for non-submission of Forms 'O' and 'P' required to be submitted to ascertain the source of procurement of minerals consumed.

**Audit recommends that the Department may coordinate with the Works Department to ensure submission of Forms 'O' and 'P' so that minerals are not procured by works contractors through illegal sources.**

**(Paragraph 6.2.13.2)**

- Absence of system to restrict extraction of mineral to the quantity permitted in environmental clearance led to non-levy of penalty equal to price of mineral amounting to ₹ 212.57 crore for excess extraction of 29.97 lakh MT of coal over the quantity permitted in environmental clearance noticed in District Mining Office, Chatra.

**Audit recommends that the Department should ensure that no mineral is extracted in excess of limits prescribed in the environment clearance certificate.**

**(Paragraph 6.2.14.1)**