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**SECTION -B
REVENUE
SECTOR**

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CHAPTER-IV
GENERAL

CHAPTER-IV GENERAL

4.1 Trend of receipts

4.1.1 The tax and non-tax revenues raised by the Government of Bihar (GoB), the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the period 2015-20 are depicted in **Table-4.1**.

Table-4.1
Trend of receipts

(₹ in crore)						
Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Revenues raised by the State Government					
	• Tax revenues	25,449.18	23,742.26	23,136.49	29,408.14	30,157.98
	Percentage of growth compared to previous year	22.65	(-) 6.71	(-) 2.55	27.11	2.55
	• Non-tax revenues	2,185.64	2,403.11	3,506.74	4,130.56	3,699.60
	Percentage of growth compared to previous year	40.29	9.95	45.93	17.79	(-) 10.43
	Total	27,634.82	26,145.37	26,643.23	33,538.70	33,857.58
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	48,922.68	58,880.59	65,083.38	73,603.13	63,406.33 ¹⁸⁴
	• Grants-in-aid ¹⁸⁵	19,565.60	20,559.02	25,720.13	24,651.62	26,968.62 ¹⁸⁶
	Total	68,488.28	79,439.61	90,803.51	98,254.75	90,374.95
3.	Total revenue receipts (1 and 2)	96,123.10	1,05,584.98	1,17,446.74	1,31,793.45	1,24,232.53
4.	Percentage of 1 to 3	29	25	23	25	27
5.	Percentage of tax revenue to total revenue receipts	26	22	20	22	24

(Source: Finance Accounts, GoB)

The above table indicates that the average annual growth rate in respect of tax revenues and non-tax revenues were 8.61 per cent and 20.71 per cent respectively during 2015-20.

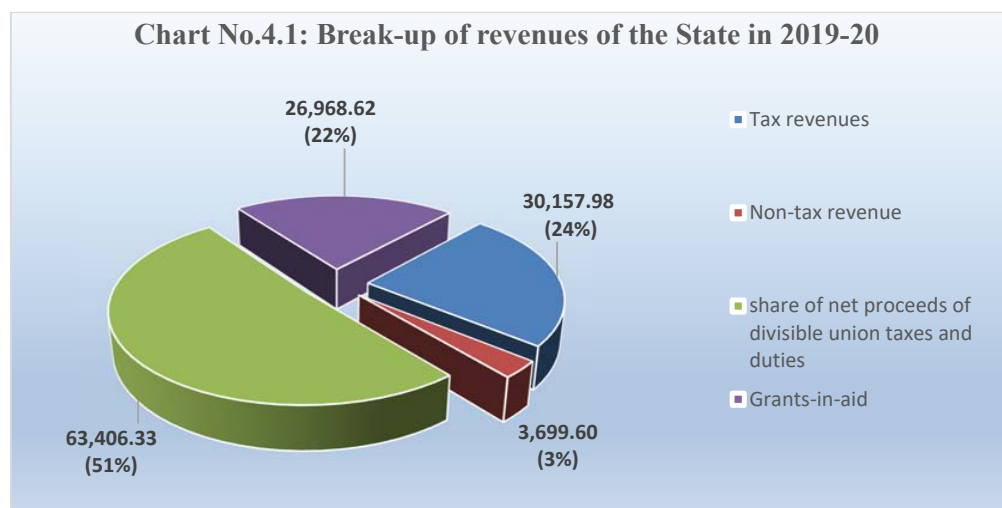
The State's share in Central taxes increased by 10 per cent (from 32 to 42 per cent) after the implementation (from 2015-16) of the recommendations of the 14th Finance Commission.

¹⁸⁴ For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2019-20. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads - 0005 - Central Goods and Services Tax (₹17,992.97 crore), 0008 - Integrated Goods and Services Tax (₹0.00 crore) 0020 - Corporation Tax (₹21,618.94 crore), 0021 - Taxes on income other than Corporation Tax (₹16,939.90 crore), 0028 - Other Taxes on Income and Expenditure (₹0.00 crore) 0032 - Taxes on Wealth (₹0.95 crore), 0037 - Customs (₹4,019.07 crore), 0038 - Union Excise Duties (₹2,794.34 crore), 0044 - Service Tax (₹0.00 crore) and 0045 - Other taxes and duties on commodities and services (₹40.16 crore).

¹⁸⁵ Centrally sponsored schemes, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI).

¹⁸⁶ Includes compensation of ₹3,524.78 crore towards loss of revenue due to implementation of GST.

Break-up of revenue of the State for the year 2019-20 is given in **Chart No 4.1:** (₹ in crore)



4.1.2 Details of Budget Estimates (BEs) and tax revenues raised during the period 2015-16 to 2019-20 are given in **Table-4.2.**

Table- 4.2
Details of Tax Revenues

(₹ in crore)

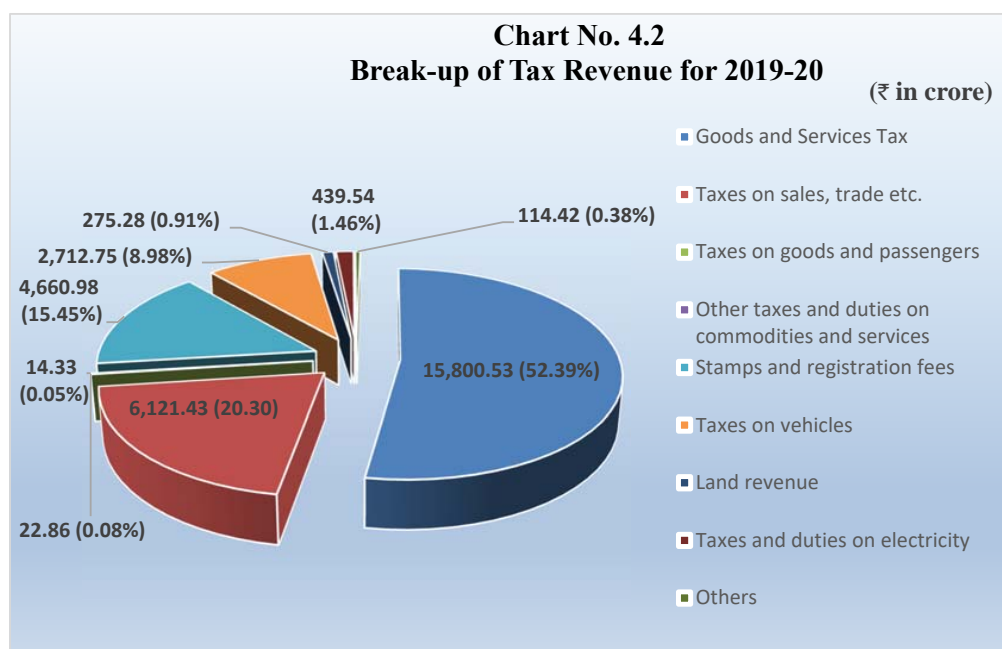
Sl. No.	Head of revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Percentage of increase (+)/ decrease (-) in actuals of 2019-20 in comparison to	
		BE Actuals	BE Actuals	BE Actuals	BE Actuals	BE Actuals	BE of 2019-20	Actuals of 2018-19
1..	State Goods and Services Tax	-	-	0.00 6,746.96	15,000.00 15,288.06	17,812.00 15,800.53	(-) 11.29	3.35
2.	Taxes on sales, trade etc.	16,025.18 10,603.40	14,021.33 11,873.51	24,400.00 8,298.10	7,890.00 6,584.24	7,150.00 6,121.43	(-) 14.39	(-) 7.03
3.	Taxes on goods and passengers ¹⁸⁷	5,146.88 6,087.12	7,211.96 6,245.62	0.00 1,644.85	0.00 398.74	50.00 22.86	(-) 54.28	(-) 94.27
4.	Other taxes and duties on commodities and services	45.43 69.36	88.90 81.08	0.01 20.51	0.02 1.16	(-) 0.01 14.33	143400	1135.34
	Sub-Total (1, 2, 3 and 4)	21,217.49 16,759.88	21,322.19 18,200.21	24,400.01 16,710.42	22,890.02 22,272.20	25,011.99 21,959.15	(-) 12.21	(-) 1.41
5.	State excise ¹⁸⁸	4,000.00 3,141.75	2,100.00 29.66	0.00 (-3.43)	0.00 (-) 9.63	0.00 (-) 4.14	-	57.01
6.	Stamps and registration fees	4,000.00 3,408.57	3,800.00 2,981.95	4,600.00 3,725.66	4,700.00 4,188.61	4,700.00 4,660.98	(-) 0.83	11.28
7.	Taxes on vehicles	1,200.00 1,081.22	1,500.00 1,256.67	1,800.00 1,599.51	2,000.00 2,085.94	2,500.00 2,712.75	8.51	30.05
8.	Land revenue	300.00 695.15	330.00 971.12	600.00 778.65	1,000.00 476.80	1,100.00 275.28	(-) 74.97	(-) 42.27
9.	Taxes and duties on electricity	102.50 297.99	590.04 223.90	501.09 239.16	310.00 269.17	350.00 439.54	25.58	63.29
10.	Other taxes on income and expenditure- taxes on professions, trades, callings and employment	55.00 64.55	88.03 78.75	100.00 86.52	102.00 125.05	138.00 114.42	(-) 17.09	(-) 8.50
	Total	30,874.99 25,449.11	29,730.26 23,742.26	32,001.10 23,136.49	31,002.02 29,408.14	33,799.99 30,157.98	(-) 10.78	2.55

(Source: Finance Accounts, GoB and Revenue and Capital Receipts)

¹⁸⁷ All receipts under Taxes on goods and passengers is from Entry Tax during the year 2019-20, which has since been abolished and subsumed in GST from 1.7.2017.

¹⁸⁸ Sale of Liquor has been prohibited in Bihar since April 2016.

Break-up of tax revenues of the State for 2019-20 is given in **Chart No 4.2**:



It may be seen from **Table 4.2** that there were wide variations between the budget estimates and actuals during 2019-20 under different heads of tax revenue, which indicated that the budget was not prepared on a realistic basis.

Reasons for variations are discussed below:

Commercial Taxes¹⁸⁹: The Department stated (July 2021) that main reason for decrease in collection of Taxes on sales, trade *etc.*, and Taxes on goods and passengers during 2019-20 with that of budget estimate was introduction of one time settlement scheme of tax disputes under which actual dues were settled against payment of 35 *per cent* of assessed tax and 10 *per cent* of interest and penalty.

Land revenue: Audit noticed that the main reason for decrease of ₹201.52 crore (42.27 *per cent*) in Land Revenue during 2019-20 in comparison to the actual collection of 2018-19 was reduction in the rate of establishment charges¹⁹⁰.

4.1.3 Details of budget estimates and non-tax revenues raised during the period 2015-16 to 2019-20 are indicated in **Table 4.3**.

¹⁸⁹ Commercial taxes include State Goods and Service Tax, Taxes on sales, trade *etc.*, Taxes on goods and passengers and Other taxes and duties on commodities and services.

¹⁹⁰ Rate of establishment charges was between 20 *per cent* and 35 *per cent* which was revised to 2 *per cent* w.e.f. 27.06. 2018.

Table- 4.3
Details of non-tax revenues

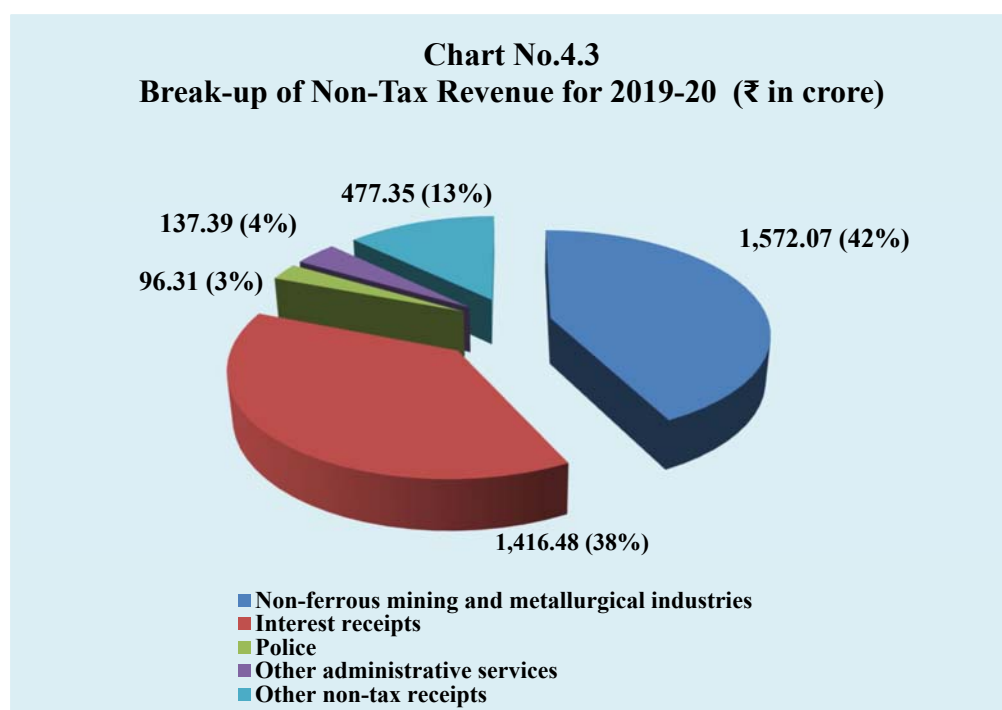
(₹in crore)

Sl. No.	Head of Revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Percentage of increase (+)/ decrease (-) in actual of 2019-20 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2019-20	Actuals of 2018-19
1.	Non-ferrous mining and metallurgical industries	<u>1,000.00</u> 971.34	<u>1,100.00</u> 997.60	<u>1,350.00</u> 1,082.67	<u>1,600.00</u> 1,560.65	<u>1,600.00</u> 1,572.07	(-) 1.75	(+)0.73
2.	Interest receipts	<u>312.13</u> 583.66	<u>365.78</u> 939.91	<u>619.25</u> 1,577.24	<u>2,187.39</u> 1,371.94	<u>2,293.84</u> 1,416.48	(-) 38.25	(+)3.25
3.	Police	<u>28.93</u> 66.05	<u>31.74</u> 42.16	<u>41.53</u> 86.04	<u>46.19</u> 30.41	<u>52.50</u> 96.31	(+)83.45	(+)216.71
4.	Other administrative services	<u>51.25</u> 72.61	<u>23.35</u> 99.88	<u>256.32</u> 25.84	<u>20.10</u> 46.80	<u>22.62</u> 137.39	(+)507.38	(+)193.57
5.	Other non-tax ¹⁹¹ receipts	<u>1,988.80</u> 491.98	<u>819.87</u> 323.56	<u>567.21</u> 734.95	<u>592.21</u> 1,120.76	<u>837.51</u> 477.35	(-)43.00	(-)57.41
Total Receipts		2,185.64	2,403.11	3,506.74	4,130.56	3,699.60		

(Source: Actual receipts as per Finance Accounts and budget estimates as per Statement of Revenue and Capital Receipts of GoB).

¹⁹¹ Other non-tax receipts includes actual receipts during 2019-20 under the following heads: Road and bridges (₹82.53 crore), Medical and public health (₹47.54 crore), Other rural development programmes (₹24.96 crore), Forestry and wild life (₹20.33 crore), Education, sports, arts and culture (₹17.13 crore), Public service commission (₹70.08 crore), Other general economic services (₹25.36 crore), Contribution and recoveries towards pension and other retirement benefits (₹1.64 crore), Crop husbandry (₹13.12 crore), Major irrigation (₹12.64 crore), Medium irrigation (₹11.68 crore), Labour employment and skill development (₹11.28 crore), Jail (₹24.06 crore), Fisheries (₹14.28 crore), Miscellaneous general service (₹3.67 crore), Water supply and sanitation (₹37.38 crore), Housing (₹4.05 crore), Urban development (₹4.80 crore), Information and publicity (₹0.24 crore), Social security and welfare (₹0.17 crore), Animal husbandry (₹0.70 crore), Cooperation (₹2.36 crore), Land reform (₹0.13 crore), Minor irrigation (₹17.69 crore), Civil aviation (₹1.95 crore), Road transport (₹0.20 crore), Tourism (₹2.35 crore), Village and small industries (₹0.08 crore), Industries (₹14.64 crore), Civil supplies (₹0.02 crore), Public Works (₹8.60 crore), Stationary and Printing (₹0.04 crore) and Dividend and Profits (₹1.62 crore).

Break-up of non-tax revenues of the State for 2019-20 is given in **Chart No.4.3**:



Reasons for wide variations are discussed below:

Police Receipts: Audit noticed that the main reason for increase in actual receipts during 2019-20 over actual receipts of 2018-19 was more receipts mainly under fees, fines and forfeitures.

Other Administrative Services: Audit noticed that the main reason for increase of actual receipts of 507.38 *per cent* over budget estimate during 2019-20 was increase of ₹116.15 crore in receipts towards election sub-head.

4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 in respect of the principal heads of revenue amounted to ₹4,584.73 crore of which ₹1,357.78 crore was outstanding for more than five years as detailed in **Table-4.4**.

Table- 4.4
Arrears of revenue

(₹in crore)				
Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Stages of pendency as stated by the Departments concerned
1.	Taxes on sales, trade <i>etc.</i>	3,321.86	1,082.42	Out of ₹3,321.86 crore, demands for ₹283.65 crore were certified for recovery as arrears of land revenue, recoveries of ₹599.93 crore and ₹595.45 crore were stayed by the courts and the Government respectively, ₹3.73 crore was held up due to assessee/dealers becoming insolvent, ₹22.15 crore was likely to be written off and ₹1,816.95 crore was pending at other stages.

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Stages of pendency as stated by the Departments concerned
2.	Taxes on goods and passengers	370.41	33.89	Out of ₹370.41 crore, demand for ₹24.08 lakh was certified for recovery as arrears of land revenue, recovery of ₹269.88 crore was stayed by the courts and ₹100.29 crore was pending at other stages.
3.	Taxes and duties on electricity	0.20	0.19	Out of ₹0.20 crore, recovery of ₹5.61 lakh was stayed by the courts and ₹14.15 lakh was pending at other stages.
4.	Taxes on vehicles	187.07	NA	The Transport Department did not provide details of arrears outstanding for more than five years. The Department also did not provide stages of pendency of outstanding arrears.
5.	Other taxes and duties on commodities and services	4.10	2.27	Out of ₹4.10 crore, demands for ₹1.57 crore were certified for recovery as arrears of land revenue and ₹2.53 crore was pending at other stages.
6.	Land revenue	256.96	NA	The Revenue and Land Reforms Department did not provide details of arrears outstanding for more than five years. The Department also did not provide stages of pendency of outstanding arrears.
7.	Stamp duty and registration fee	30.61	3.51	Demands of ₹6.29 crore were certified for recovery as arrears of land revenue.
8.	State excise	53.19	17.38	Out of ₹53.19 crore, demands for ₹42.73 crore were certified for recovery as arrears of land revenue, recovery of ₹4.20 crore was stayed by the courts, ₹0.13 crore was held up due to assessee/dealers becoming insolvent, ₹0.36 crore was likely to be written off and ₹5.77 crore was pending at other stages.
9.	Non-ferrous mining and metallurgical industries	360.33	218.12	Demands for the entire arrear of ₹360.33 crore were certified for recovery as arrears of land revenue.
TOTAL		4,584.73	1,357.78	

(Source: Information from the Departments)

4.3 Follow up on Audit Reports– summarised position

In terms of the Manual of Instructions (1998) of the Finance Department, Departments are required to initiate action on the audit paragraphs contained in the Reports of the Comptroller and Auditor General of India (CAG) within two months of their laying in the Legislative Assembly, and Government shall submit explanatory notes thereon for consideration by the Public Accounts Committee (PAC). However, explanatory notes (replies of the Departments) were submitted with delays of more than five months in respect of 252 paragraphs (including performance audits) appearing in the CAG's Revenue Audit Reports for the years 2008-09 to 2017-18 placed before the State Legislature between July

2010 and March 2020. Details of pending explanatory notes as on September 2020 pertaining to various Departments¹⁹² are given in **Table-4.5**.

Table-4.5
Pending explanatory notes

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 2009	23.07.2010	29	26	3
2	31 March 2010	20.07.2011	26	26	0
3	31 March 2011	06.08.2012	35	35	0
4	31 March 2012	08.01.2013	38	36	2
5	31 March 2013	21.02.2014	41	39	2
6	31 March 2014	24.12.2014	44	39	5
7	31 March 2015	18.03.2016	39	34	5
8	31 March 2016	27.03.2017	42	19	23
9	31 March 2017	29.11.2018	36	6	30
10	31 March 2018	16.03.2020	28	0	28
Total			358	260	98

It was observed that though the Departments initiated action for recovery of revenue in the instances pointed out by audit, corrective measures to prevent persistent irregularities were not addressed by the Departments at any level.

The PAC discussed 71 selected paragraphs pertaining to the Audit Reports for the years 2008-09 to 2015-16 and issued recommendations on 54 paragraphs pertaining to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Mines and Geology Department and Transport Department incorporated in the aforesaid Reports on which no Action Taken Notes (ATNs) had been received from the Departments.

The Accountant General (Audit) requested Chief Secretary, Government of Bihar (February 2021) to instruct the concerned Departments for timely submission of self-explanatory notes on audit observations and ATNs on PAC's recommendation. In pursuance to the audit request, the Finance Department issued instructions (March 2021) to all administrative Departments to submit self-explanatory notes on audit observations and ATNs on PAC's recommendation.

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 ensure that all Departments promptly prepare ATNs on recommendations of PAC.

4.4 Response of the Departments/Government to Audit

4.4.1 Position of outstanding Inspection Reports

On completion of audit of Government Departments and offices, Audit issues Inspection Reports (IRs) to the concerned Heads of offices, with copies to their

¹⁹² Commercial Taxes (61 paragraphs); Prohibition, Excise and Registration (six paragraphs); Transport (five paragraphs); Revenue and Land Reforms (20 paragraphs) and Mines and Geology (six paragraphs).

superior officers for corrective action and their monitoring. Serious financial irregularities are reported to the head of the Departments and the Government. Review of IRs issued during the period 2010-11 to 2019-20 revealed that 23,840 paragraphs relating to 2,808 IRs remained outstanding at the end of March 2020. The potential recoverable revenue in these IRs was as much as ₹31,683.24 crore where as the total revenue collection of the State for 2019-20 was ₹33,857.59 crore. Details of IRs relating to major revenue earning Departments of the State Government are given in **Table - 4.6**.

Table - 4.6
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.	426	10,100	12,620.08
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2	Excise and Prohibition	State excise	362	1,594	1,164.75
3	Revenue and Land Reforms	Land revenue	840	5,449	11,078.23
4	Transport	Taxes on vehicles	380	2,987	2,123.76
5	Registration	Stamps and registration fees	398	1,282	1,261.88
6	Mines and Geology	Mining receipts	402	2,428	3,434.54
Total			2,808	23,840	31,683.24

Even the first replies, required to be received from the Heads of offices within four weeks of receipt of the IRs as per Regulation 197 of the Regulation on Audit and Accounts, 2007, were not received (June 2020) for 1,038 IRs (10,355 audit observations) involving potential revenue of as much as ₹19,149.15 crore, issued from 2010-11 onwards. Department-wise details are given in **Table – 4.7**.

Table - 4.7
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.	120	3,889	5946.61
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	65	358	183.82
3.	Revenue and Land Reforms	Land revenue	467	3,414	9,408.88
4.	Transport	Taxes on vehicles	184	1,604	1,537.92
5.	Registration	Stamps and registration fees	117	415	890.71
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	85	675	1,181.21
Total			1,038	10,355	19,149.15

Recommendation:

The State Government may introduce a mechanism to ensure that departmental officers respond to Audit Inspection Reports promptly, take corrective action, and work closely with Audit to bring about early settlement of audit observations through Audit Committee Meetings.

4.5 Results of audit**Position of the local audit conducted during the year**

Audit covered six Departments of the State Government and test-checked records of 70 units out of 1,350 auditable units (5.19 *per cent*) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees, land revenue and mining receipts during the year 2019-20.

Audit observed under assessment/short levy/loss of revenue aggregating to ₹4417.05 crore in 1,265 cases, which were communicated to the Departments through Inspection Reports. The Departments concerned accepted (between April 2019 and March 2020) under assessment and other deficiencies of ₹1,249.81 crore in 1,318 cases, out of which 151 cases involving ₹329.56 crore were pointed out during 2019-20 and the rest in earlier years. The Departments reported (between April 2019 and March 2020) recovery of ₹16.08 crore in 207 cases pertaining to previous years.

4.6 Coverage of this Report

This Report contains seven paragraphs. The total financial implication of the Report is ₹74.22 crore.

The Departments have accepted (up to August 2021) audit observations amounting to ₹69.70 crore. The audit observations are discussed in subsequent paragraphs.

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.

