



**Compliance Audit Report
of the
Comptroller and Auditor General of India
for the year ended 31 March 2021
Revenue Sector**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Bihar
Report No. 2 of the year 2022

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2021 has been prepared for submission to the Governor of Bihar under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning Departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2020-21 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2020-21 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 10 paragraphs, one Detailed Compliance Audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices” and one Compliance Audit on “Transitional Credits”. Some of the major findings in this report are summarised below:

1. General

The total receipts of the Government of Bihar for the year 2020-21 amounted to ₹ 1,28,294.13 crore, of which revenue raised by the State Government from its own sources was ₹ 36,543.01 crore (28.48 *per cent*). The share of receipts from the Government of India amounting to ₹ 91,751.12 crore (71.52 *per cent* of the total receipts) comprised State’s share of divisible Union taxes of ₹ 59,987.24 crore (46.76 *per cent* of the total receipts) and grants-in-aid of ₹ 31,763.88 crore (24.76 *per cent* of the total receipts).

(Paragraph 1.1)

Arrears of revenue as on 31 March 2021 on taxes on sales, trade *etc.*, taxes on goods and passengers, taxes and duties on electricity, taxes on vehicles, other taxes and duties on commodities and services, land revenue, state excise, stamps duty and registration fee and non-ferrous mining and metallurgical industries amounted to ₹ 3,180.63 crore, of which ₹ 1,056.31 crore was outstanding for more than five years.

(Paragraph 1.2)

The Public Accounts Committee (PAC) discussed 64 selected paragraphs pertaining to the Audit Reports for the years 2009-10 to 2018-19 and issued recommendations on 52 paragraphs relating to Commercial Taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Transport Department and Mines and Geology Department as incorporated in aforesaid Reports. However, no action taken report has been received from these departments on PAC recommendations (March 2022).

(Paragraph 1.3)

Audit observations included in 2,899 Inspection Reports (IRs) (24,332 audit observations) involving potential revenue of as much as ₹ 29,868.12 crore were outstanding at the end of March 2021 whereas the total revenue collection of the State was ₹ 36,543.01 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received in respect of 1,201 IRs (10,385 audit observations) involving potential revenue of as much as ₹ 18,614.56 crore, issued from 2007-08 onwards.

(Paragraph 1.4.1)

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 486.29 crore in 669 cases. The departments concerned accepted (between April 2020 and March 2021) underassessment and other deficiencies of ₹ 187.28 crore in 679 cases, which were pointed out during previous years. The departments reported (between April 2020 and March 2021) recovery of ₹ 9.69 crore in 164 cases.

(Paragraph 1.5)

2. Taxes on Vehicles

Detailed compliance audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices”

An amount of ₹ 6.27 crore realised through e-challan by Hand Held Devices was not remitted to the Government account. Remittance of ₹ 7.03 crore in Government account could not be verified due to non-maintenance of account/cash book for amount collected through Hand Held Devices.

(Paragraph 2.3.6)

A total of 3,061 Challans worth ₹ 1.97 crore were irregularly modified and fines unpaid were reduced by ₹ 90.96 lakh.

(Paragraph 2.3.7)

Even after realisation of fines worth ₹ 0.71 lakh through manual money receipts by ESI, the said amount was not remitted to the Government account.

(Paragraph 2.3.8)

71,274 e-challans for ₹ 24.17 crore were issued to defaulting vehicle owners/drivers but neither any action was initiated against them nor any efforts were made for seizure of vehicles or documents.

(Paragraph 2.3.9)

At Rajauli check-post in Nawada, user IDs for five taxation officials were issued but only one user ID was recorded in check-post register. No register/record for daily shift-wise collection of revenue and its remittance into Government account was maintained.

(Paragraph 2.3.11)

Receipts from fine on vehicles for ₹ 9.33 crore were remitted under the improper head which deprived the Road Safety Council of its share of Road Safety Cess Fund amounting to ₹ 93.30 lakh.

(Paragraph 2.3.12)

A total of 191 e-challans worth ₹ 5.06 lakh were issued through Hand Held Devices without identity of the user which resulted in non-verification of its remittance into Government account.

(Paragraph 2.3.13)

Only 11.86 *per cent* of the total amount realised was digitally transferred to designated banks in eight districts.

(Paragraph 2.3.14)

3. Commercial Taxes

Compliance Audit on “Transitional Credits”

The proper officer did not initiate any action to recover ₹ 15.95 crore due for recovery.

(Paragraph 3.3.6.1)

Two taxpayers of two circles incorrectly claimed TDS of ₹ 1.69 crore as transitional Input Tax Credit (ITC) in GST TRAN-1.

(Paragraph 3.3.6.2)

Three taxpayers of two circles claimed excess transitional ITC of ₹ 35.31 lakh in GST TRAN-1 in comparison to the last return of VAT.

(Paragraph 3.3.6.3)

Three taxpayers of two circles incorrectly claimed transitional ITC of ₹ 1.58 crore in GST TRAN-1 on closing stock.

(Paragraph 3.3.6.4)

Four taxpayers of three circles incorrectly claimed transitional ITC of ₹ 57.31 lakh in GST TRAN-1.

(Paragraph 3.3.6.6)

Legacy Issues

The Assessing Authorities did not levy tax of ₹ 94.63 lakh on the closing stock on discontinuance of business.

(Paragraph 3.4.1)

The Assessing Authorities failed to detect suppression of turnover of ₹ 3.51 crore which resulted in under-assessment of tax of ₹ 1.18 crore including leviable penalty and interest.

(Paragraph 3.4.2)

The Assessing Authorities did not levy entry tax while doing assessment which resulted in short realisation of entry tax of ₹ 45.21 lakh including leviable interest.

(Paragraph 3.4.3)

The Assessing Authorities failed to detect Irregular/excess claim of ITC of ₹ 1.39 crore which resulted in under-assessment of tax of ₹ 6.68 crore including leviable penalty and interest.

(Paragraph 3.4.4)

The Assessing Authorities failed to detect the application of incorrect rate of tax which resulted in short levy of tax of ₹ 2.12 crore including interest.

(Paragraph 3.4.5)

4. Revenue and Land Reforms

Application of incorrect calculation method resulted in short levy of solatium of ₹ 2.22 crore leading to short payment to 17 land owners.

(Paragraph 4.3.1)

The incorrect calculation of additional compensation of ₹ 8.60 crore leading to short payment to the land owners.

(Paragraph 4.3.2)

Cess of ₹ 63.15 lakh as a percentage on the capitalised value of the annual rent for 25 years of the land under acquisition, was not levied.

(Paragraph 4.3.3)

5. Stamps and Registration fees

Five Registering Authorities failed to detect undervaluation of land in nine instruments executed during June 2016 to August 2021 which resulted in short realisation of Stamp duty and Registration fee of ₹ 2.08 crore.

(Paragraph 5.3)

Failure of the Registering Officer to detect misclassification of mining lease of stone resulted in short realisation of stamp duty and registration fee of ₹ 6.95 crore.

(Paragraph 5.4)

CHAPTER 1

GENERAL

CHAPTER 1: GENERAL

1.1 Trend of receipts

1.1.1 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 2016-21 are depicted in **Table-1.1**.

Table-1.1
Trend of receipts

(₹ in crore)						
Sl. No.	Particulars	2016-17	2017-18	2018-19 [#]	2019-20	2020-21
1.	Revenues raised by the State Government					
	• Tax revenues	23,742.26	23,136.49	29,408.14	30,157.98	30,341.66
	Percentage of growth compared to previous year	(-) 6.71	(-) 2.55	27.11	2.55	0.61
	• Non-tax revenues	2,403.11	3,506.74	4,130.56	3,699.60	6,201.35
	Percentage of growth compared to previous year	9.95	45.93	17.79	(-) 10.43	67.62
	Total	26,145.37	26,643.23	33,538.70	33,857.58	36,543.01
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	58,880.59	65,083.38	73,603.13	63,406.33	59,987.24 ¹
	• Grants-in-aid ²	20,559.02	25,720.13	24,651.62	26,968.62	31,763.88 ³
	Total	79,439.61	90,803.51	98,254.75	90,374.95	91,751.12
3.	Total revenue receipts (1 and 2)	1,05,584.98	1,17,446.74	1,31,793.45	1,24,232.53	1,28,294.13
4.	Percentage of 1 to 3	25	23	25	27	28
5.	Percentage of tax revenue to total revenue receipts	22	20	22	24	24

(Source: Finance Accounts, GoB)

[#] Growth in tax revenue during 2018-19 was mainly due to increase of ₹ 5,561.78 crore in Commercial Taxes, ₹ 486.43 crore on Taxes on Vehicles and ₹ 38.53 crore on Professions, Trades, Calling and Employment in comparison to the previous year.

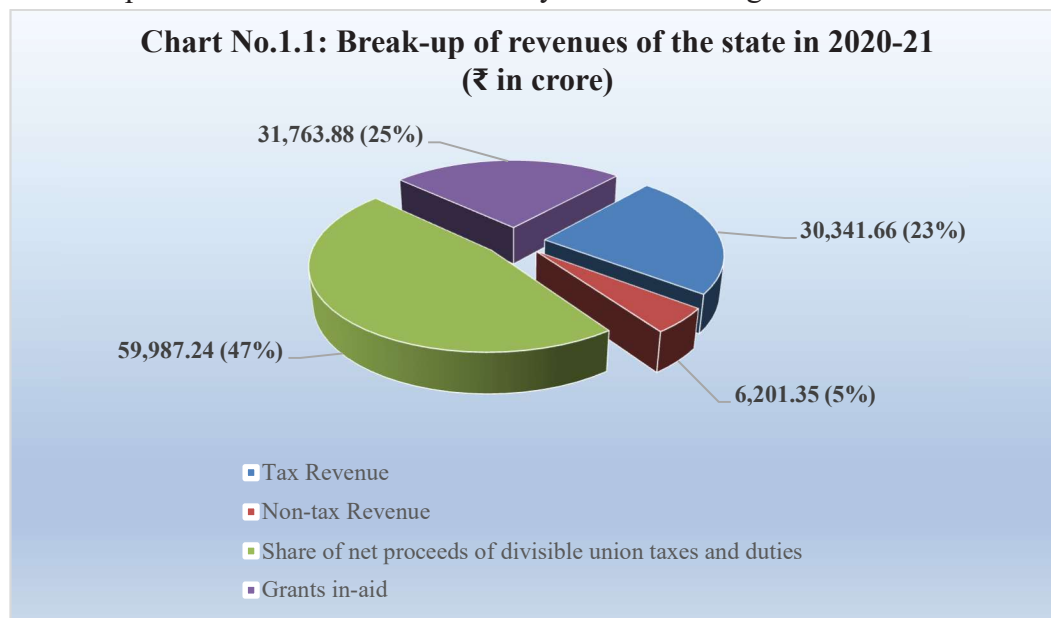
¹ For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government of Bihar for the year 2020-21. Figures under Minor Head 901 - Share of net proceeds assigned to the State under the Major Heads – 0005- Central Goods and Services Tax (₹ 17788.69 crore), 0020 - Corporation Tax (₹ 18062.14 crore), 0021 - Taxes on income other than Corporation Tax (₹ 18517.49 crore), 0028- Other Taxes on Income and Expenditure (₹ 125.81 crore) 0032 - Taxes on Wealth (₹ 0.00 crore), 0037 – Customs (₹ 3179.93 crore), 0038 - Union Excise Duties (₹ 2012.03 crore), 0044 - Service Tax (₹ 258.09 crore) and 0045 – Other taxes and duties on commodities and services (₹ 43.06 crore).

² Centrally sponsored schemes, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI).

³ Includes compensation of ₹ 4,359.28 crore towards loss of revenue due to implementation of GST.

The above table indicates that the average annual growth rate in respect of tax revenues and non-tax revenues were 4.20 *per cent* and 26.17 *per cent* respectively during 2016-21.

Break-up of revenue of the State for the year 2020-21 is given in **Chart No. 1.1:**



1.1.2 Details of Budget Estimates (BEs) and tax revenues raised during the period 2016-17 to 2020-21 are given in **Table-1.2**.

Table- 1.2
Details of Tax Revenues

(₹ in crore)

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actuals of 2020-21 in comparison to	
		BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs of 2020-21	Actuals of 2019-20
1.	State Goods and Services Tax	-	0.00 6,746.96	15,000.00 15,288.06	17,812.00 15,800.53	20,800.00 16,050.23	(-) 22.84	1.58
2.	Taxes on sales, trade etc.	14,021.33 11,873.51	24,400.00 8,298.10	7,890.00 6,584.24	7,150.00 6,121.43	5,830.00 6,031.42	3.45	(-) 1.47
3.	Taxes on goods and passengers ⁴	7,211.96 6,245.62	0.00 1,644.85	0.00 398.74	50.00 22.86	20.00 5.68	(-) 71.6	(-) 75.15
4.	Other taxes and duties on commodities and services	88.90 81.08	0.01 20.51	0.02 1.16	(-) 0.01 14.33	0.00 1.41	-	(-) 90.16
Sub-total (1, 2, 3 and 4)		21,322.19 18,200.21	24,400.01 16,710.42	22,890.02 22,272.20	25,011.99 21,959.15	26,650.00 22,088.74		
5.	State excise ⁵	2,100.00 29.66	0.00 (-)3.43	0.00 (-) 9.63	0.00 (-) 4.14	0.00 (-) 4.42	-	(-) 6.76
6.	Stamps and registration fees	3,800.00 2,981.95	4,600.00 3,725.66	4,700.00 4,188.61	4,700.00 4,660.98	4,700.00 4,206.32	(-) 10.50	(-) 9.75

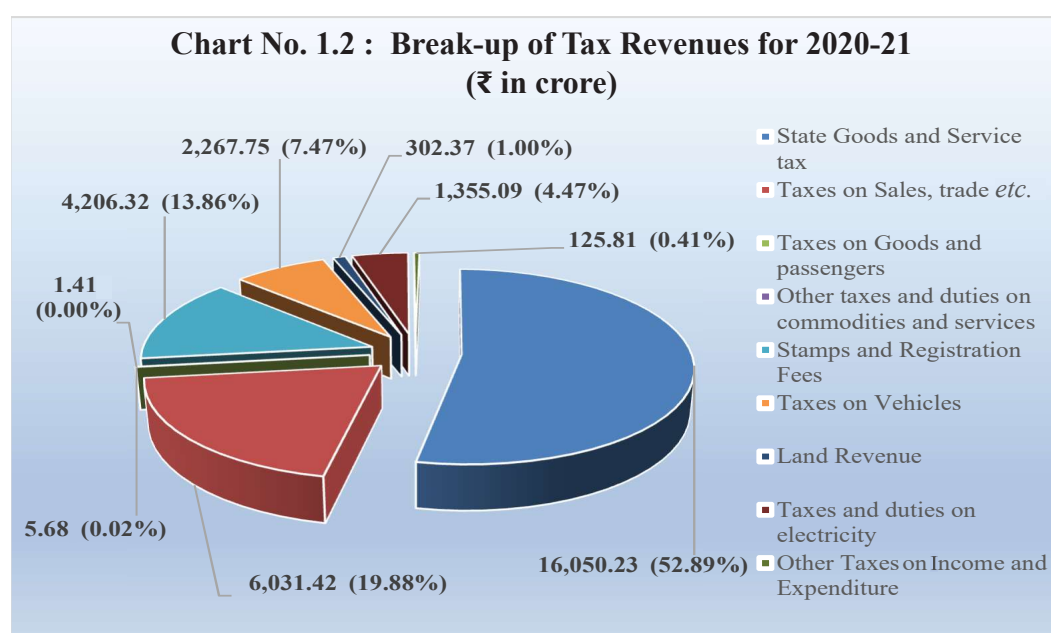
⁴ All receipts under Taxes on goods and passengers is from Entry Tax during the year 2020-21, which has since been abolished and subsumed in GST from 1.7.2017.

⁵ Sale of Liquor has been prohibited in Bihar since April 2016.

Sl. No.	Head of revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actuals of 2020-21 in comparison to	
		BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs Actuals	BEs of 2020-21	Actuals of 2019-20
7.	Taxes on vehicles	<u>1,500.00</u> 1,256.67	<u>1,800.00</u> 1,599.51	<u>2,000.00</u> 2,085.94	<u>2,500.00</u> 2,712.75	<u>2,500.00</u> 2,267.75	(-) 9.29	(-) 16.40
8.	Land revenue	<u>330.00</u> 971.12	<u>600.00</u> 778.65	<u>1,000.00</u> 476.80	<u>1,100.00</u> 275.28	<u>500.00</u> 302.37	(-) 39.53	9.84
9.	Taxes and duties on electricity	<u>590.04</u> 223.90	<u>501.09</u> 239.16	<u>310.00</u> 269.17	<u>350.00</u> 439.54	<u>250.00</u> 1,355.09	442.04	208.30
10.	Other taxes on income and expenditure-taxes on professions, trades, callings and employment	<u>88.03</u> 78.75	<u>100.00</u> 86.52	<u>102.00</u> 125.05	<u>138.00</u> 114.42	<u>150.00</u> 125.81	(-) 16.13	9.95
Total		<u>29,730.26</u> 23,742.26	<u>32,001.10</u> 23,136.49	<u>31,002.02</u> 29,408.14	<u>33,799.99</u> 30,157.98	<u>34,750.00</u> 30,341.66	(-) 12.69	0.61

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

Break-up of tax revenues of the State for 2020-21 is given in **Chart No. 1.2**:



It may be seen from **Table 1.2** that there were wide variations between the budget estimates and actuals during 2020-21 under different heads of tax revenue, which indicated that the budget was not prepared on a realistic basis. The department intimated that the main reason for variations under taxes and duties on electricity was collection of the dues amounting to ₹ 637.91 crore pertaining to previous years.

1.1.3 Details of budget estimates and non-tax revenues raised during the period 2016-17 to 2020-21 are indicated in **Table 1.3**.

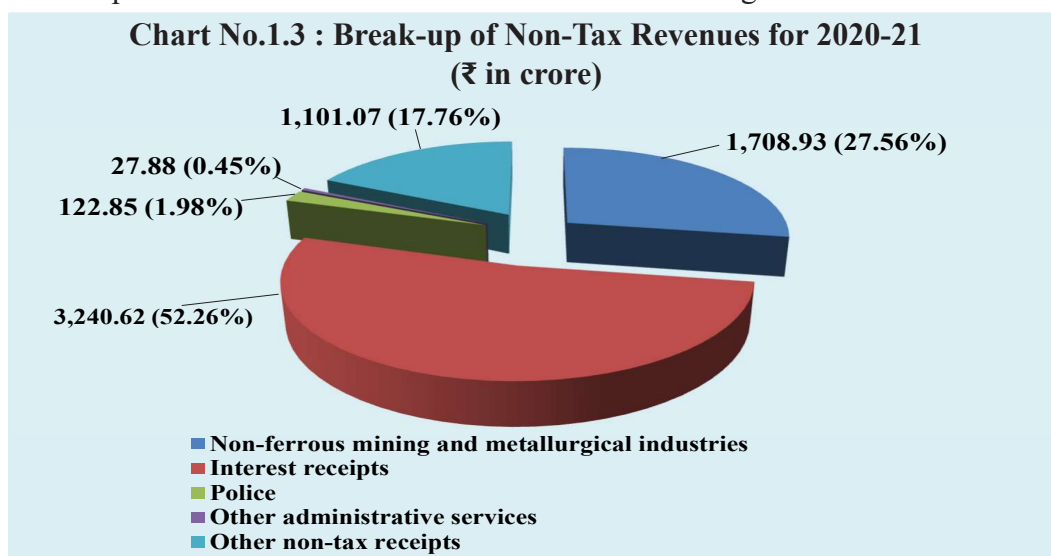
Table- 1.3
Details of non-tax revenues

(₹ in crore)

Sl. No	Head of Revenue	2016-17	2017-18	2018-19	2019-20	2020-21	Percentage of increase (+)/ decrease (-) in actual of 2020-21 in comparison to	
		BEs Actual	BEs Actual	BEs Actual	BEs Actual	BEs Actual	BEs of 2020-21	Actuals of 2019-20
1.	Non-ferrous mining and metallurgical industries	1,100.00 997.60	1,350.00 1,082.67	1,600.00 1,560.65	1,600.00 1,572.07	2,450.00 1,708.93	(-) 30.25	8.71
2.	Interest receipts	365.78 939.91	619.25 1,577.24	2,187.39 1,371.94	2,293.84 1,416.48	2,080.55 3,240.62	55.76	128.78
3.	Police	31.74 42.16	41.53 86.04	46.19 30.41	52.50 96.31	32.00 122.85	283.91	27.56
4.	Other administrative services	23.35 99.88	256.32 25.84	20.10 46.80	22.62 137.39	63.79 27.88	(-) 56.29	(-) 79.71
5.	Other non-tax ⁶ receipts	819.87 323.56	567.21 734.95	592.21 1,120.76	837.51 477.35	612.94 1,101.07	79.64	130.66
Total Receipts		2,403.11	3,506.74	4,130.56	3,699.60	6,201.35		

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

Break-up of non-tax revenues of the State for 2020-21 is given in **Chart No. 1.3**:



⁶ Other non-tax receipts includes actual receipts during 2020-21 under the following heads: Road and bridges (₹ 90.61 crore), Medical and public health (₹ 41.80 crore), Other rural development programmes (₹ 48.16 crore), Forestry and wild life (₹ 15.53 crore), Education, sports, arts and culture (₹ 11.50 crore), Public service commission (₹ 87.92 crore), Other general economic services (₹ 26.36 crore), Contribution and recoveries towards pension and other retirement benefits (₹ 2.24 crore), Crop husbandry (₹ 8.47 crore), Major irrigation (₹ 24.07 crore), Medium irrigation (₹ 16.07 crore), Labour employment and skill development (₹ 11.36 crore), Jail (₹ 30.58 crore), Fisheries (₹ 16.86 crore), Miscellaneous general service (₹ 33.57 crore), Water supply and sanitation (₹ 9.59 crore), Housing (₹ 4.29 crore), Urban development (₹ 0.15 crore), Information and publicity (₹ 0.14 crore), Social security and welfare (₹ 0.06 crore), Animal husbandry (₹ 0.67 crore), Cooperation (₹ 6.17 crore), Land reforms (₹ 0.14 crore), Minor irrigation (₹ 3.43 crore), Civil aviation (₹ 3.15 crore), Road transport (₹ 0.11 crore), Tourism (₹ 0.00 crore), Village and small industries (₹ 0.10 crore), Industries (₹ 0.11 crore), Civil supplies (₹ 0.01 crore), Public Works (₹ 4.79 crore), Stationary and Printing (₹ 0.05 crore) and Dividend and Profits (₹ 603.01 crore).

Reasons for wide variations are discussed below:

Police Receipts: Audit noticed that the increase in actual receipts during 2020-21 over actual receipts of 2019-20 was due to more receipts mainly under fees, fines and forfeitures.

Other Administrative Services: Audit noticed that the main reason for decrease of actual receipts of 79.71 *per cent* over that of previous year was decrease of ₹ 117.76 crore in receipts towards election sub-head.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2021 in respect of the principal heads of revenue amounted to ₹ 3,180.63 crore, of which, ₹ 1,056.31 crore was outstanding for more than five years as detailed in **Table-1.4**.

Table- 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Stages of pendency as stated by the Departments concerned
1.	Taxes on sales, trade etc.	2,087.14	979.27	Out of ₹ 2,087.14 crore, demands for ₹ 305.99 crore were certified for recovery as arrears of land revenue, recoveries of ₹ 357.83 crore and ₹ 228.37 crore were stayed by the courts and the Government respectively, ₹ 3.73 crore was held up due to assessee/dealers becoming insolvent, ₹ 7.94 crore was likely to be written off and ₹ 1,183.28 crore was pending at other stages.
2.	Taxes on goods and passengers	171.84	45.22	Out of ₹ 171.84 crore, demand for ₹ 35.38 lakh was certified for recovery as arrears of land revenue, recoveries of ₹ 23.06 crore and ₹ 11.23 crore were stayed by the courts and the Government respectively and ₹ 137.19 crore was pending at other stages.
3.	Taxes and duties on electricity	0.20	0.20	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	172.33	-	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. This indicates that the Department is not maintaining year-wise record.
5.	Other taxes and duties on commodities and services	2.88	1.97	Out of ₹ 2.88 crore, demands for ₹ 1.67 crore were certified for recovery as arrears of land revenue and ₹ 1.21 crore was pending at other stages.
6.	Land revenue	267.65	-	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. This indicates that the Department is not maintaining year-wise record.
7.	Stamp duty and registration fee	19.41	10.70	Out of ₹ 19.41 crore, demands of ₹ 16.87 crore were certified for recovery as arrears of land revenue and recovery of ₹ 6.83 crore was stayed by the courts.

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021	Stages of pendency as stated by the Departments concerned
8.	State excise	48.89	18.95	Out of ₹ 48.89 crore, demands for ₹ 38.85 crore were certified for recovery as arrears of land revenue, recovery of ₹ 4.70 crore was stayed by the courts, ₹ 0.14 crore was held up due to assessee/dealers becoming insolvent, ₹ 0.36 crore was likely to be written off and ₹ 4.84 crore was pending at other stages.
9.	Non-ferrous mining and metallurgical industries	410.29	-	The Mines and Geology 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. This indicates that the Department is not maintaining year-wise record.
TOTAL		3,180.63	1,056.31	

(Source: Information furnished by the Departments)

1.3 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 266 paragraphs (including performance audits) appearing in the CAG's Revenue Audit Reports for the years 2009-10 to 2018-19 placed before the State Legislature between July 2011 and July 2021. Details of pending explanatory notes as on July 2021 pertaining to various Departments⁷ are given in Table-1.5.

Table-1.5
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 2010	20.07.2011	26	26	0
2.	31 March 2011	06.08.2012	35	35	0
3.	31 March 2012	08.01.2013	38	37	1
4.	31 March 2013	21.02.2014	41	39	2
5.	31 March 2014	24.12.2014	44	39	5
6.	31 March 2015	18.03.2016	39	35	4
7.	31 March 2016	27.03.2017	42	20	22
8.	31 March 2017	29.11.2018	36	8	28
9.	31 March 2018	16.03.2020	28	1	27
10.	31 March 2019	29.07.2021	13	0	13
Total			342	240	102

⁷ Commercial Taxes (62 paragraphs); Prohibition, Excise and Registration (six paragraphs); Transport (seven paragraph); Revenue and Land Reforms (19 paragraphs) and Mines and Geology (eight paragraphs).

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 64 selected paragraphs pertaining to the Audit Reports for the years 2009-10 to 2018-19 and issued recommendations on 52 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 2022) to instruct the concerned Departments for timely submission of self-explanatory notes on audit observations and ATNs on PAC's recommendations. In pursuance to the audit request, the Finance Department issued instructions (March 2022) to all administrative Departments to submit self-explanatory notes on audit observations and ATNs on PAC's recommendations.

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.

1.4 Response of the Departments/Government to Audit

1.4.1 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 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 2011-12 to 2020-21 revealed that 24,332 paragraphs relating to 2,899 IRs remained outstanding at the end of March 2021. The potential recoverable revenue in these IRs was as much as ₹ 29,868.12 crore, whereas, the total revenue collection of the State for 2020-21 was ₹ 36,543.01 crore. Details of IRs relating to major revenue earning Departments of the State Government are given in **Table - 1.6**.

Table - 1.6
Department-wise details of Inspection Reports

(₹ in crore)					
Sl. No.	Name 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.	493	10,390	12,783.15
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	362	1,583	1,160.16
3.	Revenue and Land Reforms	Land revenue	842	5,468	11,116.01
4.	Transport	Taxes on vehicles	391	3,120	23.75

Sl. No.	Name of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
5.	Registration	Stamps and Registration fees	409	1,347	1,348.97
6.	Mines and Geology	Mining receipts	402	2,424	3,436.08
Total			2,899	24,332	29,868.12

Even the first replies, required to be received from the Heads of offices, were not received (June 2021) for 1,201 IRs (10,385 audit observations) involving potential revenue of as much as ₹ 18,614.56 crore, issued from 2007-08 onwards. Department-wise details are given in **Table – 1.7**.

Table - 1.7
Details of Inspection Reports pending first reply

(₹ in crore)

Sl. No.	Name 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.	96	2,963	4,710.66
		Entry tax			
		Electricity duty			
		Entertainment tax etc.			
2.	Excise and Prohibition	State excise	65	361	211.78
3.	Revenue and Land Reforms	Land revenue	557	3,829	9,613.47
4.	Transport	Taxes on vehicles	252	2,072	1,915.11
5.	Registration	Stamps and Registration fees	131	417	963.90
6.	Mines and Geology	Non-ferrous mining and metallurgical industries	100	743	1,199.64
Total			1,201	10,385	18,614.56

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.

1.5 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 39 units out of 1,359 auditable units (2.87 per cent) relating to commercial taxes, state excise, taxes on vehicles, stamps and registration fees, land revenue and mining receipts during the year 2020-21.

Audit observed underassessment/short levy/loss of revenue aggregating to ₹ 486.29 crore in 669 cases, which were communicated to the Departments through Inspection Reports. The Departments concerned accepted (between April 2020 and March 2021) underassessment and other deficiencies of ₹ 187.28 crore in 679 cases,

which were pointed out in previous years. The Departments reported (between April 2020 and March 2021) recovery of ₹ 9.69 crore in 164 cases pertaining to previous years.

1.6 Coverage of this Report

This Report contains 10 paragraphs, one Detailed Compliance Audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices” and one Compliance Audit on “Transitional Credit”. The total financial implication of the Report is ₹ 78.85 crore.

The Departments have accepted audit observations amounting to ₹ 44.88 crore. The audit observations are discussed in Chapters 2 to 5 of this Report.

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.

CHAPTER 2

TAXES ON VEHICLES

CHAPTER 2: TAXES ON VEHICLES

2.1 Tax administration

The Transport Department levies and collects taxes on vehicles in the State, in terms of the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Bihar Motor Vehicles Taxation (BMVT) Act, 1994 and BMVT Rules, 1994. The Department is headed by the Principal Secretary at the Government level and by the State Transport Commissioner (STC) at the apex level of the Department. The STC is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine Regional Transport Authorities¹ (RTAs) and 38 District Transport Offices. Motor Vehicle Inspectors (MVIs) assist them. The main function of the RTAs is to issue road permits to the vehicles and the responsibility of registration of motor vehicles, levy and collection of taxes, fees and grant of driving licences are performed by the District Transport Officers (DTOs) in the State.

2.2 Results of audit

Audit test-checked records of nine² out of 49 units of the Transport Department during 2020-21. Audit scrutiny revealed non/short realisation of taxes and road safety cess, leviable taxes not realised from transport vehicles, and other irregularities involving ₹ 277.09 crore (158 observations). Detailed Compliance audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices” was also undertaken between November 2020 and September 2021. Details are shown in **Table-2.1**.

Table-2.1
Results of Audit

Sl. No.	Categories	No. of observations	Amount (₹ in crore)
1.	Detailed Compliance audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices”	1	26.02
2.	Non-levy and short levy of Motor vehicle taxes	29	26.85
3.	Non-levy and short levy of One Time Tax from three wheelers	2	0.02
4.	Non-imposition of fees, fines and penalties	49	120.18
5.	Non/Short realisation of trade tax	1	0.23
6.	Other cases	76	103.79
Total		158	277.09

The replies in respect of cases of 2020-21 and cases of earlier years were not received (March 2022).

¹ Bhagalpur, Chhapra, Darbhanga, Gaya, Munger, Muzaffarpur, Patna, Purnea and Saharsa.

² DTOs – Bhojpur, Begusarai, Gopalganj, Muzaffarpur, Nawada, Purnea, Rohtas, Saharsa and Vaishali.

2.3 Detailed compliance audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices”

2.3.1 Introduction

Motor Vehicles (MV) Act, 1988 and Bihar Motor Vehicles Taxation (BMVT) Act, 1994, provide for levying and collection of penalties and fines from the vehicle owners and drivers who violate the prescribed rules. The levy of fines/penalties for offences are governed by Chapter XIII of MV Act, 1988 (as amended vide Amendment Act, 2019) and BMVT Act, 1994.

To bring transparency and provide user-friendly IT based facilities to the citizens, the Transport Department, Government of Bihar introduced (between August 2018 and February 2020) web-based electronic devices *i.e.* Hand Held Device (HHD)³ for levy and collection of fines by generating online e-challan. The Transport Department selected (December 2019) HDFC Bank for implementation of web based HHD. The fine collected through HHD is to be remitted daily/next working day into government account through “Online Government Receipts Accounting System” (OGRAS).

An audit on “Levy and Collection of penalty/fine after implementation of e-challan through electronic devices” was conducted (between October 2020 and September 2021) for the period from April 2019 to August 2021.

2.3.2 Audit Objectives

Audit was conducted with a view to ascertain whether:

- the objective of using Hand Held Device (HHD) for fines was achieved.
- revenue realised through HHD was remitted into Government account in accordance with rules provided in Bihar Financial Rules.
- information technology based service for online payment was provided to the public.
- effectiveness of existing system to monitor levy, collection and transfer of fines through HHD into Government account.

2.3.3 Audit Criteria

The audit criteria have been derived from following sources:

- The Motor Vehicles Act, 1988;
- The Motor Vehicles (Amendment) Act, 2019;
- The Bihar Motor Vehicles Taxation Act, 1994;
- Notification, circulars, executive orders and instructions issued by the Department from time to time; and
- Bihar Financial Rules.

³ Hand Held Device was introduced to enhance capability of Enforcement Wing of the Department and to bring about transparency in issuance of challans on spot. This was also intended to facilitate issuance of challans round the clock in case of traffic violations.

2.3.4 Audit scope and methodology

Out of 38 districts, 10 districts⁴ with revenue of more than ₹ 10 crore, including a check-post were selected for audit. State Transport Commissioner (STC), Transport Department being the apex unit, was also selected for audit. Besides, DTO, Bhojpur was selected in view of print media coverage and office of the Superintendent of Police (SP) (Traffic), Patna was selected in light of power delegated by the Transport Department for levy and collection of fines through HHD.

The audit methodology included examination of records related to levy and collection of fines/penalty through HHD at the apex unit (STC) and field units (DTOs), issue of audit memos and obtaining replies from audited entities.

2.3.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records to Audit.

Audit findings

2.3.6 Irregularities in remittance of collected fines

₹ 6.27 crore realised through e-challan by Hand Held Devices was not remitted to the Government account. Remittance of ₹ 7.03 crore in Government account could not be verified due to non-maintenance of account/cash book for amount collected through Hand Held Devices.

2.3.6.1 Irregular parking of revenue in bank account

Rule 37 of the Bihar Financial Rules (BFR) provides that all transactions must be brought into account immediately and money received should be duly credited into the Government account. Further, instructions (February 2020) of the Transport Department stipulate that amount realised through hand held devices must be remitted into Government account through OGRAS next day after the day of transaction.

Audit scrutinised (between April 2020 and August 2021) the account in HDFC Bank for collection of fine through HHD and observed that in DTO, Patna, ₹ 4.76 crore credited (between March 2020 and August 2021) in HDFC Bank through HHD was transferred to the account of DTO, Patna in Indian Bank during July 2020 to July 2021 instead of Government account.

Similarly, in DTO, Gopalganj, ₹ 81.19 lakh credited (March 2020 to March 2021) in HDFC Bank through HHD was transferred to the account of DTO, Gopalganj in State Bank of India instead of Government account during December 2020 to March 2021. This was in violation of Rule 37 of BFR and instruction of the Transport Department which stipulates that revenue realised must be remitted into Government account by next day of transaction.

After being pointed out by Audit, DTO Patna replied (August 2021) that revenue realised would be deposited timely in future. However, he did not explain as

⁴ Begusarai, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur and Vaishali.

to why he transferred the revenue already realised into another bank account (Indian Bank) of DTO Patna instead of Government account. Further, DTO, Gopalganj remitted the entire amount of ₹ 81.19 lakh into Government account on 5 April 2021 after lapse of more than one year.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.6.2 Short/delayed remittance of revenue realised through HHD

In Muzaffarpur, Audit observed that three traffic authorities collected ₹ 23.57 lakh between July 2020 and December 2020. However, a sum of ₹ 18.90 lakh only was remitted into Government account. Balance ₹ 4.67 lakh remained outside the Government account without proper details of account. Audit further observed that collected amounts were deposited with delay up to four months.

In Purnea district, Audit observed that three traffic authorities collected fines of ₹ 35.41 lakh during July 2020 and December 2020 but remitted of ₹ 34.60 lakh only into Government account with delay up to three months and balance of ₹ 0.81 lakh remained outside Government account without details of accounts which was fraught with the risk of leakage of Government money.

In office of SP (Traffic), Patna, Audit observed that Transport Department issued one cashier user ID to SP (Traffic) for collection of revenue by disposal of pending e-challans. The SP shared this user ID with other three officials for disposal of pending challans. Audit further observed that in the SP (Traffic) office, four e-cashiers were working on a single cashier user ID allotted by the Transport Department. During the period between April 2019 and August 2021, they collected cash of ₹ 2.49 crore by disposal of pending e-challan. The collected amount was deposited into earmarked bank account with delay. Audit further observed that cashier retained up to ₹ 6.27 lakh while remitting the collected fine into bank.

After Audit pointed this out, the concerned DTOs and SP (Traffic), Patna stated (between December 2020 and October 2021) that necessary instructions would be issued to concerned traffic authorities for timely remittance of revenue into Government account. DTO, Muzaffarpur stated that matter would be communicated to the Department. However, reply was silent on action if any taken against officials who kept Government money in their possession unauthorisedly.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.6.3 Non-maintenance of account/cash book for amounts collected through fines

Audit scrutinised the online e-challan data in 10 DTOs⁵ and SP (Traffic), Patna and observed in seven DTOs⁶ and SP (Traffic), Patna that out of ₹ 55.57 crore realised (between April 2019 and July 2021) as fine through HHD, only ₹ 54.11 crore

⁵ Begusarai, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, and Vaishali.

⁶ Gopalganj, Muzaffarpur, Nawada, Patna, Rohtas, Saharsa and Samastipur.

was remitted into Government account. The balance amount of ₹ 1.46 crore was not found deposited into Government account as per details of OGRAS. In remaining three DTOs⁷, revenue of ₹ 7.03 crore realised between February 2020 and February 2021 through HHD as fine could not be verified by Audit as to whether it was deposited into Government account or not as user-wise OGRAS was not found on record. This is fraught with the risk of leakage of Government money.

Audit further observed that cash book, an important control register, was not maintained in any of test-checked DTOs in spite of instruction of the Transport Department. However, the Department did not take any action against erring DTOs..

After being pointed out by Audit, the DTOs concerned stated that necessary instruction would be issued for maintaining cash book to all users of HHD. They also stated that difference amount would be reconciled under intimation to audit.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

Recommendation: A system for direct crediting into Government account should be put in place.

2.3.7 Irregular modification of pending challans and consequent reduction of fine

3,061 challans worth ₹ 1.97 crore were irregularly modified and fines unpaid were reduced by ₹ 90.96 lakh.

Transport Department issued (March 2020) Standing Operating Procedure (SOP) for modification/deletion of challan in case of any error committed by challan issuing authority. The SOP stipulates that District Transport Officer is the competent authority for challan modification and State Transport Commissioner is the competent authority for challan deletion. The SOP also prescribes detailed procedures to be followed before challan modification/deletion and documents to be uploaded after challan modification/deletion on e-challan portal. Transport Department delegated authority of levy of fines/penalties only to traffic police.

Audit scrutinised the data of e-challan in office of SP (Traffic), Patna and observed that Traffic Police, Patna issued 2,85,116 challans for levy of fines during April 2019 to August 2021. Of this, 70,768 e-challans worth ₹ 12.28 crore could not be disposed off on spot and remained pending. Out of these pending e-challans, 2,916 challans were modified and penalty of ₹ 1.13 crore involved therein was reduced to ₹ 34.23 lakh. This modification of e-challan and consequent reduction of penalty of ₹ 79.38 lakh was irregular as the traffic police was not the competent authority for modification of challan as per SOP issued by Transport Department for modification of challan. Further, this modification was done by the cashier without bringing it into the notice of SP (Traffic) as evident from his order issued (24 September 2021) in the light of audit observation. However, no responsibility was fixed against the cashier who did the modification unauthorisedly.

⁷ Begusarai, Purnea and Vaishali.

Further, in 170 challans, where fines were levied for violation of traffic rules, were modified without any documentary evidence. This indicates lacuna in control mechanism over levy and realisation of fine through HHD and is fraught with risk of malpractices and loss of revenue.

Similarly, in DTO, Patna, Audit observed that cashier modified 145 pending e-challans and reduced the value of e-challan from ₹ 83.94 lakh to ₹ 72.36 lakh without following SOP.

After Audit pointed this out, SP (Traffic), Patna stated (October 2021) that amount of challan was reduced after proper verification of documents as these challans were issued invoking incorrect section of the MV Act. Moreover, supporting evidence was not made available to audit in support of his reply. However, the fact existed that SP (Traffic) was not authorised for challan modification as per the SOP.

DTO, Patna stated that instructions would be issued to concerned official for maintenance of proper records and modification of challan after approval of competent authority. However, no action against the cashier was taken by the SP (Traffic) and DTO for unauthorised modification of e-challans.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

Recommendation: The Department should ensure proper compliance of standard operating procedure relating to modification of challans and initiate action against the erring officials who did not follow the SOP.

2.3.8 Unauthorised use of manual money receipt

Even after realisation of fine worth ₹ 0.71 lakh through manual money receipt by ESI, the said amount was not remitted to the Government account.

Transport Department issued (March 2019) instruction to District Magistrate/Senior Superintendent of Police/Superintendent of Police (Traffic)/District Transport Officer, Patna to collect fine and penalty through HHD from 01 April 2019 and return the unused manual money receipts to the Department by 30 April 2019.

Audit scrutinised pending e-challans and stock and issue register of manual money receipts in DTO, Patna and observed that Enforcement Sub Inspector (ESI), Patna issued an e-challan on 12 September 2019 to a vehicle owner for ₹ 0.76 lakh which was not realised on spot. This pending challan was to be realised by e-cashier at the designated cash counter. However, pending e-challan was shown as realised on 14 September 2019 by ESI, Patna through manual money receipt (2088102KK) for ₹ 0.71 lakh. Audit further observed that the said money receipt was neither issued to any ESI nor the whole series consisting of 100 money receipts was available in stock as per stock register of DTO, Patna. Though money was shown realised through manual money receipt, it was not remitted into Government account as the e-challan was still pending.

After being pointed out by Audit, DTO, Patna stated (December 2021) that concerned money receipt form was not available in his office and it was also not clear to

whom concerned money receipt form was issued. Thus, unauthorised utilisation of manual money receipts for realisation of money and its subsequent non-remittance into Government account was indicative of weak internal control and one of the possible methods of corruption by siphoning of Government money. It also shows lack of monitoring mechanism.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.9 Non-initiation of legal action against pending challans

71,274 e-challans for ₹ 24.17 crore were issued to defaulting vehicle owners/drivers but neither any action was initiated against them nor any efforts were made for seizure of vehicles or documents.

Transport Department issued (August 2018) instructions which provide that signed e-challans would be issued by authorised officers to owners of the vehicles after receipt of on-spot fine. The instructions further stipulate for seizure of vehicles or documents after following due process and initiation of valid legal action after lapse of 14 working days in case of non-realisation of money.

Audit scrutinised online e-challan data and observed in 11 DTOs⁸ and office of the SP (Traffic), Patna that transport/traffic authorities issued 71,274 e-challans for ₹ 24.17 crore between September 2018 and August 2021 to defaulting vehicle owners/drivers either without impounding vehicles/documents or without realising fines. Details of pending e-challans are shown in **Table 2.2:**

Table-2.2
Statement of pending e-challan

Sl. No.	Name of DTO/ Office	Number of Pending e-challan	Pendency (in days)	Amount involved (in ₹)	Issued between
1.	Begusarai	103	19 to 350	36,40,491	02/2020 and 01/2021
2.	Bhojpur	86	54 to 250	52,95,000	02/2020 and 08/2020
3.	Gopalganj	263	15 to 399	54,89,008	03/2020 and 03/2021
4.	Muzaffarpur	169	20 to 327	71,60,500	02/2020 and 12/2020
5.	Nawada	74	16 to 378	23,81,000	02/2020 and 02/2021
6.	Patna	1,843	15 to 1,078	6,25,46,220	09/2018 and 07/2021
7.	Purnea	68	16 to 315	51,94,500	03/2020 and 12/2020
8.	Rohtas	348	18 to 415	2,22,84,478	02/2020 and 03/2021
9.	Samastipur	351	15 to 497	1,17,12,850	02/2020 and 06/2021
10.	Saharsa	36	28 to 333	18,94,300	02/2020 and 12/2020
11.	Vaishali	81	22 to 312	26,54,700	02/2020 and 11/2021
12.	SP (Traffic), Patna	67,852	15 to 889	11,14,29,010	04/2019 and 08/2021
Total		71,274		24,16,82,057	

It is evident from above table that concerned officers did not initiate legal action as instructed by the Department even after elapse of 15 to 1,078 days of challans becoming pending despite availability of this information in *VAHAN* database. Audit also observed that specific validation check was not provided in *VAHAN* software to prevent these vehicle owners from payment of tax, issue/renewal of

⁸ Begusarai, Bhojpur, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur and Vaishali.

permit/insurance/pollution under control certificate as owners of these vehicles continued to pay due road tax and to get fitness/permit/insurance/pollution under control certificate issued.

After this being pointed out by Audit, concerned DTOs stated (between October 2020 and September 2021) that necessary instructions would be issued to authorised officers for disposal of these challans.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

Recommendation: Department should ensure timely initiation of legal action against defaulters where challans remain unrealised beyond 14 days of their issuance.

2.3.10 Non-levy of fine for driving of vehicle without driving license

The concerned authorities neither ensured mention of driving license on 1,01,944 e-challans nor imposed fine for driving vehicle without having driving license.

Section 181 read with section 3 of the MV Act, stipulates that whoever drives motor vehicle without valid driving licence shall be liable to pay fine of ₹ 5,000. Transport Department while delegating authority to traffic authority for levy of fine instructed these traffic authorities to realise fine as stipulated in the Act *ibid*. Further, Department issued (February 2020) user manual for HHD which stipulates *inter alia* incorporation of driving licence number in HHD while issuing challan.

Audit scrutinised e-challan data in respect of transport and traffic authorities in nine districts⁹ and observed that out of 3,15,123 test checked e-challans issued (between September 2019 and July 2021), in 1,01,944 cases, driving licence number was not recorded in challan. The concerned authorities did not levy fine for driving motor vehicles without driving licence.

After audit pointed this out, DTOs concerned replied (between December 2020 and July 2021) that necessary instruction would be issued to levy fine under appropriate section of the MV Act. However, SP Traffic, Patna stated (October 2021) that during issue of challan, HHD went in No DL mode by default and, as such, issued challan did not reflect DL number. The SP also stated the reason for no DL number in challan was inability of HHD to read old driving license. DTO, Muzaffarpur stated that matter would be communicated to the Department.

However, as the HHD facilitates custom entry manually, the reflection of DL number in the challan could had been ensured. Non-entering of DL number in challan was fraught with the risk of malpractices and loss of Government revenue.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

⁹ Begusarai, Gopalganj, Muzaffarpur, Nawada, Patna, Purnea, Rohtas, Saharsa and Samastipur.

2.3.11 Failure of supervisory control at Rajauli check-post Nawada

At Rajauli check-post in Nawada, user IDs for five taxation officials were issued but only one user ID was recorded in check-post register. No register/record for daily shift-wise collection of revenue and its remittance into Government account was maintained.

Transport Department instructed (April 2019) all five check-post DTOs¹⁰, regarding levy and collection of Bihar Entry Tax (BET) and fine through e-challan, to operate roster for three shift duty at check-post scrupulously and made available user ID and password to all officers/officials of check-post authority.

Audit examined records of daily collection of e-challan at Rajauli check-post, Nawada and observed that user IDs for five taxation officials were issued for levy and collection of fine. Of this, only one user was recorded in check-post register. Further, no register/records for daily shift-wise collection of revenue and its remittance into Government account was maintained and as such, audit could not verify shift-wise actual collection of revenue. However, as per details made available by DTO Nawada, amounts were collected and deposited by these users as shown in **Table 2.3**

Table: 2.3
Statement of collection and remittance of fine

(Amount in ₹)

User ID/Name of taxation officer	Period during which fine levied	Fine collected	Fine remitted	Balance
Taxation 01 (Shri Dilip Kumar)	April 2019 to August 2020	79,63,000	79,63,000	0
Taxation 02 (Shri Anish Kumar, ESI)	April 2019 to June 2019	9,74,400	9,64,500	9,900
Taxation 02 (Shri Hareram Kumar, ESI)	June 2019 to December 2019	78,90,900	78,57,000	33,900
Taxation 02 (Shri Sandip Kumar)	January 2020 to July 2020	50,21,500	50,21,500	0
Taxation 02 (Shri Gariyan Miryunjay)	August 2020 to December 2020	33,48,000	33,48,000	0
Taxation 03 (Shri Vimal Kumar)	April 2019 to February 2021	9,26,36,702	9,26,36,702	0
Taxation 04 (Shri Ashok Kumar Paswan, ESI)	June 2019 to January 2020	77,17,100	77,00,000	17,100
Taxation 05 (Shri AM Singh, DTO)	June 2019 to September 2020	1,52,42,700	1,44,57,300	7,85,400
Total		14,07,94,302	13,99,48,002	8,46,300

It is evident from above table that ₹ 14.08 crore was realised as fine during January 2020 to February 2021 and ₹ 13.99 crore was remitted into Government account and balance ₹ 8.46 lakh was not remitted. Of total unremitted amount, ₹ 7.85 lakh was collected by the DTO himself.

¹⁰ Gaya, Gopalganj, Kaimur, Nawada and Purnea.

After audit pointed this out, the DTO stated (March 2021) that necessary instructions were issued from time to time in this regard. He further stated that in the light of audit observation, further instruction would be issued to taxation officers for maintenance of records and reconciliation of differential amount. However, the DTO did not respond to the fact that ₹ 7.85 lakh collected by him personally was yet to be remitted to Government account. There is thus, the possibility that the unremitted amount had been misappropriated.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

Recommendation: The Department should take legal action against erring officials and put effective system in place to ensure proper maintenance of records and functioning of shift-wise duty of taxation officials at check-posts.

2.3.12 Remittance of fine under improper head of Account

Receipts from fine on vehicles for ₹ 9.33 crore was remitted under the improper head which deprived the Road Safety Council of its share of Road Safety Cess Fund amounting to ₹ 93.30 lakh.

Notification (March 2017) of Transport Department provides for remittance of revenue realised through fines under revenue head 0041-00-101-0003. The notification also provides for transfer of 10 *per cent* of revenue so collected to road safety fund.

Audit examined online e-challan data at Rajauli Check-post, Nawada and observed that Taxation Authority collected ₹ 9.33 crore as fine during April 2019 to February 2021 and remitted under revenue head “0041-00-102-0010-00-01 receipts from entry taxes of vehicle having temporary permit” in place of proper revenue head “0041-00-101-0003 receipts from fine on vehicle”.

Due to remittance of fine under improper head of revenue, the Road Safety Council was deprived of its share of fund amounting to ₹ 93.30 lakh.

After Audit pointed this out, DTO, Nawada stated (February 2021) that necessary instruction would be issued to taxation officer for remittance of fine under proper head of account.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.13 Issue of e-challan through Hand Held Devices without identity of user

191 e-challans worth ₹ 5.06 lakh were issued through Hand Held Devices without identity of the user which resulted in non-verification of its remittance into Government account.

Transport Department issued (February 2020) instructions to all DTOs for utilisation of HHD for on spot fines by officers nominated/deputed for the purpose.

Audit examined the online e-challan data in DTO, Patna and SP (Traffic), Patna and observed that ₹ 5.06 lakh was collected in cash during December 2019 and April 2021 as fine by issue of 191 e-challans¹¹ (out of 1,86,165) through HHD in which no user ID was assigned to any user. As such, e-challans generated through these HHDs, did not have any username or signature of users.

Due to absence of username/signature on the challan, Audit could not ascertain remittance of ₹ 5.06 lakh collected through these challans into Government account. Further, issue of e-challan without assigning any user ID was not only in violation of the instruction of the Department, but was also fraught with the risk of unauthorised use of HHD and consequent siphoning of Government money.

After Audit pointed this out, the SP (Traffic), Patna stated (October 2021) that user ID was allotted by the Transport Department and could be verified by the Department. SP (Traffic), Patna also stated that ₹ 0.78 lakh out of ₹ 1.62 lakh was deposited into bank account. DTO, Patna stated that collected amount would be deposited after identification of user ID with the help of NIC.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.14 Minimal realisation of fine through digital mode

Only 11.86 per cent of the total amount realised was digitally transferred to designated banks in eight districts.

One of the objectives of the use of HHD was to provide IT based services and provide online payment service as per instruction issued (February 2020) by Transport Department. To fulfill this objective, HHDs for collection and realisation of fine on-spot and POS machines for realisation of fines, fees *etc.* at cash counters were provided to DTOs.

Audit scrutinised records in eight DTOs¹² and observed that out of total fine for ₹ 39.52 crore realised during the period between April 2019 and July 2021 on-spot and through cash counters, only ₹ 4.68 crore (11.86 per cent) was digitally transferred to designated account in HDFC Bank. Hence, even after expiry of more than a year, payment through digital mode was minimal. Audit scrutinised the reason for less payment through digital mode and found that POS machines for collection of fines at office counters were not even installed in eight DTOs¹³.

Audit further noticed that movement register of HHDs showing which device was issued to which authority and when this device was returned by those authorities were not maintained in eight DTOs¹⁴. In absence of this information, Audit could not ascertain what amount was levied and collected by which authority.

¹¹ DTO Patna: 41 e-challans for ₹ 3,44,201 and SP (Traffic) Patna: 150 e-challans for ₹ 1,61,500.

¹² Begusarai, Gopalganj, Muzaffarpur, Nawada, Patna, Rohtas, Saharsa and Samastipur.

¹³ Begusarai, Gopalganj, Nawada, Patna, Rohtas, Saharsa, Samastipur and Vaishali.

¹⁴ Begusarai, Gopalganj, Muzaffarpur, Nawada, Patna, Rohtas, Saharsa and Samastipur.

After Audit pointed this out, the concerned DTOs stated that POS machines for digital payment service would be installed at all cash counters of the office and movement register for HHDs would be maintained.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

2.3.15 Conclusion

The levy and collection of fines by e-challan system has too many leakages which not only leads to loss of Government revenue, but also has a scope of misappropriation and possibility of corruption. This clearly indicates lack of internal control and monitoring. The Department needs to enforce rules and laws relating to levy and realisation of fine through hand held devices and emphasise on initiating administrative action against the erring officials involved in mishandling of cash. Proper accounts are to be maintained and monitored. Action needs to be taken to avoid irregular parking and delayed remittance of collected revenue into the Government account. Irregular modification of pending challans need to be restricted and done only by the competent authority. Legal action against pending challans needs to be initiated. The Department needs to ensure levy of fine against drivers who drive motor vehicles without valid driving licence. The Department also needs to put a system in place to ensure proper issue of hand held devices and user identification to authorised officials and effective monitoring for their utilisation.

CHAPTER 3

COMMERCIAL TAXES

CHAPTER 3: COMMERCIAL TAXES

3.1 Tax administration

The levy and collection of commercial taxes¹ in the State is governed by the provisions of the following Acts and Rules made thereunder:

- Central Sales Tax (CST) Act, 1956;
- Central Goods and Services Tax (CGST) Act, 2017;
- Bihar Goods and Services Tax (BGST) Act, 2017;
- Integrated Goods and Services Tax (IGST) Act, 2017;
- Bihar Value Added Tax (BVAT) Act, 2005;
- Bihar Tax on entry of goods into local areas (BTEG) Act, 1993;
- Bihar Entertainment Tax Act, 1948;
- Bihar Taxation on Luxuries in Hotels Act, 1988;
- Bihar Electricity Duty Act, 1948;
- Bihar Tax on Professions, Trades, Callings and Employments Act, 2011; and
- Bihar Tax on Advertisement Act, 2007.

At the apex level, the Commercial Taxes Department (CTD) is headed by the Commissioner of State Tax (CST) assisted by Special Commissioners of State Tax, Additional Commissioners of State Tax, Joint Commissioners of State Tax (JCST) and Deputy Commissioners of State Tax (DCST)/Assistant Commissioners of State Tax (ACST). At the field level, the State is divided into nine administrative divisions², nine appeal divisions³ and nine audit divisions⁴ as they were under the VAT period, each headed by an Additional Commissioner of State Tax. The nine administrative divisions are further sub-divided into 50 circles each headed by a JCST/DCST assisted by Assistant Commissioners of State Tax.

3.2 Results of audit

During 2020-21, Audit test-checked records of 17 units out of 90 units of CTD, in which irregularities involving ₹109.25 crore in 414 cases were observed which fall under the following categories as detailed in **Table 3.1**.

¹ Commercial taxes include Taxes on Sales, Trade *etc.*, Taxes on goods and services, Taxes on Goods and Passengers, Taxes and Duties on Electricity, Other Taxes on Income and Expenditure, Taxes on Professions, Trades, Callings and Employment and Other Taxes and Duties on Commodities and Services.

² Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

³ Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

⁴ Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

Table-3.1
Results of audit

(₹ in lakh)

Sl. No.	Categories	No. of cases	Amount
A: Taxes on sales, trade etc./ VAT			
1.	Non-levy and short levy of taxes	40	1,015.05
2.	Suppression of turnover	29	441.01
3.	Excess allowance of ITC	27	497.45
4.	Irregular allowances of exemption from tax	7	2.46
5.	Non-levy or short levy of additional tax and surcharge	2	557.69
6.	Application of incorrect rate of tax	25	1,643.13
7.	Short levy due to incorrect determination of turnover	19	467.54
8.	Other cases	179	5,094.51
Total		328	9,718.84
B: Entry Tax			
1.	Short levy of entry tax due to suppression of import value	15	767.19
2.	Other cases	20	302.32
Total		35	1,069.51
C: Electricity duty			
1.	Other cases	1	0
Total		1	0
D: GST			
1.	Non/short levy of GST	50	136.74
Total		50	136.74
Grand Total		414	10,925.09

During 2020-21, the Department accepted underassessment and other deficiencies of ₹ 117.11 crore in 505 cases and recovered ₹ 8.29 crore in 151 cases which were pointed out before 2020-21. The replies in the remaining cases of previous years and all cases of 2020-21 were not received (March 2022).

3.3 Compliance Audit on “Transitional Credits”

3.3.1 Introduction

Introduction of GST (Goods and Services Tax) is a significant reform in the field of indirect taxes in the country which replaced multiple taxes levied and collected by the Centre and States. Tax is levied simultaneously by the Centre and States on a common tax base. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) are levied on intra-state supplies and Integrated GST (IGST) is levied on inter-state supplies. The tax accrues to the taxing authority which has the jurisdiction over the place of supply.

Availability of input tax credit (ITC) of taxes paid on inputs, input services and capital goods for set off against the output tax liability is one of the key features of GST. To ensure the seamless flow of ITC from the existing laws to GST regime, a ‘Transitional arrangements for ITC’ was included in the GST Acts to facilitate the taxpayers for claiming ITC in respect of taxes or duties paid under existing laws. Transitional credit provision is important for both the Government and business as it is a tool to ensure ‘ease of doing business’ which is one of the important features of GST. The provisions enable taxpayers to transfer such input credits only when they are used in the ordinary course of business or furtherance of business.

3.3.2 Audit scope and methodology

Audit was conducted (between April 2021 and October 2021) covering the period from July 2017 to March 2020. Records of 18 Commercial Taxes circles out of 50 Circles were selected for audit examination.

Out of total claims of transitional ITC of ₹ 110.55 crore due to SGST made by 758 taxpayers falling under central tax jurisdiction, Audit examined records of 85 taxpayers (73 verified/assessed cases and 12 unverified/unassessed cases) claiming transitional ITC of ₹ 79.50 crore in 18 circles which is 72 *per cent* of total SGST claims by the taxpayers falling under central jurisdiction.

3.3.3 Audit objectives

Audit was conducted with the objective of assessing whether:

- the transitional credits carried over by the assesseees to GST period were in compliance with the extant provisions of BGST Act and Rules 2017.
- the transitional credits carried over by the assesseees to GST period were admissible ITC claims under the legacy Acts/Rules.

3.3.4 Audit Criteria

Audit criteria have been derived from the following sources:

- Bihar Value Added Tax (BVAT) Act and Rules, 2005;
- Bihar Tax on entry of goods into local areas for sale, use and consumption therein (BTEG) Act, 1993;
- Bihar Goods and Services Tax (BGST) Act and Rules, 2017; and
- Notifications/Circulars/Orders issued by Central Board of Indirect Taxes and Customs (CBIC) and State Commercial Taxes Department.

3.3.5 Status of audit of transitional credit claims

Audit examined verified/assessed files in those cases where verification of transitional credit claims was done by the proper officers. In those cases, where verification was not done by the proper officers, Audit examined GST TRAN-1 and TRAN-2 forms and returns for the last six months pertaining to pre-GST period. Details of the transitional ITC claims by the taxpayers in the State, cases of transitional SGST claims under Central Tax Authority as sampled, cases examined by the Department and cases examined by Audit are detailed below:

(₹ in crore)			
Sl. No.	Particulars	No. of cases/ taxpayers	Amount
1.	Total Transitional ITC claims made by taxpayers under SGST in the State	758	110.55
2.	Transitional ITC claims made by taxpayers under SGST as sampled and verified by Audit	85	79.50
3.	Out of sampled cases Department examined	73	74.66
4.	Irregularities observed by Audit in verified/assessed cases	29	19.52
5.	Irregularities observed by Audit in unverified/unassessed cases	04	1.44

3.3.6 Audit Findings

As per Section 140 of the BGST Act, 2017 read with rule 117 of BGST Rules, 2017 a registered person, other than a person registered as composition dealer under Section 10, was:

- a) entitled to carry forward the un-availed amount of ITC of the pre-GST period (1st quarter of 2017-18) to the GST period.
- b) entitled to carry forward un-availed ITC in respect of capital goods not carried forward in the return for the 1st quarter of 2017-18.
- c) entitled to carry forward credit of Value Added Tax (VAT)/Entry Tax (ET) in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on which credit was not claimed in pre-GST period and the taxpayers were eligible for ITC on such inputs under GST as prescribed under Section 140(3) to 140(6) of BGST Act, 2017.

In order to claim the above credits, declaration in GST TRAN-1 and GST TRAN-2 was required to be filed on the GST common portal.

Further, the taxpayers were entitled to claim transitional credit under GST if the credit was admissible as ITC under GST, the dealer had furnished all the returns required under the existing Acts for the period of six months prior to 1st July 2017 and the said amount of credit did not relate to goods manufactured and cleared under such exemption notifications as were notified by the State Government.

Audit observed that the above provisions were not followed by the taxpayers while claiming transitional credit under SGST which were further not detected by the proper officers in verified cases and in unverified cases due to non-verification. Irregular claims of transitional ITC of ₹ 20.96 crore by 33 taxpayers are discussed in paragraphs 3.3.6.1 to 3.3.6.6.

3.3.6.1 Non-reversal of detected amount

The proper officer did not initiate any action to recover ₹ 15.95 crore due for recovery.

Section 78 of the BGST Act, 2017 provides that any amount payable by a taxable person in pursuance of an order passed under BGST Act, 2017 shall be paid by such person within a period of three months from the date of service of such order failing which recovery proceedings shall be initiated provided that where the proper officer considers it expedient in the interest of revenue, he may, for reasons to be recorded in writing, require the said taxable person to make such payment within such period less than a period of three months as may be specified by him. Further, different modes of recovery of tax are prescribed under the provisions of section 79 of BGST Act, 2017.

Test checked of verified/assessed files (April 2021 to October 2021) of 16 taxpayers in six circles⁵ out of 85 taxpayers revealed that only ₹ 0.63 crore was deposited/reversed by the taxpayers out of demand raised of ₹ 16.58 crore by the proper officers during May 2019 to August 2019. Thus, ₹ 15.95 crore was not deposited/

⁵ Muzaffarpur East, Patliputra, Patna Central, Patna City East, Patna Special and Shahabad.

reversed by the taxpayers even after a lapse of more than 19 months of demand raised, as detailed in **Annexure-I**.

Audit noticed that no action for recovery of the detected amount was taken by the proper officers under section 79 of BGST Act, 2017. Further, out of above cases, in two cases of Patna Central circle, Audit found that though correspondence with banks was done by the proper officers for recovery, due to non-follow up, the amount was pending for realisation till July 2021.

Non/delay initiation of process for recovery of detected amount resulted in non-realisation of Government revenue. After this was pointed out (April 2021 to October 2021), the proper officers of six circles replied that the matter would be examined. The JCST of Patna Special circle replied that the recovery procedure is to be done by the jurisdictional authority under which the taxpayer is registered. The reply of the JCST is not correct as the above cases relate to state GST.

The matter was reported to the Government (December 2021); the reply was awaited (March 2022).

3.3.6.2 Tax Deducted at Source (TDS) claimed as transitional ITC

Two taxpayers of two circles incorrectly claimed TDS of ₹ 1.69 crore as transitional ITC in GST TRAN-1.

Test-check of verification files as well as GST TRAN-1 and last quarterly/ annual returns of VAT period and payment details *etc.*, during April 2021 to October 2021 revealed that one taxpayer of Katihar and one taxpayer of Patliputra circle, out of 85 test checked taxpayers (including one verified by the proper officer) had claimed transitional ITC of ₹ 1.69 crore in GST TRAN-1. These claims pertained to TDS and not to any ITC but was claimed as ITC. Thus, these taxpayers incorrectly claimed ITC of ₹ 1.69 crore and were, therefore, liable for payment of tax of ₹ 1.69 crore besides leviable interest and penalty as per the provisions of the Act *ibid*, as detailed in **Annexure-II**.

The matter was reported to the Government (December 2021); the reply was awaited (March 2022).

3.3.6.3 Excess claim of transitional ITC in TRAN-1 in comparison to ITC carried forward in the last return

Three taxpayers of two circles claimed excess transitional ITC of ₹ 35.31 lakh in GST TRAN-1 in comparison to the last return of VAT.

Audit test-checked verification files as well as GST TRAN-1 and last quarterly/ annual returns of VAT period and payment details *etc.*, during April 2021 to October 2021 and found that three taxpayers of two circles⁶ out of 85 test checked taxpayers, had claimed transitional ITC of ₹ 35.31 lakh in TRAN-1 though those taxpayers had not shown any amount of 'carry forward' in their last returns of VAT as required under section 140(1) of BGST Act, 2017. Thus, these taxpayers claimed excess transitional ITC of ₹ 35.31 lakh and were, therefore, liable for

⁶ Patliputra and Patna City West.

levy of interest and penalty also as per the provisions of the Act *ibid*, as detailed in **Annexure-III**.

The matter was reported to the Department (December 2021); the reply was awaited (March 2022).

3.3.6.4 Incorrect claim of transitional ITC on closing stock

Three taxpayers of two circles incorrectly claimed transitional ITC of ₹ 1.58 crore in GST TRAN-1 on closing stock.

Audit test-check of verification files as well as GST TRAN-1 and last quarterly/annual returns of VAT period and payment details *etc.*, during April 2021 to October 2021 revealed that three taxpayers (all verified by proper officer) of two circles⁷ out of 85 test checked taxpayers had claimed transitional ITC of ₹ 3.71 crore in GST TRAN-1 on closing stock. Thus, the taxpayers intended to carry forward from VAT period to GST period their unadjusted amount of VAT/ET paid on inputs supported by invoices/documents evidencing payment of tax carried forward to electronic credit ledger as SGST under sections 140(3), 140(4)(b) and 140(6) of BGST Act, 2017.

However, during examination of quarterly return of VAT/ET for the first quarter of 2017-18, audit observed that the taxpayer's claims were incorrect in light of facts and figures⁸ mentioned in the returns. Thus, these taxpayers incorrectly claimed ITC of ₹ 1.58 crore and therefore they were liable for payment of tax of ₹ 1.58 crore besides leviable interest and penalty as per the provisions of the Act *ibid*, as detailed in **Annexure-IV**.

The matter was reported to the Department (December 2021); the reply was awaited (March 2022).

3.3.6.5 Non/short demand of interest/penalty on detected irregular credit

The proper officer failed to detect ₹ 82.35 lakh as interest and penalty on irregular transitional credit in case of five taxpayers of four circles.

Rule 121 of the BGST Rules, 2017 provides that the amount credited under sub-rule (3) of rule 117 may be verified and proceedings under section 73 or, as the case may be, section 74 shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

Further, as per section 73(9) of BGST Act 2017, the proper officer shall, determine the amount of tax, interest and penalty equivalent to ten *per cent* of tax or ten thousand rupees, whichever is higher, due from such person and issue an order.

Scrutiny of the verification files in four circles⁹ revealed that in case of five taxpayers (all verified by the proper officer) out of 85 test checked taxpayers, irregular

⁷ Katihar and Patliputra.

⁸ The taxpayer did not claim any ITC c/f in quarterly return of 1st quarter of 2017-18 and had short paid ET, the taxpayer had not any balance ET to be carried forward as transitional ITC and the taxpayer had claimed excess ITC c/f compared to balance ET payment.

⁹ Begusarai, Bhagalpur, Patna Special and Purnea.

transitional credit of ₹ 5.52 crore was detected by the proper officers. However, Audit noticed that the proper officers had not demanded the applicable interest/penalty from these taxpayers. Hence, interest and penalty amounting to ₹ 82.35 lakh was recoverable from these taxpayers, as detailed in **Annexure-V**.

After this was pointed out (April 2021 to October 2021), the proper officers of four circles replied that the matter will be examined and in one case the JCST of Begusarai circle replied that as per Finance Act 2021, interest is leviable only if payment is made by debiting cash ledger. The reply of the JCST is factually incorrect as the Finance Act 2021 has stipulated such provision in respect of sub-section (1) of section 50 of CGST Act 2017 which deals with levy of interest on delayed payment of tax. This has not made any such provision in respect of sub-section (3) of section 50 of CGST Act 2017 which deals with levy of interest on incorrect availing of ITC.

The matter was reported to the Department (December 2021); the reply was awaited (March 2022).

3.3.6.6 Incorrect claim of transitional ITC due to other reasons

Four taxpayers of three circles incorrectly claimed transitional ITC of ₹ 57.31 lakh in GST TRAN-1.

Audit test-check of verification files, GST TRAN-1, last quarterly/ annual returns of VAT period, payment details, *etc.* during April 2021 to October 2021 revealed that four taxpayers (all verified by proper officer) of three circles¹⁰ out of 85 test checked taxpayers had incorrectly claimed transitional ITC of ₹ 57.31 lakh in different tables of GST TRAN-1 but these claims were incorrect due to various reasons¹¹.

Thus, these taxpayers incorrectly claimed ITC of ₹ 57.31 lakh and therefore they were liable for payment of tax of ₹ 57.31 lakh besides leviable interest and penalty as per the provisions of the Act *ibid*, as detailed in **Annexure-VI**.

The matter was reported to the Government (December 2021); the reply was awaited (March 2022).

3.3.7 Conclusion

Out of ₹ 79.50 crore of SGST transitional ITC claims by 85 taxpayers falling under jurisdiction of Central Tax Authorities and examined by Audit, ₹ 20.96 crore (26.36 *per cent*) was detected as incorrect transitional claims in 33 cases. This included incorrect transitional claims of ₹ 5.01 crore in 17 cases and non-reversal of detected amount of ₹ 15.95 crore in 16 cases verified by proper officers. Such high percentage of incorrectly claimed transitional ITC itself indicates the risk inherent to the process. Out of demand of ₹ 16.59 crore in verified/assessed cases, ₹ 15.95 crore (96.14 *per cent*) was not recovered till date. This indicates that the system of follow up of the verified/assessed cases is very poor.

¹⁰ Kadamkuan, Patna north, and Shahabad.

¹¹ The taxpayers were not eligible for claiming the transitional credit as the claim of ITC under VAT was itself incorrect due to suppression of turnover, suppression of opening stock and ITC brought forward from 2016-17 was incorrect, resulting into incorrect ITC carried forward to 2016-17.

3.3.8 Recommendations

- The Department should verify transitional ITC claims of the rest of the assesses to ensure that the provisions governing transitional ITC claims were properly complied.
- Immediate steps for recovery of dues due to incorrect claim of transitional ITC should be taken.

3.4 Legacy Issues

3.4.1 Non-levy of tax and penalty on closing stock of discontinued business

The Assessing Authorities did not levy tax of ₹ 94.63 lakh on the closing stock on discontinuance of business.

Section 3(5) of the BVAT Act, stipulates that a registered dealer is required to pay tax on the stock of the goods remaining with him when he closes or discontinues his business.

Audit test checked assessment records in Bhagalpur Commercial Taxes Circle in September 2021 and found that a dealer had disclosed closing stock of goods of ₹ 3.51 crore in his stock details as on 18.06.2016. The dealer had neither filed any return since April 2016 nor paid any tax for the subsequent years. As the dealer had discontinued his business, he was liable to pay tax on the stock of goods held by him along with the leviable interest at the rate of 1.5 *per cent* per month as per the provision of the Section 24(10) of BVAT, Act. The Assessing Authority (AA) did not levy tax on the closing stock on discontinuance of business which resulted into non-levy of tax of ₹ 94.63 lakh¹² including interest of ₹ 41.91 lakh.

The matter was reported to the Government (January 2022); the reply was awaited (March 2022).

3.4.2 Suppression of turnover

The Assessing Authorities failed to detect suppression of turnover of ₹ 3.51 crore which resulted in under assessment of tax of ₹ 1.18 crore including leviable penalty and interest.

Under Section 31(2) of the BVAT Act, 2005, in case of concealment, omission or failure to disclose correct sale/purchase, the AAs are empowered to impose penalty at three times of the tax payable besides tax and interest on the escaped turnover. Further, as per Section 25 (1) of the BVAT Act, the AAs are required to scrutinise every quarterly and annual return as per the six checklists provided therein under clause (a) to (f).

Audit test check of assessment records in two commercial taxes circles¹³ in July 2021 revealed that three dealers had disclosed their purchase/sales of ₹ 68.02 crore only in their annual returns during the period 2016-17. However, as per the figures

¹² Calculation: Tax @15% on ₹ 3,51,44,991	=	₹ 52,71,748
Interest @1.5% for 53 months	=	₹ 41,91,039
Total	=	₹ 94,62,787

¹³ Patna City East and Patna North.

of sales, purchases/trading ledger/*SUVIDHA* details, their purchase/sales turnover should be worth ₹ 71.53 crore. Thus, it was evident that the dealers suppressed their turnover by ₹ 3.51 crore which could not be detected by the AAs even during the assessment. This resulted in under assessment of tax of ₹ 1.18 crore including leviable penalty of ₹ 74.11 lakh and interest of ₹ 18.69 lakh, as detailed in **Annexure-VII**.

The matter was reported to the Government (January 2022); the reply was awaited (March 2022).

3.4.3 Non-admittance of Entry tax

The Assessing Authorities did not levy entry tax while doing assessment which resulted in short realisation of entry tax of ₹ 45.21 lakh including leviable interest.

Section 3 of the Bihar Tax on Entry of Goods into local areas Act, stipulates that a tax shall be levied and collected on entry of scheduled goods into a local area for consumption, use or sale therein. Further, as per section 24 of the BVAT Act, read with Section 8 of BTEG Act, every dealer shall deposit the tax payable on or before 15th of the following month, failing which he is required to pay interest at the rate of one and a half *per cent* per month.

Audit test check of assessment records in Bhagalpur Commercial Taxes circle in September 2021 revealed that a dealer did not admit his entry tax liability of ₹ 25.19 lakh (at the rate of 8 *per cent*) during the year 2016-17 against import of hydraulic excavator of ₹ 3.15 crore in his annual return. The AA did not levy entry tax while doing assessment which resulted in short realisation of entry tax of ₹ 45.21 lakh including leviable interest.

The matter was reported to the Government (January 2022); the reply was awaited (March 2022).

3.4.4 Irregular/excess claim of Input Tax Credit

The Assessing Authorities failed to detect irregular/excess claim of ITC of ₹ 1.39 crore which resulted in under assessment of tax of ₹ 6.68 crore including leviable penalty and interest.

As per Section 16 of the BVAT Act, a registered dealer shall claim input tax credit (ITC), if he purchases any input within the State of Bihar from another registered dealer after paying him tax under section 14 or section 4 of the Act, and makes either within the State or interstate sales of such goods or consumes them in the manufacture of goods (other than Schedule-IV goods) for sale in the State or outside the State. Further, Section 31(2) of the Act empowers the Assessing Authority to impose interest at the rate of 1.5 *per cent* per month besides penalty equivalent to three times of the tax payable for incorrect claim of ITC.

Further, clause (f) of sub-section (1) of Section 25 of the BVAT Act, empowers the Assessing Authority to scrutinise every return filed under sub-sections (1) and (3) of Section 24 to ascertain that information and evidence, as may be

prescribed to support claims of ITC have been furnished in such manner as may be prescribed.

Test check of assessment records in two commercial taxes circles¹⁴ between July and August 2021 revealed that three dealers availed ITC of ₹ 4.02 crore on purchase of the goods worth ₹ 43.18 crore as against their admissible entitlement of ₹ 2.63 crore during the period 2015-16 and 2016-17. Thus, it was evident that the dealers availed excess ITC of ₹ 1.39 crore which could not be detected by the AAs even during the assessment. This resulted in under assessment of tax of ₹ 6.68 crore including leviable penalty of ₹ 4.16 crore and interest of ₹ 1.13 crore, as detailed in **Annexure-VIII**.

The matter was reported to the Government (January 2022); the reply was awaited (March 2022).

3.4.5 Short levy of tax due to application of incorrect rate of tax

The Assessing Authorities failed to detect the application of incorrect rate of tax which resulted in short levy of tax for ₹ 2.12 crore including interest.

Under the provision of Section 25(1) of the BVAT Act, the prescribed authority shall, within the time and the manner prescribed, scrutinise every return filed under sub-sections (1) and (3) of Section 24 for the purpose of ascertaining that the rates of tax have been applied correctly. Further, under the provision of section 39 (4) of the BVAT Act, interest at the rate of one and half *per cent* per month is also leviable on the amount of tax payable.

Audit test checked assessment records in three commercial taxes circles¹⁵ between August and September 2021 and found that seven dealers assessed their tax liability at the lower rate of five to six *per cent* on sale of sand and grit and electrical goods worth ₹ 13.57 crore instead of the correct applicable rate of six to 15 *per cent* during 2016-17. The AAs failed to detect the application of incorrect rate of tax during assessment. Thus, failure of AAs in detecting incorrect application of rate of tax resulted in short levy of tax for ₹ 2.12 crore including interest of ₹ 92.43 lakh, as detailed in **Annexure-IX**.

The matter was reported to the Government (January 2022); the reply was awaited (March 2022).

¹⁴ Patna City East and Patna North.

¹⁵ Bhagalpur, Danapur and Patna Central.

CHAPTER 4

REVENUE AND LAND REFORMS

CHAPTER 4: REVENUE AND LAND REFORMS

4.1 Tax administration

The Revenue and Land Reforms Department acquires and alienates land and levies and collects land revenue in Bihar. The Collector is responsible for the land acquisition who is assisted by the District Land Acquisition Officer (DLAO).

The Principal Secretary-cum-Commissioner is the administrative head and assisted by three Directors and Special Secretary, Joint Secretary, Deputy Secretary at the Headquarters level. The Divisional Commissioners, Collectors, Additional Collectors, District Land Acquisition officer (DLAO), Deputy Collectors and Circle Officers are responsible to carry out the work at the field level. Circle officers are responsible for maintenance of land records and collection of land revenue.

4.2 Results of audit

During 2020-21, Audit test checked records of two¹ out of 961 units of the Revenue and Land Reforms Department. Audit scrutiny revealed non-settlement of *Sairats* and other irregularities involving ₹ 37.78 crore in 19 cases as shown in **Table-4.1** below.

Table-4.1
Results of Audit

Sl. No.	Categories	No. of observations	Amount (₹ in lakh)
1.	Non-settlement of <i>Sairats</i>	1	0.80
2.	Other cases	18	3,777.30
	Total	19	3,778.10

The Department neither accepted any cases nor any recovery was done during 2020-21. The replies in all the cases of 2020-21 and those of earlier years were awaited (March 2022).

Irregularities involving three paragraphs worth ₹ 11.46 crore have been illustrated in this chapter.

4.3 Incorrect calculation of Award

Land acquisition is the process by which Government acquires land for a public purpose such as the development of industry, infrastructural facilities and urbanisation, and provides compensation to the affected landowners with rehabilitation and resettlement. Land acquisition process is governed by “Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement Act (RFCTLARR), 2013” and the subsequent amendments made from time to time by the Union and Bihar Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement, (BRFCTARR) Rules, 2014.

¹ Circle Office, Patna Sadar and Principal Secretary, Revenue and Land Reforms Department.

4.3.1 Short calculation of Solatium

Application of incorrect calculation method resulted in short levy of solatium of ₹ 2.22 crore leading to short payment to 17 landowners.

As per section 30(1) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, the Collector having determined the total compensation to be paid, shall, to arrive at the final award, impose a “Solatium”² equivalent to one hundred *per cent* of the compensation amount. As per point 5 of the First Schedule of the Act, 2013, Solatium, which is equivalent to one hundred *per cent* of the market value of the land plus value of assets attached to the land is payable to the land owners.

Audit test check (September 2021) of records of land acquisition project files related to Mahatma Gandhi Central University of Bankat *mauja*, Motihari maintained in District Land Acquisition Office (DLAO), Motihari revealed that the DLAO did not consider the value of assets attached to the land during calculation of the solatium. Thus, incorrect calculation by the DLAO resulted in short levy of solatium of ₹ 2.22 crore leading to short payment to 17 land owners as detailed in **Annexure-X**.

The DLAO concerned accepted (September 2021) the audit observation and stated that the revised estimate proposal would be sent to the Department.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

4.3.2 Short payment of additional compensation

Short payment of additional compensation of ₹ 8.60 crore to the landowners due to incorrect calculation.

Section 23(1) of the Land Acquisition Act, 1894 read with Section 30(3) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (RFCTLARR) Act, 2013 provides for payment of additional compensation at the rate of 12 *per cent* of the market value of the land from the date of publication of notification of the Social Impact Assessment study till the date of the award of the Collector or the date of taking possession of the land, whichever is earlier.

Audit test check of records of four projects³ in five *maujas*⁴ of two districts⁵ between August and September 2021 revealed that the authorities, while calculating additional compensation did not consider the correct date of possession of land/ date of award. This incorrect calculation resulted in short calculation of additional compensation for ₹ 8.60 crore, as detailed in **Annexure-XI**.

² It is a component of compensation payable to the land owners.

³ Hajipur-Sugauli New Rail Line, Indo-Nepal Border Road Project, Kesariya Baudh Stup and Mahatma Gandhi Central University.

⁴ Fursatpur, Jasauli, Jogbani, South Maheshvari and Tejpur Deur.

⁵ Araria and Motihari.

The Director, Land Acquisition, Bihar, Patna in Indo-Nepal Border Road Project accepted the audit observation and stated (September 2021) that correspondence was being made with the DLAOs concerned. Further, DLAO, Motihari accepted the audit observation in case of remaining three projects and stated (September 2021) that rectification was being done considering it as arithmetical error.

The matter was reported to the Government (February 2022); the reply was awaited (March 2022).

4.3.3 Non-levy of cess on the capitalised value of rent

Cess of ₹ 63.15 lakh as a percentage of the capitalised value of the annual rent for 25 years of the land under acquisition, was not levied.

Section 22 and 23 of the Bihar Land Reforms Act 1950 read with instructions issued (June 2000) by the Revenue and Land Reforms Department, Government of Bihar provide for realisation of Education Cess, Health Cess, Agriculture Development Cess and Road Cess at the rate of 50 *per cent*, 50 *per cent*, 20 *per cent* and 25 *per cent* respectively of capitalised value of annual rent of the lands for twenty five years.

Scrutiny of approved estimates (September 2021) of four *maujas*⁶ of two land acquisition projects⁷ maintained in District Land Acquisition Office (DLAO), Motihari revealed that 145 *per cent* cess on capitalised value of annual rent for 25 years of the land under acquisition, was not assessed while finalising the estimates for the concerned projects. Thus, the DLAO failed to comply with the instructions issued by the Department. This resulted in non-levy of cess on an amount of ₹ 63.15 lakh on the capitalised value of rent of ₹ 43.55 lakh as detailed in **Annexure-XII**.

On this being pointed out by Audit, the DLAO, Motihari stated (September 2021) that the observation of audit has been noted for future guidance. The reply is not acceptable as the DLAO did not give any specific reply on non-levy of cess on capitalised value of rent.

The matter was reported to the Department (February 2022); the reply was awaited (March 2022).

⁶ Bankat, Fursatpur, Dhekha Chadar No 3 & 4 and Sundarpur Chadar No 7 & 8.

⁷ Mahatma Gandhi Central University, Motihari and Construction of high level 27 km RCC bridge on river Gandak on Chakiya Kesariya Sattarghat.

CHAPTER 5
STAMPS AND
REGISTRATION FEES

Chapter 5: STAMPS AND REGISTRATION FEES

5.1 Tax administration

The levy and collection of Stamp duty and Registration fee in the State is governed by the provisions of the Indian Stamp Act, 1899, the Registration Act, 1908, the Bihar Stamp Rules, 1991 and the Bihar Stamp (Prevention of Undervaluation of Instruments) Rules, 1995.

The Prohibition, Excise and Registration Department (Registration) is headed by the Inspector General, Registration (IGR). The Department functions under the administrative control of the Additional Chief Secretary/ Principal Secretary of the Registration Department. The IGR is assisted by an Additional Secretary, two Deputy Inspectors General (DIGs) and four Assistant Inspectors General (AIGs) at the Headquarters level. Further, there are nine Assistant Inspectors General (AIGs) at the division level. At the field level, 38 District Sub-Registrars (DSRs), 88 Sub-Registrars (SRs) and 26 Joint Sub-Registrars (JSRs) at the districts/primary units are responsible for levy and collection of Stamp duty and Registration fee.

5.2 Results of audit

During the year 2020-21, Audit test checked the records of Inspector General, Registration (IGR), Patna. Out of 161 units of the Registration Department, four units¹ of Assistant Inspector General (AIG) at Division level and six units² of District Sub-Registrar were audited during July 2020 and February 2021. Audit observed short realisation and other irregularities involving ₹ 88.19 crore in 79 cases during April 2020 to March 2021. The Department accepted short levy, short realisation and other irregularities of ₹ 14.52 crore in 127 cases during April 2020 to March 2021, which were pointed out in earlier years. The Department reported recovery of ₹ 1.08 crore in 12 cases. The replies of cases pointed out during 2020-21 and those of earlier years were not received (March 2022).

5.3 Short realisation of Stamp duty and Registration fee due to undervaluation of land

Five Registering Authorities failed to detect undervaluation of land in nine instruments executed during June 2016 to August 2021 which resulted in short realisation of Stamp duty and Registration fee of ₹ 2.08 crore.

The Indian Stamp (IS) Act, 1899 is a fiscal Statute. Its primary objective is to increase the revenue of the State. It seeks to realise this objective by imposing a duty in respect of various instruments executed by members of public. The revenue derived from such duties forms a considerable part of the revenue of the State. Under the provision of Section 47(A) of the IS Act, where the registering authority has reason to believe that the market value of the property has not been rightly set forth in the instrument, he may refer the same to the Collector for determination of market value of such property.

The land is categorised as Commercial, Residential, Irrigated/do fasla *etc.* The rate of land is determined on the basis of above categories of land ward/circle-wise in every district. The minimum value of a land shall be fixed in every district every

¹ Darbhanga, Muzaffarpur, Patna and Saran.

² Darbhanga, Madhubani, Muzaffarpur, Patna, Samastipur and Saran.

year on the recommendation of District Valuation Committee established for this purpose. The Committee shall function under the overall guidance and supervision of Central Valuation Committee constituted at State level.

- During scrutiny (September 2021) of a partition deed (Token No. 10658/2019) executed in August 2019 at the District Sub-Registrar (DSR), Motihari, it was noticed that the land was classified as Residential. This partition deed gave the ownership of 1,365 Decimal of land to seven sisters. It was noticed that these seven sisters sold 588.38 Decimal of land out of 1,365 Decimal by executing a deed (Token No. 2896/2020) in March 2020 wherein the land was classified as irrigated/do fasla instead of Residential. However, this plot should have been considered as Residential category and accordingly, the Stamp duty and Registration fee³ should have been considered on value of ₹ 23.54 crore (588.38 Decimal x ₹ 4,00,000 per Decimal), arrived at on the basis of market value of applicable Minimum Value Register (MVR) for residential category, instead of consideration value of ₹ 5.30 crore. This lead to undervaluation of property by ₹ 18.24 crore and resulted in short levy of Stamp duty and Registration fee amounting to ₹ 1.46 crore⁴.

The matter was reported to the Department (January 2022); the Department replied that the case has been referred for recovery to Assistant Inspector General (AIG) Tirhut Division, Muzaffarpur.

- During scrutiny (July to September 2021) of sale deeds in the offices of four DSR⁵ and one SR⁶, executed during June 2016 to August 2021, it was noticed that eight plots were categorised at lower category value of MVR, despite their location pertaining to higher category value of MVR. Further, it was noticed that same plots along with same seller in different deeds were shown in different categories. Therefore, these plots should have been considered as higher category, and accordingly, the Stamp duty and Registration fee should have been considered on value of ₹10.64 crore arrived at on the basis of market value of applicable MVR for higher category instead of consideration value of ₹ 2.73 crore. This lead to undervaluation of property by ₹ 7.91 crore and short levy of Stamp duty and Registration fee amounting to ₹ 62.54 lakh (**Annexure-XIII**).

The matter was reported to the Government (January 2022). Government replied that the recovery has been done in the case of Patna City and the cases of Banka, Gopalganj and Motihari have been referred to the District Magistrate (DM) for recovery. The Government, in the case of Buxar, refuted the Audit observation stating that the Stamp duty was charged on the class of land less than five Decimal. The reply is not acceptable since the registered part of land was 31 Decimal as mentioned in the deed.

³ Rate of Stamp duty is six per cent and Registration fee is two per cent of value of all categories of land.

⁴ (Amount in ₹)

Cost as per MVR	Stamp duty			Registration fee			Total short realisation (A+B)
	Leviable	Paid	Short Realisation (A)	Leviable	Paid	Short Realisation (B)	
235352000	14121120	3177300	10943820	4707040	1059100	3647940	14591760

⁵ One plot at Banka, one plot at Buxar, four plots at Gopalganj and one plot at Motihari.

⁶ One plot in Patna City.

5.4 Short realisation of Stamp duty and Registration fee on Mining lease

Failure of the Registering Officer to detect misclassification of mining lease of stone resulted in short realisation of Stamp duty and Registration fee of ₹ 6.95 crore.

The Indian Stamp (IS) Act, 1899 is a fiscal Statute. Its primary objective is to increase the revenue of the State. It seeks to realise this objective by imposing duty in respect of various instruments executed by members of public. The revenue derived from such duties forms a considerable part of the revenue of the State. Article 35 (b) of Schedule-1 of the Indian Stamp (IS) Act, 1899 provides that where the lease is granted for a fine or premium or for money advanced and where no rent is reserved, the Stamp duty at the rate of six *per cent* and Registration fee at the rate of two *per cent* on premium value would be payable treating them as conveyance.

Audit observed (December 2021) during test check of lease deeds in the office of the District Sub-Registrar (DSR), Sheikhpura that five lease deeds of stone quarry executed (between April 2016 and June 2017) by the District Magistrate, Sheikhpura were registered for a period of five years for an amount of ₹ 91.45 crore. The leviable Stamp duty and Registration fee in these cases were ₹ 5.49 crore and ₹ 1.83 crore respectively as per the above schedule. However, the DSR failed to assess the duty in these cases and levied Stamp duty and Registration fee of ₹ 27.46 lakh and ₹ 9.17 lakh respectively. These under assessments resulted in short realisation of Stamp duty and Registration fee amounting to ₹ 6.95 crore (**Annexure-XIV**).

The matter was reported to the Government (February 2022). In reply (March 2022), Government stated that demand notices were issued by DSR Sheikhpura for recovery of short paid duty.

Patna
The 19 July 2022

(RAMAWATAR SHARMA)
Accountant General (Audit), Bihar

Countersigned

New Delhi
The 22 July 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE -I

(Paragraph: 3.3.6.1)

of detected amount

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	Amount of Demand as per DRC-07	Month of Demand Notice	Amount recovered/ reversed	Amount pending for recovery	Remarks	Whether verified by the Department
1.	Muzaffarpur East	10BMJPK6928F2Z5	10315879022	316549.22	474825.00	May-19	316550.00	158275.00	Tax deposited, but interest & penalty not deposited	Yes
2.	Muzaffarpur East	10ANXPA2613B2ZQ	10312677027	102244.00	147226.00	May-19	102240.00	44986.00	-Do-	Yes
3.	Patliputra	10AAMCA0671Q2ZI	10051447043	1843683.00	2581152.00	Aug-19	0.00	2581152.00		Yes
4.	Patna Central	10ABUFS8117M1Z0	10155124027	5200000.00	7259200.00	Aug-19	0.00	7259200.00		Yes
5.	Patna Central	10AALCA2103L1Z7	10155425034	5340791.00	7439721.00	Aug-19	0.00	7439721.00		Yes
6.	Patna Central	10AACK0129M1Z0	10150024032	1698240.00	2467543.00	Aug-19	0.00	2467543.00		Yes
7.	Patna Central	10AADFP4697F1ZC	10150060019	1582526.00	2285959.00	Aug-19	0.00	2285959.00		Yes
8.	Patna Central	10AABCP5818M1ZG	10157261057	1023993.00	1427447.00	Aug-19	1023993.00	403454.00		Yes
9.	Patna City East	10ANPPS2957Q1Z7	10061670073	112286.00	157201.00	Nov-19	0.00	157201.00	-	Yes
10.	Patna Special	10AAACT2803M1ZQ	10010008024	31132307.00	6491556.00	Jan-19	4871712.00	1619844.00		Yes
11.	Patna Special	10AAACS6994C1ZK	10011191019	64840884.00	89804624.00	Jun-19	0.00	89804624.00		Yes
12.	Patna Special	10AAACP0305Q1ZT	10010945002	21673026.39	30017141.00	Jun-19	0.00	30017141.00		Yes
13.	Patna Special	10AABCB1562A1ZQ	10010083005	8146412.00	14852.00	Jun-19	0.00	14852.00		Yes
14.	Patna Special	10AAACI5139B1ZD	10010565095	6148375.00	8331049.00	Jun-19	0.00	8331049.00		Yes
15.	Patna Special	10AABCF6616P1ZM	10011065086	3586177.00	5015648.00	Jun-19	0.00	5015648.00		Yes
16.	Shahabad	10AXVPK9677K1ZM	10163809028	1500000.00	1905000.00	Aug-19	0.00	1905000.00		Yes
Total				154247493.61	165820144.00		6314495.00	159505649.00		

ANNEXURE -II
(Refer paragraph: 3.3.6.2)

Tax Deducted at Source (TDS) claimed as transitional ITC

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	Objection amount	Whether verified by the Department
1.	Katihar	10AACCT0473H1ZT	10452505049	6026473.96	6026473.96	Yes
2.	Patliputra	10AAACE6839Q1ZD	10051239072	10865998.84	10865998.84	No
Total				16892472.80	16892472.80	

ANNEXURE -III
(Refer paragraph: 3.3.6.3)

Excess claim of Transitional ITC in TRAN-1 in comparison to ITC carried forward in the last return

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	ITC carried forward in last return filed under VAT	Excess claim of Transitional ITC	Whether verified by the Department
1.	Patliputra	10AABCI2106H1ZF	10050889021	2680367.00	0.00	2680367.00	No
2.	Patliputra	10AADCH0303D1ZR	10051251061	138778.00	0.00	138778.00	No
3.	Patna City West	10AAACU2842D1Z1	10080523047	712213.00	0.00	712213.00	No
Total				3531358.00	0.00	3531358.00	

ANNEXURE -IV
(Refer paragraph: 3.3.6.4)
Incorrect claim of Transitional ITC on Closing Stock

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	Objection amount	Remarks	Whether verified by the Department
1.	Katihar	10AAJFA4349K1ZL	10450937044	7184701.00	4676336.00	The tax payer had claimed excess ITC carried forward compared to balance ET payment.	Yes
2.	Patliputra	10AABCT1296R1Z2	10050498055	21149748.00	2267605.00	The tax payer did not claim any ITC carried forward in quarterly return of 1 st quarter of 2017-18 and had short paid ET.	Yes
3.	Patliputra	10AAACM3025E2ZD	10050023046	8807755.00	8807755.00	The tax payer had not any balance ET to be carried forward as transitional ITC.	Yes
Total				37142204.00	15751696.00		

ANNEXURE -V
(Refer paragraph: 3.3.6.5)
Non/short demand of interest/penalty on detected irregular credit

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	Amount of irregular credit detected	Non-demand of interest/ penalty amount	Remarks	Whether verified by the Department
1.	Begusarai	10AEFPG9747R2ZZ	10367220078	2068347.48	2068347.48	538805.00	Interest levied in assessment order but was not included in DRC-07.	Yes
2.	Bhagalpur	10AARFS8853J1ZO	10520203095	2518913.92	2518913.92	251891.39	Penalty amount was included in DRC-01 but not included in DRC-07.	Yes
3.	Patna Special	10AADCR0941H3ZV	10011409094	7299817.00	7299817.00	328492.00	Short Calculation of Interest.	Yes
4.	Patna Special	10AAACN7396R1ZW	10010440062	37545079.00	37545079.00	6194938.00	Interest raised through DRC-01 but on representation of the taxpayer, interest was finally dropped on the ground that it was not utilised. However, audit found that the transitional credit claimed in credit ledger was utilised.	Yes
5.	Purnea	10AAGCM0882P2Z9	10494151054	11520038.21	5760019.00	921000.00	₹5760019 was wrongly claimed as TC in credit ledger which was further reversed through GSTR-3B. But, as the credit was utilised, hence interest was leviable on this.	Yes
Total				60952195.61	55192176.40	8235126.39		

ANNEXURE -VI
(Refer paragraph: 3.3.6.6)
Incorrect claim of transitional input tax credit due to other reasons

(Amount in ₹)

Sl. No.	Name of Circle	GSTIN	Legacy No. (VAT)	TRAN-1 amount	Objection amount	Remarks	Whether verified by the Department
1.	Kadamkuan	10AABCA9317J1ZZ	10130219057	13879712.00	5155155.67	Excess transitional credit on undervalued stock.	Yes
2.	Patna North	10ABJPM3378D1ZY	10107740054	746784.63	27764.39	Suppression of GTO and undervaluation of stock.	Yes
3.	Patna North	10AAFCA8138B3Z9	10103656092	347528.00	319069.07	Excess transitional credit on undervalued stock.	Yes
4.	Shahabad	10AOAPP4063L1Z4	10160138028	229386.00	229386.00	ITC brought forward from 2016-17 is incorrect, resulting into incorrect ITC carried forward to 2016-17.	Yes
Total				15203410.63	5731375.13		

ANNEXURE -VII
(Refer paragraph: 3.4.2)
Suppression of turnover

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer/ TIN	Period	Commodity Rate (in per cent)	Actual purchase/sale	Purchase/sale accounted for	Value Suppressed	Tax	Penalty Interest	Total	Difference found in
1.	Patna City East	M/s Jai Krishna Steel Private Limited/ 10061889042	2016-17	<u>Iron & Steel</u> 5	572013286	544180914	27832372	1391618	<u>4174854</u> 1043713	6610185	RT-III & Trading ledger
		M/s Jyoti Moulders Private Limited/ 10061644016	2016-17	<u>Raw and Packing material</u> 14.5 & 15	138279164	135987948	2291216	339786	<u>1019358</u> 259936	1619080	RT-III & D-X
2.	Patna North	M/s Chirag Industries/ 10100696040	2016-17	<u>Furniture</u> 15	4965463	38465	4926998	739049	<u>2217147</u> 565372	3521568	RT-III & Trading Ledger
Total					715257913	680207327	35050586	2470453	<u>7411359</u> 1869021	11750833	

ANNEXURE-VIII
(Refer paragraph: 3.4.4)

Irregular/excess claim of Input Tax Credit

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer/TIN	Period	Purchase value on which ITC availed	ITC availed/ allowed	Actual entitlement	Excess/ incorrect availing of ITC	Penalty Interest	Total
1.	Patna City East	M/s Parle Biscuits Private Limited/ 10060425035	2015-16	265026820	20497904	17126712	3371192	<u>10113576</u> 3135209	16619977
2.	Patna North	M/s Deepak Hosiery/ 10104419094	2016-17	52672264	2968367	1228184	1740203	<u>5220609</u> 1357358	8318170
		M/s Topsel Marketing Pvt Ltd./ 10100628043	2016-17	114129330	16736687	7971112	8765575	<u>26296725</u> 6837149	41899449
Total				431828414	40202958	26326008	13876970	<u>41630910</u> 11329716	66837596

ANNEXURE-IX
(Refer paragraph: 3.4.5)

Short levy of tax due to application of incorrect rate of tax

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the Dealer/ TIN	Period	Commodity	Rate of tax leviable/ levied (in per cent)	Amount on which difference of rate is to be levied	Tax	Interest	Total
1.	Bhagalpur	M/s Ganpati Traders/10520960083	2016-17	Electrical Goods	14.5/5 & 15/6	10354845	963096	765661	1728757
2.	Danapur	M/s VRC Construction India Private limited/10047376032	2016-17	Sand	14.5/5 & 15/6	6858789	630639	472989	1103628
3.	Patna Central	M/s Aarpee Infraprojects Private Limited /10155425034	2016-17	Sand and grit	15/6	3039478	273553	209268	482821
4.	Patna Central	M/s Shiv Kishor Construction Pvt Ltd/10156317057	2016-17	Sand and grit	6/5 & 15/5	19478363	1210480	926017	2136497
5.	Patna Central	M/s Durga Pratap Singh/10157921074	2016-17	Sand and grit	15/5	21487368	2148737	1643784	3792521
6.	Patna Central	M/s Safety Controls and Devices Private Limited/10159018095	2016-17	Electrical Goods	15/6	34699564	3122961	2435910	5558871
7.	Patna Central	M/s Recon/10151212088	2016-17	Sand and grit	15/6	39737591	3576383	2789578	6365961
Total						135655998	11925849	9243207	21169056

ANNEXURE-X
(Refer Paragraph: 4.3.1)
Short calculation of solatium

(Amount in ₹)

Sl. No.	Award No.	Name of beneficiaries	Plot No	Area of land (in decimal)	Value of land	Value of assets	Actual Solatium amount as per sec. 30 (1)	Solatium calculated as per sec. 30 (1)	Difference
1.	1	Srikant Prasad	803/1	34	5440000	2004043	7444043	5440000	2004043
2.	2	Shivdhar Das	803/2	7	5600000	1270870	6870870	5600000	1270870
3.	4	Sambhu Rai	803/4	1.75	1400000	358473	1758473	1400000	358473
4.	6	Bagar Das	803/5	2.50	2000000	182491	2182491	2000000	182491
5.	8	Radho patel	803/7	7.50	6000000	1634826	7634826	6000000	1634826
6.	11	Madhu kumara	803/9	27	21600000	8112845	29712845	21600000	8112845
7.	15	Ashok Yadav	803/12	2.20	1760000	598165	2358165	1760000	598165
8.	17	Harendra Yadav	803/14	3.20	2560000	608748	3168748	2560000	608748
9.	26	Baliram das	804/1	6	4800000	564613	5364613	4800000	564613
10.	28	Sambhu das	804/2	6	4800000	1208431	6008431	4800000	1208431
11.	30	Motilal das	804/3	6.50	5200000	723466	5923466	5200000	723466
12.	33	Rajesh das	805/2	3	1500000	270557	1770557	1500000	270557
13.	36	Yogendra patel	805/4	1.65	825000	210447	1035447	825000	210447
14.	37	Lalchand das	805/5	6.25	3125000	1535345	4660345	3125000	1535345
15.	39	Sanjay das	805/6	2.75	1375000	784856	2159856	1375000	784856
16.	43	Jokhu das	806/3	6.50	5200000	1054561	6254561	5200000	1054561
17.	45	Lakshman das	806/4	15.25	12200000	1119414	13319414	12200000	1119414
TOTAL					85385000	22242151	107627151	85385000	22242151

ANNEXURE-XI
(Refer Paragraph: 4.3.2)
Short payment of additional compensation

(Amount in ₹)

Sl. No.	Name of project	Name of mauza	Date of notification	Date of possession/ Award, whichever is earlier	Market value of land	Period of additional compensation (from notification of SIA to approval of Award/date of possession, whichever is earlier) in days	Additional compensation amount at the rate of 12 per cent per annum at market value of land	Additional compensation amount at the rate of 12 per cent per annum taken	Difference
1.	Indo-Nepal Border Road Project	Jogbani	14 July 2016	25 July 2018	44388000.00	741	43676706.16	21514167.00	22162539.16
					134896725.00				
					Total				
		South Maheshvari	14 July 2016	25 July 2018	38175000.00	741	50683029.66	24965325.00	25717704.66
					169869375.00				
					Total				
2.	Hajipur Sugauli New Rail Line	Jasauli	13 February 2018	15 July 2021	1234530.00	1248	16283435.16	5159248.00	11124187.16
					15487000.00				
					22964994.00				
					Total				
3.	Kesariya Baudh Stup	Tajpur Deur	28 November 2019	10 April 2021	273685.50	499	67921.64	16561.00	51360.64
					140332.50				
					Total				
4.	Mahatma Gandhi Central University	Fursatpur	05 January 2016	27 November 2019	118484500.00	1422	55392315.29	28436280.00	26956035.29
Grand Total							166103407.91	80091581.00	86011826.91

ANNEXURE-XII
(Refer Paragraph: 4.3.3)
Non-levy of Cess on the capitalised value of rent

(Amount in ₹)

Sl. No.	Name of Project	Name of Mauja	Acquired land in Decimal	Amount of yearly land rent at the rate ₹ 10 per Decimal	Capitalised value of land rent for 25 years	Amount Cess on land rent at the rate of 145 <i>per cent</i>
1.	Mahatma Gandhi Central University, Motihari	Bankat	3337	33370	834250	1209662.50
		Fursatpur	10303	103030	2575750	3734837.00
2.	Construction of high level RCC bridge at 27 KM on river Gandak on Chakiya Kesariya Sattarghat	Dhekha Chadar No 3 and 4	2248	22480	562000	814900.00
		Sundarpur Chadar No 7 and 8	1532	15320	383000	555350.00
Grand Total					4355000	6314749.50

ANNEXURE-XIII
(Refer Draft Paragraph: 5.3 second bullet)
Short realisation of Stamp duty and Registration fee due to undervaluation of land

(Amount in ₹)

Sl. No.	Name of office	Token No/ Deed no.	Valuation as per sale deed	Valuation as per MVR	Stamp duty payable (at the rate of 6 per cent)	Stamp duty paid	Short realisation of Stamp duty	Registration fee payable	Registration fee paid (at the rate of 2 per cent)	Short realisation of Registration fee	Total SD and RF short realised	Remarks of other Token No./Deed No.
1.	Sub-Registrar, Patna city	4725/4367	3040000	16935797	1016148	252320	763828	338716	63840	274876	1038704	5429/5060
2.	DSR, Banka	16352/15370	1161000	26100000	1566000	69660	1496340	522000	23220	498780	1995120	15978/17026
3.	DSR, Gopalganj	5442/5110	7500000	15000000	900000	450000	450000	300000	150000	150000	600000	6079/5546
		10633/9825	1342000	8540000	512400	80520	431880	170800	26840	143960	575840	10610/10893
		11120/10481	845000	4550000	273000	50700	222300	91000	16900	74100	296400	11348/10745
		11627/11013	683000	2100000	126000	40980	85020	42000	13660	28340	113360	11628/11566
4.	DSR, Buxar	14684/14193	1017000	12320000	739200	61020	678180	246400	20340	226060	904240	14688/14194
5.	DSR, Motihari	212/342	11745000	20880000	1252800	704700	548100	417600	234900	182700	730800	7495
Total			27333000	106425797	6385548	1709900	4675648	2128516	549700	1578816	6254464	

ANNEXURE-XIV
(Refer Draft Paragraph: 5.4)

Short realisation of Stamp duty and Registration fee on Mining Lease

(Amount in ₹)

Sl. No.	Lessor	Lessee	ToKen No./ Deed No. and Date	Auctioned amount	Leviable Stamp duty (6 per cent of Column 5)	Stamp duty paid	Difference	Leviable Registration fees (2 per cent of Column 5)	Registration fees paid	Difference	Total Difference (8+11)
1	2	3	4	5	6	7	8	9	10	11	12
1.	Govt. of Bihar	Navyuga Engineering Company, Vishakhapatnam	2007/2157 27.04.16	175500000	10530000	527000	10003000	3510000	175500	3334500	13337500
2.	Govt. of Bihar	Navyuga Engineering Company, Vishakhapatnam	2008/2156 27.04.16	152500000	9150000	458000	8692000	3050000	152500	2897500	11589500
3.	Govt. of Bihar	Arena Food and Agro Industries Pvt. Ltd.	1840/1786 03.04.17	290000000	17400000	870000	16530000	5800000	291000	5509000	22039000
4.	Govt. of Bihar	M/s Vibharaj Construction, Pvt. Ltd.	3182/3101 30.05.17	148250000	8895000	445780	8449220	2965000	149260	2815740	11264960
5.	Govt. of Bihar	Sh. Aman Sethi	3487/3395 14.06.17	148250000	8895000	445780	8449220	2965000	149260	2815740	11264960
Total				914500000	54870000	2746560	52123440	18290000	917520	17372480	69495920

GLOSSARY OF ABBREVIATIONS

GLOSSARY OF ABBREVIATIONS

Abbreviations	Full form
AIG	Assistant Inspector General
ATNs	Action Taken Notes
BEs	Budget Estimates
BET	Bihar Entry Tax
BFR	Bihar Financial Rules
BGST	Bihar Goods and Services Tax
BMVT Act	Bihar Motor Vehicle Taxation Act
BMVT Rules	Bihar Motor Vehicle Taxation Rules
BTEG Act	Bihar Tax on entry of goods into local areas for Consumption, Use or Sale therein Act
BVAT Act	Bihar Value Added Tax Act
CAG	Comptroller and Auditor General of India
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
CMV Rules	Central Motor Vehicles Rules
CST	Commissioner of State Tax
CTD	Commercial Taxes Department
DCST/ACST	Deputy Commissioner of State Tax /Assistant Commissioner of State Tax
DIGs	Deputy Inspectors General
DL	Driving Licence
DLAO	District Land Acquisition Officer/ Office
DM	District Magistrate
DSR	District Sub Registrar
DTOs	District Transport Officers/ Office
ET	Entry Tax
HHD	Hand Held Device
IGR	Inspector General, Registration
IGST	Integrated Goods and Services Tax
IRs	Inspection Reports
IS	Indian Stamp
ITC	Input Tax Credit
JCST	Joint Commissioner of State Tax
JSRs	Joint Sub-Registrars
MV Act	Motor Vehicles Act
MVIs	Motor Vehicle Inspectors
MVR	Minimum Value Register
OGRAS	Online Government Receipts Accounting System
PAC	Public Accounts Committee
RECTLARR	Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement Act
RTA	Regional Transport Authorities
SOP	Standing Operating Procedure
SRs	Sub-Registrars
STC	State Transport Commissioner
UTGST	Union Territory Goods and Services Tax
VAT	Value added Tax

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