

CHAPTER- 1: General

1.01 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Bihar during the year 2000-2001, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the correspondent figures for the preceding 2 years are given below: -

(Rupees in crore)

		1998-99	1999-2000	1.4.2000 to 14.11.2000	15.11.2000 to 31.3.2001	2000-2001 ¹
I.	Revenue raised by the State Government	3827.64	4250.65	2277.46	1243.45	3520.91
	(a) Tax revenue	2681.35	3084.79	1722.51	1086.72	2809.23
	(b) Non-tax revenue	1146.29	1165.86	554.95	156.73	711.68
II.	Receipts from the Government of India	5468.55	6408.88	4422.03	3234.38	7656.41
	(a) State's share of divisible Union taxes	4441.23	4962.59	3819.94	2755.69	6575.63
	(b) Grants-in-aid	1027.32	1446.29	602.09	478.69	1080.78
III.	Total receipts of the State Government ² (I&II)	9296.19	10659.53	6699.49	4477.83	11177.31
IV.	Percentage of I to III	41	40	34	28	31

(i) The details of the tax revenue raised during the year 2000-2001 alongwith the figures for the preceding 2 years are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	1998-99	1999-2000	1.4.2000 14.11.2000	15.11.2000 31.3.2001	2000-2001	Percentage of Increase (+) / decrease (-) in 2000-01 over 1999-2000
1	2	3	4	5	6	7	8
1	Taxes on Sales, Trade etc.	1821.85	2067.79	1115.98	705.49	1821.47	(-) 12
2	State Excise	239.51	277.80	165.77	76.81	242.58	(-) 13
3	Stamps and Registration Fees	279.34	325.77	201.61	100.25	301.86	(-) 7
4	Taxes on Vehicles	164.96	178.47	113.87	110.11	223.98	(+) 26

¹ The figures for 1998-99 and 1999-2000 represent receipt for erstwhile Bihar (including Jharkhand) whereas the same for 2000-01 represent Bihar excluding Jharkhand.

² For details, please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government for the year 2000-01. Figures under the Major Heads "0020-Corporation Tax", "0021-Taxes on Income other than Corporation Tax", "0028- Other Taxes on Income and Expenditure", "0032-Taxes on Wealth", "0044-Service Tax", "0037-Customs", "0038-Union Excise Duties" and "0045-Other Taxes and Duties on Commodities and Services" - Minor Head - "901-Share of net proceeds assigned to State" booked in the Finance Accounts under "A-Tax Revenue" have been excluded from "Revenue raised by the State" and included in "State's share of divisible Union Taxes" in this statement.

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
5	Taxes and Duties on Electricity	67.04	85.25	29.67	7.10	36.77	(-) 57
6	Land Revenue	24.60	28.67	11.38	22.95	34.33	(+) 20
7	Other Taxes and Duties on Commodities and Services	24.26	27.10	14.28	9.10	23.38	(-) 14
8	Taxes on Goods and Passengers- Tax on entry of goods into Local Areas	59.78	93.92	69.94	54.90	124.84	(+) 33
9	Taxes on Agricultural Income	0.01	0.02	0.01	0.01	0.02	--
	Total	2681.35	3084.79	1722.51	1086.72	2809.23	(-) 9

The main reason for variation during 2000-01 over 1999-2000 was due to bifurcation of Bihar State on account of formation of Jharkhand State on 15 November 2000. Besides the decrease in receipts of Stamps and Registration fees was attributed to reduction in rates of stamp duty and registration fees for certain classes of documents with effect from February 2000.

The reasons for significant variation in receipts from that of previous year, though called for (May 2001) from other concerned departments, have not been received (March 2003).

(ii) The details of non-tax revenue raised during the years 2000-2001 alongwith figures for the preceding 2 years are given below:

Head of Revenue	1998-99	1999-2000	(Rupees in crore)		2000-2001	Percentage of Increase (+) / decrease (-) in 2000-01 over 1999-2000
			<u>1.4.2000</u> 14.11.2000	<u>15.11.2000</u> 31.3.2001		
1. Non-ferrous Mining and Metallurgical Industries	740.92	707.56	382.57	27.35	409.92	(-) 42
2. Forestry and Wild Life	18.48	28.03	10.76	0.74	11.50	(-) 59
3. Interest Receipts	135.99	135.75	11.53	19.15	30.68	(-) 77
4. Social Security and Welfare	24.47	28.04	15.39	11.24	26.63	(-) 5
5. Others	226.43	266.48	134.70	98.25	232.95	(-) 13
Total	1146.29	1165.86	554.95	156.73	711.68	(-) 39

The reasons for substantial variations in receipts from that of previous year, though called for (May 2001) from the concerned departments, have not been received (March 2003) despite several reminders and personal meetings.

1.02 Variations between the Budget estimates and actuals

The variations between Budget estimates of revenue for the year 2000-2001 and the actual receipts under the principal heads of revenue are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates revised after bifurcation of the State	Actual receipts	Variations increase (+) shortfall (-)	Percentage
A	Tax Revenue				
1	Taxes on Sales, Trade etc.	1950.88	1821.47	(-) 129.41	(-) 7
2	State Excise	275.90	242.58	(-) 33.32	(-) 12
3	Stamps and Registration fees	343.48	301.86	(-) 41.62	(-) 12
4	Taxes on Vehicles	177.73	223.98	(+) 46.25	(+) 26
5	Taxes and Duties on Electricity	41.90	36.77	(-) 5.13	(-) 12
6	Land Revenue	37.61	34.33	(-) 3.28	(-) 9
7	Other Taxes and Duties on Commodities and Services	18.86	23.38	(+) 4.51	(+) 24
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	88.36	124.84	(+) 36.48	(+) 41
B	Non-Tax Revenue				
1	Non-ferrous Mining and Metallurgical Industries	350.00	409.92	(+) 59.92	(+) 17
2	Forestry and Wild Life	31.77	11.50	(-) 20.27	(-) 64
3	Interest Receipts	132.81	30.68	(-) 102.13	(-) 77

The reasons for variation between the budget estimates and actual receipts though called for (May 2001) from concerned departments have not been received (March 2003).

1.03 Cost of collection

(a) The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1998-99, 1999-2000 and 2000-2001 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 1999-2000 are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 1999-2000
1	Taxes on Sales, Trade etc.	1998-1999	1821.85	22.24	1.22	1.56
		1999-2000	2067.79	32.99	1.60	
		2000-2001	1821.47	24.96	1.37	
2	State Excise	1998-1999	239.51	15.72	6.56	3.31
		1999-2000	277.80	20.34	7.32	
		2000-2001	242.58	17.03	7.02	
3	Stamps and Registration fee	1998-1999	279.34	18.10	6.48	4.62
		1999-2000	325.77	19.11	5.87	
		2000-2001	301.86	17.41	5.76	
4	Taxes on Vehicles	1998-1999	164.96	4.00	2.42	3.56
		1999-2000	178.47	6.52	3.65	
		2000-2001	223.98	4.88	2.18	

The above table indicates that the percentage of expenditure on collection in respect of State Excise and Stamps and Registration Fees was more than the all India average percentage for the year 1999-2000.

(b) A further scrutiny of the records of Registration and State Excise departments revealed that the percentage of expenditure to gross collections during the years 1995-96 to 1999-2000 in comparison alongwith the relevant all India average percentage of expenditure on collection to gross collection was as under:-

Sl No	Head of revenue	Year	Percentage of expenditure to gross collection	All India average percentage
1	Stamps & Registration fee	1995-96	5.38	3.46
		1996-97	5.69	3.37
		1997-98	5.71	3.14
		1998-99	6.48	5.45
		1999-2000	5.87	4.62
2	State Excise	1995-96	6.89	3.20
		1996-97	6.08	3.53
		1997-98	6.56	3.20
		1998-99	6.56	3.25
		1999-2000	7.32	3.31

The above table indicates that cost of collection of revenue under the above two revenue heads have throughout been substantially higher than the All India average.

On these being pointed out (June 2001), the Registration Department attributed (June 2001) the higher cost of collection to non-rationalisation of stamp duty on partnership deeds, non-registration of flats in the state and excess expenditure on pay and allowances due to merger of posts. The

department further stated that in order to enhance stamp duty, the government decided to demerge the posts and rationalise the tax base by amending Stamp Act and Partnership Act for which the proposal of amendment has been sent to the Government of India. The department was also considering to dispense with the existing system of sales of stamp through vendors with a view to reducing expenditure overhead.

In case of State Excise, the department stated (June 2001) that percentage of cost of collection has decreased from 6.89 to 6.56 during the years 1995-96 to 1999-2000 on account of increased collection and that the department was also considering a new excise policy, which would result in decreasing the percentage of cost of collection. The reply of the department is not tenable as percentage of cost of collection increased to 6.56 in 1997-98 against 6.08 in 1996-97 and increased considerably (7.32) during the year 1999-2000 indicating failure of the department to reduce cost of collection. Further, the department could not furnish the year-wise and cadre-wise strength of employees to arrive at the actual expenditure incurred in collection of revenue though called for (June 2001). The matter was referred to the Government (July 2001 and December 2002); reply is awaited (March 2003).

1.04 Arrears in assessment of sales tax

The details of sales tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases decided during the year and number of cases pending finalisation at the end of each year during 1996-97 to 2000-2001 as furnished by the department are given below:-

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
1996-97	104794	93027	197821	114762	83059	42
1997-98	83059	96017	179076	83488	95588	53
1998-99	95588	103094	198682	127830	70852	33
1999-2000	70852	100654	171506	79938	91568	53
2000-01	82902 ³	96560	179462	50407	129055	72

The efforts made in 1998-99 to contain the arrears need to be sustained and stepped up to facilitate further reduction of arrears.

1.05 Frauds and evasions

The details of cases of frauds and evasion of taxes and duties pending at the beginning of the year, number of cases detected by the departmental

³ Differs by 8666 from the closing balance 91568 given earlier by the department and shown in the Audit Report for the year 1999-2000. The department attributed the difference due to exclusion of cases relating to Jharkhand State.

authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties etc.) of taxes/duties raised against the dealers during the year and the number of cases pending finalisation at the end of March 2001, as furnished by the concerned department are given below: -

(Rupees in lakh)

Sl. No.	Department	Cases pending as on 31 March 2000	Cases detected during 2000-2001	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2001
				No. of cases	Amount of demand	
1	Water Resources	6	Nil	Nil	12.78	6
2	Finance (Commercial Taxes)	311 ⁴	704	662	140.46	353
3	Transport	275	450	Nil	Nil	725
4	Excise and prohibition	13	Nil	Nil	Nil	13

Information from other departments, though called for (May 2001), have not been received (March 2003) despite several reminders to departmental heads and personal meetings.

1.06 Analysis of collections

The break-up of the total collections (at pre-assessment stage and after regular assessment) of Taxes on Sales, Trade etc. during the year 2000-2001 and the corresponding figures for preceding two years, as furnished by the Finance (Commercial Taxes) Department are given below: -

Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment		Total collection of taxes	Total collected as per Finance Account	Percentage of pre-assessment collection to total collection (Col 2 to 5)
		Additional demand	Penalty for delay in payment of Taxes and Duties			
1	2	3	4	5	6	7
1998-99	1743.34	50.63	0.75	1794.72	1821.85	97
1999-2000	1995.22	58.03	1.04	2054.29	2067.79	97
2000-2001	1794.11	19.11	1.55	1814.77	1821.47	99

Thus the tax including penalties collected after regular assessment constituted a rather low proportion of the total collection.

⁴ Differs by 38 from the closing balance 349 given earlier by the department and shown in the Audit Report for the year 1999-2000. The department attributed the difference due to exclusion of cases relating to Jharkhand State.

1.07 Arrears of revenue

As on 31 March 2001, arrears of revenue under principal heads of revenue, as reported by the departments, were as under: -

(Rupees in crore)

Sl. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
1	2	3	4	5
1.	Taxes on Sales, Trade etc.	691.79	N.A.	Out of Rs. 691.79 crore, demands for Rs. 172.76 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs.361.89 crore had been stayed by Courts and government respectively. Action taken in respect of remaining arrears of Rs. 157.14 crore, though called for (May 2001), has not been intimated (March 2003).
2.	Water Rates	86.30	N.A.	Out of Rs.86.30 crore, demands for Rs.1crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 6.29 crore and Rs. 0.06 crore had been stayed by the Courts and the government respectively. Recovery of Rs. 0.63 crore was held up due to rectification / review of applications. Amount of Rs. 0.81 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 77.51 crore, though called for (May 2001), has not been intimated (March 2003).
3.	Taxes on Vehicles	80.43	N.A.	Out of Rs. 80.43 crore, demands for Rs. 66.32 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs. 0.33 crore and Rs. 0.05 crore had been stayed by High Court and Government respectively. Recovery of Rs.0.02 crore was held up due to rectification/review of applications. Amount of Rs. 3.24 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 10.47 crore, though called for (May 2001), has not been intimated (March 2003).

<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
4.	Non-ferrous Mining and Metallurgical Industries	59.07	NA	Out of Rs. 59.07 crore, demands for Rs.53.83 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs.5.24 crore though called for (May 2001), has not been intimated (March 2003).
5	State Excise	45.44	40.72	Out of Rs. 45.44 crore, demands for Rs. 2.84 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs.30.09 crore and Rs.0.26 crore has been stayed by the Courts and the government respectively. Recovery of Rs. 0.17 crore was held up due to rectification/ review. Amount of Rs.0.11 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 11.97 crore though called for (May 2001) has not been intimated (March 2003).
6	Taxes and Duties on Electricity	17.47	3.68	Out of Rs. 17.47 crore, demands for Rs. 6.92 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs. 10.55 crore, though called for (May 2001), has not been intimated (March 2003).
7	Taxes on Sugarcane	16.19	11.10	Out of Rs 16.19 crore, demands for Rs. 4.83 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs. 0.47 crore and Rs 10.89 crore had been stayed by courts and Government respectively.
8	Entry Tax	11.93	5.94	Specific action taken in respect of arrears, though called for (May 2001) has not been intimated (March 2003).
9	Entertainments Tax	3.72	0.24	Out of Rs. 3.72 crore, demands for Rs. 1.58 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs. 0.04 crore had been stayed by the Courts. Specific action taken in respect of the remaining arrears of Rs. 2.10 crore, though called for (May 2001) has not been intimated (March 2003).

The position of arrears of revenue pending collection at the end of 2000-2001 in respect of other departments, though called for (May 2001), has not been furnished by the Government (March 2003).

1.08 Pending appeals

As per the information furnished (December 2001) by the Commercial Taxes Department, number of appeals filed under Taxes on Sales, Trade etc. and other Taxation Acts administered, number of appeals finalised and number of cases pending with the appellate authorities, at the end of each year during the period from 1996-97 to 2000-2001 were as under: -

Year	Opening balance	Number of appeals filed during the year	Total	Number of appeals finalised during the year	Balance at the end of the year	Percentage of cases finalised to total number of cases
1996-97	11181	3666	14847	5233	9614	35
1997-98	9614	2498	12112	3406	8706	28
1998-99	8706	2641	11347	4356	6991	38
1999-2000	6991	5390	12381	3406	8975	28
2000-2001	2248 ⁵	534	2782	606	2176	22

1.09 Results of audit

Test check of the records of Commercial Taxes, State Excise, Taxes on Vehicles, Land Revenue, Non-ferrous Mining and Metallurgical Industries and other departmental offices conducted during the year 2000-2001 revealed under-assessment/short levy/loss of revenue amounting to Rs.968.95 crore in 10627 cases. During the course of the year 2000-2001, the concerned departments accepted under-assessments etc., of Rs.40.86 crore involved in 5303 cases of which 4952 cases involving Rs.32.75 crore had been pointed out in audit during 2000-2001 and the rest in earlier years.

This Report contains 36 paragraphs including 2 reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs.837.65 crore. These cases represent the important cases out of the cases of under-assessment and other irregularities pointed out by Audit. Of these, the department/ government have accepted audit observations involving Rs.64.31 crore of which only Rs. 67.29 lakh has been recovered upto October 2002. Audit observations with a total revenue effect of Rs.8.67 crore have not been accepted by the government. However, as the grounds attributed were at variance with the facts or legal provisions, these have not been accepted by Audit for reasons indicated in the relevant paragraphs/reviews. Final reply has not been received in other cases (March 2003).

⁵ Differs by 6727 from the closing balance 8975 given earlier by the department and shown in the Audit Report for the year 1999-2000. The department attributed the difference due to exclusion of cases of Jharkhand State.

1.10 Outstanding Inspection reports and audit observations

(a) Audit observations on financial irregularities and defects in initial records, noticed during local audit and not settled on the spot, are communicated to the heads of offices and to the higher departmental authorities through audit inspection reports for prompt action. The more important irregularities are reported to the heads of departments and to Government for initiating immediate corrective action. Besides, half yearly reports of such observations outstanding for more than 6 months are forwarded to government to expedite their settlement.

The number of inspection reports and audit observations issued upto December 2000 which were pending settlement as on 30 June 2001 alongwith corresponding figures of the preceding 2 years, are given below:-

	As at the end of June		
	1999	2000	2001
1. Number of outstanding inspection reports	9537	10324	7356
2. Number of outstanding audit observations	41562	43704	40695
3. Revenue effect involved (Rupees in crore)	3127.80	3492.50	2483.90

(b) Outstanding audit observations relating to the following departments were notably large: -

(Rupees in crore)

Sl.No.	Department	Revenue Head	Number of Outstanding		Year to which earliest pending report relates	Amount involved
			Inspection Reports	Audit Observation		
1	Revenue	Land Revenue	4134	24314	1980-81	485.93
2	Finance (Commercial Taxes)	Taxes on Sales, Trade etc.	828	5364	1980-81	313.63
3	Excise and Prohibition	State Excise	528	3545	1981-82	619.28
4	Transport	Taxes on Vehicles	354	2938	1984-85	321.21
5	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	289	1451	1982-83	58.39
6	Water Resources	Water Rates	372	1524	1982-83	549.03
7	Cane	Taxes on Sugarcane	176	449	1981-82	85.29
8	Forest and Environment	Forest receipts	50	132	1981-82	26.87

(c) Although government have instructed that first replies to the inspection reports should be furnished within one month of the receipt of the

inspection reports, in respect of 1745 inspection reports issued upto December 2000, even first replies had not been received from the following departments till June 2001.

Department	Revenue Head	Number of inspection reports to which even first reply has not been received	Year to which earliest pending report relates
1. Revenue	Land Revenue	1251	1982-83
2. Excise and Prohibition	State Excise	44	1981-82
3. Transport	Taxes on vehicles	117	1984-85
4. Finance (Commercial Taxes)	(i) Taxes on Sales, Trade etc.	43	1998-99
	(ii) Electricity Duty	24	1997-98
	(iii) Taxes on Goods and Passengers		
	(iv) Entertainments Tax		
5. Revenue (Registration Department)	Stamps and Registration Fees	128	1980-81
6. Mines and Geology	Non-ferrous Mining And Metallurgical Industries	46	1982-83
7. Cane	Taxes on sugarcane	54	1981-82
8. Water Resources	Water Rates	20	1998-99
9. Forest and Environment	Forest Receipts	18	1984-85
	Total	1745	

The above position was brought to the notice of the Chief Secretary to the Government (July 2001) but no reply has been received (March 2003). Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of outstanding audit observations and inspection reports.

1.11 Departmental Audit Committee meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted by the government. These Committees consist of representative of the concerned administrative department and attended among others by the concerned officers and the officers from office of the Accountant General.

To expedite the clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken in all audit observations outstanding for more than a year, leading to their settlement. During the year 2000-01, the government departments were requested (June 2000) to hold 4 audit committee meetings but government did not convene even a single meeting despite several reminders. This indicated lack of interest on the part of government towards settlement of outstanding audit observations (40695 Nos.) involving Rs.2483.90 crore as on 30 June 2001.

1.12 Response of the departments to draft audit paragraphs

According to the instructions issued (1966) by government of Bihar, replies to the draft audit paragraphs are required to be communicated to the Accountant General within six weeks from the date of receipt of the same. Draft paragraphs are forwarded to the secretaries drawing their attention to the audit findings requesting them to send their response within six weeks. The fact of non-receipt of replies from government is indicated at the end of each paragraph included in the Audit Report.

36 draft paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Revenue Receipts)-Government of Bihar were forwarded to the Secretaries to Government.

The Secretaries of the various departments did not send replies to 34 draft paragraphs. Therefore 34 paragraphs have been included in this report without the response of the Government.