

CHAPTER- I: General

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2003-2004, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below: -

		(Rupees in crore)				
		1999-2000	2000-2001 ¹	2001-2002	2002-2003	2003-2004
I.	Revenue raised by the State Government					
	(a) Tax revenue	3,084.79	2,809.23	2,318.95	2,761.05	2,889.69
	(b) Non-tax revenue	1,165.86	711.68	286.70	260.82	320.38
Total		4,250.65	3,520.91	2,605.65	3,021.87	3,210.07
II.	Receipts from the Government of India					
	(a) State's share of divisible Union taxes	4,962.59	6,575.63	6,176.62	6,549.23	7,627.87
	(b) Grants-in-aid	1,446.29	1,080.78	1,057.02	1,397.32	1,617.62
Total		6,408.88	7,656.41	7,233.64	7,946.55	9,245.49
III	Total receipts of the State Government ² (I&II)	10,659.53	11,177.32	9,839.29	10,968.42	12,455.56
IV	Percentage of I to III	40	31	26	28	26

The above table indicates that during the year 2003-2004, the State Government could raise only 26 per cent of the total revenue receipts (Rs 12,455.56 crore) and 74 per cent of receipts were from the Government of India. The contribution of revenue raised by the State Government to the total revenue receipts has decreased continuously during the period from 1999-2000 to 2003-2004 except marginal increase of two per cent during 2002-2003.

¹ The figures for 1999-2000 represent receipt for erstwhile Bihar (including Jharkhand) whereas the same for 2000-2001 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 2003-2004. 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", "0037-Customs", "0038-Union Excise Duties", "0044-Service Tax" 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.

1.1.2 The details of the tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage of Increase (+) / decrease (-) in 2003-2004 over 2002-2003
1	Taxes on Sales, Trade etc.	2,067.79	1,821.47	1,412.96	1,647.62	1,637.23	(-) 0.63
2	State Excise	277.80	242.58	238.90	241.95	240.01	(-) 0.80
3	Stamps and Registration Fees	325.77	301.86	304.44	348.21	417.56	(+) 19.92
4	Taxes and Duties on Electricity	85.25	36.77	14.08	14.30	17.62	(+) 23.22
5	Taxes on Vehicles	178.47	223.98	141.54	177.98	209.50	(+) 17.71
6	Taxes on Goods and Passengers- Tax on entry of goods into Local Areas	93.92	124.84	153.32	262.91	305.83	(+) 16.32
7	Other Taxes on Income and Expenditure – Tax on Professions, Trades, Callings and Employments	---	---	---	3.95	---	---
8	Other Taxes and Duties on Commodities and Services	27.10	23.38	19.62	27.98	28.14	(+) 9.93
9	Land Revenue	28.67	34.33	34.08	36.15	33.80	(-) 6.50
10	Taxes on Agricultural Income	0.02	0.02	0.01	---	---	--
	Total	3,084.79	2,809.23	2,318.95	2,761.05	2,889.69	(+) 4.66

The reasons for significant variation in receipts from that of previous year, though called for (May and July 2004) from the concerned departments, have not been received (October 2004).

1.1.3 The details of non-tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000 -2001	2001-2002	2002-2003	2003-2004	Percentage of Increase(+) / decrease (-) in 2003-2004 over 2002-2003
1.	Interest Receipts	135.75	30.68	11.75	53.01	23.08	(-) 56.46
2.	Dairy development	0.04	0.17	0.55	0.00*	0.01	(+) 108.33
3.	Forestry and Wild Life	28.03	11.50	17.07	10.04	6.29	(-) 37.35
4.	Mining and Metallurgical Industries	707.56	409.92	39.20	61.20	73.34	(+) 19.84

* Only Rs 0.48 lakh

Sl. No.	Head of Revenue	1999-2000	2000 -2001	2001-2002	2002-2003	2003-2004	Percentage of Increase(+) / decrease (-) in 2003-2004 over 2002-2003
5.	Miscellaneous General Services (including lottery receipts)	29.82	0.61	13.95	0.60	0.15	(-) 75.00
6.	Power	0.02	0.00	0.04	0.00	0.00	--
7.	Major and Medium Irrigation	41.40	33.90	15.58	15.43	26.22	(+) 69.93
8.	Medical and Public Health	15.07	13.70	16.50	13.92	11.97	(-) 14.01
9.	Co-operation	1.95	7.97	6.82	1.84	0.84	(-) 54.35
10.	Public Works	1.36	0.99	0.78	1.11	1.15	(+) 3.60
11.	Police	3.63	4.70	3.98	22.71	16.86	(-) 25.76
12.	Other Administrative Services	88.67	61.58	22.43	15.19	80.72	(+) 431.40
13.	Other Non-Tax Receipts	112.56	135.96	138.05	65.77	79.75	(+) 21.25
	Total	1,165.86	711.68	286.70	260.82	320.38	(+) 22.83

The reasons for substantial variations in receipts from that of previous year, though called for (May and July 2004) from the concerned departments, have not been received (October 2004).

1.2 Variations between budget estimates and actual

The variations between budget estimates of revenue receipts for the year 2003-2004 and the actual receipts under the principal heads of revenue are given below:

(Rupees in crore)					
Sl. No.	Revenue head	Budget estimates revised	Actual receipts	Variations increase (+) shortfall (-)	Percentage
A	Tax Revenue				
1	Taxes on Sales, Trade etc.	1,995.29	1,637.23	(-) 358.06	17.95
2	State Excise	280.00	240.01	(-) 39.99	14.28
3	Stamps and Registration fees	480.00	417.56	(-) 62.44	13.01
4	Taxes on Vehicles	275.00	209.50	(-) 65.50	23.82
5	Taxes and Duties on Electricity	17.28	17.62	(+) 0.34	1.97
6	Land Revenue	75.00	33.80	(+) 41.20	54.93
7	Other Taxes and Duties on Commodities and services	50.33	28.14	(-) 22.19	44.09
8	Taxes on Goods and Passengers –Tax on entry of goods into Local Areas	217.62	305.83	(+) 88.21	40.53
B	Non-Tax Revenue				
1	Non-ferrous Mining and Metallurgical Industries	75.00	73.34	(-) 1.66	2.21
2	Forestry and Wild Life	21.00	6.29	(-) 14.71	70.04

Sl. No.	Revenue head	Budget estimates revised	Actual receipts	Variations increase (+) shortfall (-)	Percentage
3	Interest Receipts	29.98	23.08	(-) 6.90	23.02
4	Water Rates	30.00	26.22	(-) 3.78	12.60

Non-ferrous Mining and Metallurgical Industries: Reasons for variations were attributed to licenses not being issued for want of No Objection Certificates from Pollution Control Board and non-establishment of expected numbers of fixed brick kiln.

Forestry and Wild Life: Reasons for variations were attributed to scheme of exploitation of dry trees in North Bihar not being implemented. Only fallen trees were sold.

The reasons for variation between the budget estimates and actual receipts though called for (May and July 2004) from other departments have not been received (October 2004).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2001-2002 to 2003-2004 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2002-2003 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 2002-2003
1	Taxes on Sales, Trade etc.	2001-2002	1,412.96	18.81	1.33	1.18
		2002-2003	1,647.62	21.30	1.30	
		2003-2004	1,637.23	21.46	1.31	
2	State Excise	2001-2002	238.90	13.72	5.74	2.92
		2002-2003	241.95	13.75	5.68	
		2003-2004	240.01	16.20	6.74	
3	Stamps and Registration fees	2001-2002	304.44	18.22	5.76	3.46
		2002-2003	348.21	17.56	5.04	
		2003-2004	417.56	22.52	5.39	
4	Taxes on Vehicles	2001-2002	141.54	4.14	2.92	2.86
		2002-2003	177.98	4.11	2.30	
		2003-2004	209.50	3.94	1.88	

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 2002-2003.

1.4 Collection of sales tax per assessee

Year	No. of assessees	Sales tax revenue (Rupees in Crore)	Revenue per assessee (Rupees in lakh)
1999-2000 ³	79,938	2,067.79	2.58
2000-2001	50,407	1,821.47	3.61
2001-2002	55,077	1,412.96	2.56
2002-2003	58,495	1,647.62	2.81
2003-2004	49,202	1,637.23	3.33

The above table reveals that revenue collection per assessee increased from Rs 2.81 lakh in the year 2002-2003 to Rs 3.33 lakh in 2003-2004.

1.5 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of Taxes on Sales, Trade etc. during the year 2003-2004 and the corresponding figures for preceding three years, as furnished by the Finance (Commercial Taxes) Department are given below:

(Rupees in crore)								
Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of Taxes and Duties	Amount refunded	Net collection as per department	Net collection as per Finance Account	Percentage of column 3 to 8
1	2	3	4	5	6	7	8	9
Taxes on sales, trade etc.	2000-2001	1,794.11	19.11	1.55	-	1,814.77	1,821.47	98.49
	2001-2002	1,387.17	7.94	-	-	1,395.06	1,412.96	98.17
	2002-2003	1,584.73	111.43	0.82	3.16	1,693.82	1,647.62	96.18
	2003-2004	1,542.98	91.72	1.01	4.17	1,630.53	1,637.23	94.24

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

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 under principal heads of revenue, as reported by the departments, amounted to Rs 1,356.87 crore of which Rs 813.79 crore were outstanding for more than five years as detailed in the table below:

³ The figures for 1999-2000 represent receipt for erstwhile Bihar (including Jharkhand) whereas the same for 2000-2001 represent Bihar excluding Jharkhand.

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 st March 2004	Arrears more than five years old as on 31 st March	Remarks
1	2	3	4	5
1.	Taxes on Sales, Trades etc.	961.57	550.01	Out of Rs 961.57 crore, demands for Rs 190.02 crore had been certified for recovery as arrear of land revenue. Recovery amounting Rs 456.39 crore had been stayed by courts and Government. Recoveries of Rs.4.31 crore and Rs. 1.17 crore was held up due to rectification/review of applications and dealer/party becoming insolvent respectively. Amount of Rs 1.55 crore was likely to be written off. Action taken in respect of remaining arrears of Rs 308.13 crore though called for (May 2004), has not been intimated (October 2004).
2.	Taxes on Vehicles	85.75	195.98	Demands of total arrear of Rs.85.75 crore had been certified for recovery as arrear of land revenue.
3.	Non-ferrous Mining and Metallurgical Industries	99.03	39.57	Out of Rs 99.03 crore, demands for Rs 81.27 crore had been certified for recovery as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs 17.76 crore though called for (May 2004) has not been intimated (October 2004).
4.	State Excise	24.99	16.84	Out of Rs 24.99 crore, demands for Rs 11.03 crore had been certified for recovery as arrear of land revenue. Recovery amounting Rs.3.65 crore and Rs.0.48 crore had been stayed by courts and Government respectively. Recoveries of Rs.0.03 crore and Rs. 0.89 crore was held up due to rectification/review of applications and dealer/party becoming insolvent respectively. Amount of Rs.2.65 crore was likely to be written off. Action taken in respect of remaining arrears of Rs 6.26 crore though called for (May 2004), has not been intimated (October 2004).
5.	Tax and duties on Electricity	8.04	7.22	Out of Rs 8.04 crore, demands for Rs 0.03 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 2.25 crore had been stayed by court and Government. Action taken in respect of remaining arrears of Rs 5.76 crore though called for (May 2004) has not been intimated (October 2004).
6.	Taxes on Sugarcane	19.33	NA	Out of Rs 19.33 crore, demands for Rs 8.19 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 0.47 crore had been stayed by Courts. Specific action taken in respect of the remaining arrears of Rs 10.67 crore though called for (May 2004) has not been intimated (October 2004).
7.	Entry Tax	154.70	1.44	Out of Rs 154.70 crore, demands for Rs 0.17 crore had been certified for recovery as arrears of land revenue. Recovery amounting to Rs 90.58 crore had been stayed by Courts. Specific action taken in respect of the remaining arrears of Rs 63.95 crore though called for (May 2004) has not been intimated (October 2004).
8.	Entertainment Tax	3.46	2.73	Out of Rs 3.46 crore, demands for Rs 2.17 crore had been certified for recovery as arrear of land revenue. Recovery amounting to Rs 0.50 crore and Rs. 0.14 crore had been stayed by the Court and Government respectively. Specific action taken in respect of the remaining arrears of Rs 0.65 crore though called for (May 2004) has not been intimated (October 2004).

1.7 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 1999-2000 to 2003-2004 as furnished by the department are given below:

Year	Opening balance	New 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
1999-2000	70,852	1,00,654	1,71,506	79,938	91,568	53
2000-2001	82,902 ⁴	96,560	1,79,462	50,407	1,29,055	72
2001-2002	1,29,055	1,23,660	2,52,715	55,077	1,97,638	78
2002-2003	1,97,638	69,069	2,66,707	58,495	2,08,212	78
2003-2004	2,08,212	66,398	2,74,610	49,202	2,25,408	82

1.8 Evasions of tax

In Commercial Taxes Department, out of 623 cases of evasion of tax detected as on 31 March 2004, assessment/investigation was completed in 376 cases and additional demand of Rs.4.05 crore (including penalty) was raised during the year 2003-2004 leaving a balance of 247 cases pending for finalisation.

Information from other departments, though called for (May 2004), has not been received (October 2004) despite several reminders to departmental heads.

1.9 Refunds

The number of refund cases pending at the beginning of the year 2003-2004, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2004), as reported by the departments are given below:

		Sales Tax		Tax on Entry of Goods into Local Areas		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	3024	6.81	Nil	Nil	700	4.39
2.	Claims received during the year	157	8.08	1	2.75	652	2.16
3.	Refunds made during the year	71	4.17	1	2.75	688	2.79
4.	Balance outstanding at the end of the year	3110	11.72	Nil	Nil	664	3.76

1.10 Results of audit

⁴ Differs by 8666 from the closing balance 91,568 given earlier by the department and shown in audit report for the year 1999-2000. The department attributed the difference due to exclusion of the cases relating to the Jharkhand State.

Test check of the records of Sales Tax, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest receipts, Interest Receipts and other Non-tax receipts during the year 2003-2004 revealed under-assessment/short levy/loss of revenue amounting to Rs 1,666.87 crore in 1,230 cases. During the course of year 2003-2004, the concerned department accepted under assessments etc. of Rs 9.92 crore involved in 36 cases pointed out in audit prior to 2003-2004.

The Report contains 28 paragraphs including three reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc. involving Rs 1,117.71 crore. The Departments/Government has accepted audit observations involving Rs19.53 crore in 10 cases. No replies have been received in remaining cases (October 2004).

1.11 Failure of senior officials to enforce accountability and protect interest of the Government

Principal Accountant General (Audit) Bihar conducts periodical inspection of Government departments to test check transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. Their inspections are followed up with Inspection Reports (IRs) incorporating irregularities etc, detected during inspection and not settled on the spot, which are issued to the head of offices inspected with copies to next higher authorities for taking prompt corrective action. The Head of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report on compliance through initial reply to the Principal Accountant General within six weeks from the date of issue of IRs. Serious financial irregularities are reported to the Head of the Departments and to the Government.

Inspection Reports issued up to December 2003 disclosed that 32,639 paragraphs involving money value of Rs 3,047.09 crore relating to 8,078 IRs remained outstanding at the end of June 2004. Even the first replies required to be received from the heads of office within six weeks from the date of issue of the IRs, were not received in respect of 1997 IRs issued upto December 2003.

- (A) Outstanding audit observations relating to the following departments are given below:

(Rupees in crore)

Sl. No.	Department	Revenue Head	Number of Outstanding		The Year to which earliest inspection report relates	Amount involved
			Inspection Reports	I. R. Paras		
1	Revenue	Land Revenue	4,451	14,141	1980-1981	480.18
2	Finance (Commercial Taxes)	Taxes on Sales, Trade etc.	824	5,887	1982-1983	509.64
		Minor Taxes	185	273	1984-1985	31.29
3	Excise and Prohibition	State Excise	686	4,297	1991-1992	681.82
4	Transport	Taxes on Vehicles	468	3,570	1990-1991	364.07
5	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	322	1,625	1982-1983	111.01
6	Water Resources	Water Rates	401	1,223	1982-1983	650.43
7	Cane	Taxes on Sugarcane	190	475	1977-1978	105.86
8	Forest and Environment	Forest receipts	54	155	1981-1982	31.34
9	Registration	Stamp and Registration Fees	497	993	1990-1991	81.45
Total			8,078	32,639		3,047.09

(B) First replies of Inspection Report not furnished by the Department.

Department	Revenue Head	Number of inspection reports to which even first reply has not been received	The year to which earliest inspection reports relate
1. Revenue	Land Revenue	1,396	1980-1981
2. Excise and Prohibition	State Excise	57	1982-1983
3. Transport	Taxes on vehicles	134	1990-1991
4. Finance (Commercial Taxes)	(i) Taxes on Sales, Trade etc.	67	1999-2000
	(ii) Electricity Duty	20	1999-2000
	(iii) Taxes on Goods and Passengers		
	(iv) Entertainments Tax		
5. Revenue (Registration Department)	Stamps and Registration Fees	145	1990-1991
6. Mines and Geology	Non-ferrous Mining and Metallurgical Industries	67	1990-1991
7. Cane	Taxes on sugarcane	61	1981-1982
8. Water Resources	Water Rates	32	1998-1999
9. Forest and Environment	Forest Receipts	18	1984-1985
Total		1,997	

This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Heads of offices and Heads of Department failed to initiate action to

rectify the defects, omissions and irregularities pointed out by the Principal Accountant General in the IRs.

It is recommended that the Government should take suitable steps to ensure that an effective procedure exists for (a) prompt and appropriate response to the audit observations (b) action against official/officers failing to send replies to the I.Rs/paras as per the prescribed time schedules (c) action to recover loss/outstanding demand in a time bound manner.

1.12 Departmental Audit Committee Meetings

In order to expedite settlement of outstanding audit observations contained in Inspection Reports, Departmental Audit Committees were constituted by the Government. The Committees are chaired by the Administrative Secretary of the department concerned and attended among others by the officers concerned of the State Government and of the office of the Principal Accountant General (Audit) Bihar.

The meetings were required to be held quarterly for reviewing and monitoring the progress of settlement of audit observations/audit Paras. During the year 2003-2004, not a single audit committee meeting was held. The Government departments did not take any initiative for settling outstanding audit observations through this meeting. Government should ensure periodical meeting of this committee for effective progress.

1.13 Response of the departments to Draft Audit Paragraphs

Department of Finance issued directions to all departments to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are forwarded by Principal Accountant General to the Secretaries of the departments concerned through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The facts of non-receipt of replies from the departments are invariably indicated at the end of each paragraph included in the Audit Report.

Twenty eight Draft Paragraphs including three Reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 were forwarded to the Secretaries of the departments concerned between May and July 2004 through demi-official letters.

The Secretaries of the various departments did not send replies to 25 draft paragraphs and two reviews. Therefore, all the 25 paragraphs and two reviews have been included in this report without the response of the Government.