

## Chapter –I: General

### 1.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Jharkhand during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the period from 15 November 2000 to 2003-04 are given below:

(Rupees in crore)						
Sl. No		15.11.2000 to 31.3.2001	2001-02	2002-03	2003-04	2004-05
<b>I.</b>	<b>Revenue raised by State Government</b>					
	• Tax revenue	697.10	1,585.48	1,750.30	1,986.22	2,382.79
	• Non tax revenue	348.59	851.88	987.14	1,105.55	1,052.45
	<b>Total</b>	<b>1,045.69</b>	<b>2,437.36</b>	<b>2,737.44</b>	<b>3,091.77</b>	<b>3,435.24</b>
<b>II.</b>	<b>Receipts from Government of India</b>					
	• State's share of divisible Union taxes	582.42	1,603.19	1,702.52	1,979.73	2,366.40
	• Grants in aid	336.06	454.47	496.82	566.27	858.87
	<b>Total</b>	<b>918.48</b>	<b>2,057.66</b>	<b>2,199.34</b>	<b>2,546.00</b>	<b>3,225.27</b>
<b>III.</b>	<b>Total receipts of the State Government (I &amp; II)*</b>	<b>1,964.17</b>	<b>4,495.02</b>	<b>4,936.78</b>	<b>5,637.77</b>	<b>6,660.51</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>53</b>	<b>54</b>	<b>55</b>	<b>55</b>	<b>52</b>

The above table indicates that during 2004-05, the State Government could raise only 52 per cent of the total revenue receipts (Rs 6,660.51 crore) and 48 per cent of receipts were from Government of India. The contribution of revenue raised by the State Government to total revenue receipts decreased by three per cent as compared to the year 2003-04.

\* For details, please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government for the year 2004-05. 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.

### 1.1.1 Grants in aid

Details of grants in aid received from Government of India are as under:

**(Rupees in crore)**

Particulars of grants in aid	15.11.2000 to 31.3.2001		2001-02		2002-03		2003-04		2004-05	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non plan	83.04	24.71	95.65	21.05	42.11	8.48	90.24	15.94	85.86	10.00
Plan	253.02	75.29	358.82	78.95	454.71	91.52	476.03	84.06	773.01	90.00
<b>Total</b>	<b>336.06</b>	<b>100.00</b>	<b>454.47</b>	<b>100.00</b>	<b>496.82</b>	<b>100.00</b>	<b>566.27</b>	<b>100.00</b>	<b>858.87</b>	<b>100.00</b>

**1.1.2** The details of tax revenue raised during the year 2004-05 along with the figures for the period from 15 November 2000 to 2003-04 are given below:

**(Rupees in crore)**

Sl. No.	Head of revenue	15.11.2000 to 31.3.2001	2001-02	2002-03	2003-04	2004-05	Percentage of increase or decrease in 2004-05 over 2003-04
1	Taxes on sales, trade etc.	584.95	1,238.70	1,366.14	1,601.02	1,881.53	(+) 18
2	State excise	37.45	100.21	98.51	96.49	145.76	(+) 51
3	Stamps and registration fees	24.83	63.88	82.87	81.75	86.59	(+) 6
4	Taxes on vehicles	18.27	86.10	104.91	98.66	130.24	(+) 32
5	Taxes and duties on electricity	16.34	57.18	34.70	30.85	36.14	(+) 17
6	Taxes on goods and passengers- Tax on entry of goods into local area	9.18	22.23	38.65	53.78	78.19	(+) 45
7	Other taxes and duties on commodities and services	3.04	7.20	9.37	6.70	6.87	(+) 3
8	Land revenue	3.04	9.98	15.15	16.97	17.47	(+) 3
	<b>Total</b>	<b>697.10</b>	<b>1,585.48</b>	<b>1,750.30</b>	<b>1,986.22</b>	<b>2,382.79</b>	<b>(+) 20</b>

The reasons for variations in receipts from that of previous year, though called for (May 2005) from the concerned departments, have not been received (January 2006).

**1.1.3** The details of non tax revenue raised during the year 2004-05 along with the figures for the period from 15 November 2000 to 2003-04 are given below:

(Rupees in crore)							
Sl. No	Head of revenue	15.11.2000 to 31.3.2001	2001-02	2002-03	2003-04	2004-05	Percentage of increase or decrease in 2004-05 over 2003-04
1	Non ferrous mining and metallurgical industries	325.16	709.13	802.72	919.94	937.41	(+) 2
2	Forestry and wild life	4.81	15.70	22.50	21.74	4.51	(-) 79
3	Interest receipts	0.08	61.06	96.08	46.65	18.63	(-) 60
4	Social security and welfare	1.38	2.47	5.31	14.02	8.48	(-) 40
5	Others	17.16	63.52	60.53	103.20	83.42	(-) 19
	<b>Total</b>	<b>348.59</b>	<b>851.88</b>	<b>987.14</b>	<b>1,105.55</b>	<b>1,052.45</b>	<b>(-) 5</b>

The reasons for variations in receipts from that of previous year, though called for (May 2005) from the concerned departments, have not been received (January 2006).

## 1.2 Variations between budget estimates and actuals

The variations between revised estimates and actuals of revenue receipts for the year 2004-05 and the actual receipts under the principal heads of revenue are given below:

(Rupees in crore)					
Sl. No.	Head of revenue	Revised estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage of variation (+) increase (-) decrease
<b>• Tax Revenue</b>					
1	Taxes on sales, trade etc.	1,782.47	1,881.53	99.06	06
2	State excise	125	145.76	20.76	17
3	Stamps and registration fees	125	86.59	(-) 38.41	(-) 31
4	Taxes on vehicles	224.59	130.24	(-) 94.35	(-) 42
5	Taxes and duties on electricity	59.15	36.14	(-) 23.01	(-) 39
6	Land revenue	16.96	17.47	0.51	03
7	Other taxes and duties on commodities and services	20.15	6.87	(-) 13.28	(-) 66
8	Taxes on goods and passengers –Tax on entry of goods into local areas	59.62	78.19	18.57	31

• Non Tax Revenue					
1	Non ferrous mining and metallurgical industries	1,010	937.41	(-) 72.59	(-) 07
2	Forestry and wild life	20	4.51	(-) 15.49	(-) 77
3	Interest receipts	89.24	18.63	(-) 70.61	(-) 79
4	Social security and welfare	13.69	8.48	(-) 5.21	(-) 38

The reasons for variation between the revised estimates and actual receipts as reported by the concerned department was as under:

**Stamp Duty and Registration Fees:** The decrease (31 *per cent*) was attributed to reduction in rate of stamp duty and registration fees.

Information from other departments, though called for in May 2005, has not been received till January 2006.

### 1.3 Analysis of collection

Break up of total collections at preassessment stage and after regular assessment of taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services for the period 2004-05 and the figures of tax for the period 2002-03 and 2003-04 as furnished by the Department is given below:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre assessment stage	Amount collected after regular assessment	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	2002-03	1,400.06	19.57	0.73	6.38	1,413.98	99
	2003-04	1,655.93	43.46	0.85	14.07	1,686.17	98
	2004-05	1,999.45	24.31	1.08	22.15	2,002.73*	99.9

It would be seen from above that collection of taxes at preassessment stage was between 98 and 99.9 *per cent* during the last three years.

\* The figures supplied by Department are different from the Finance Account. Please see para 1.1.2.

### 1.4 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 2002-03 to 2004-05 along with the relevant all India average percentage of expenditure on collection to gross collection for 2003-04 were as follows:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2003-04
1	Taxes on sales, trade etc.	2002-03	1,366.14	12.20	0.89	1.15
		2003-04	1,601.02	12.21	0.76	
		2004-05	1,881.53	16.29	0.87	
2	Taxes on vehicles	2002-03	104.91	1.91	1.82	2.57
		2003-04	98.66	1.94	1.97	
		2004-05	130.24	2.32	1.78	
3	State excise	2002-03	98.51	5.31	5.39	3.81
		2003-04	96.49	5.59	5.79	
		2004-05	145.76	5.75	3.94	
4	Stamps & registration fees	2002-03	82.87	3.78	4.56	3.66
		2003-04	81.75	3.39	4.15	
		2004-05	86.59	4.71	5.44	

The above table indicates that the percentage of expenditure on collection in respect of state excise and stamps and registration fees was higher than the all India average.

### 1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs 1,741.08 crore of which Rs 1,176.20 crore was outstanding for more than five years as detailed in the following table:

*Audit Report (Revenue Receipts) for the year ending 31 March 2005*

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than five years as on 31 March 2005	Remarks
1.	Taxes on sales, trade etc. taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services*	1,361.37	1,063.82	Out of Rs 1,361.37 crore, demand for Rs 159.89 crore was certified for recovery as arrears of land revenue. Recovery of Rs 448.34 crore and Rs 571.56 crore was stayed by Courts and other appellate authorities respectively. Recovery of Rs 0.11 crore was held up due to rectification / review of application. Rs 1.36 crore was held up due to dealers/ party becoming insolvent. Specific action taken in respect of remaining arrears of Rs 180.11 crore though called for (May 2005) was not intimated till January 2006.
2.	Non ferrous mining and metallurgical industries	234.68**	106.88	Out of Rs 234.68 crore, demand for Rs 121.95 crore was certified for recovery as arrears of land revenue. Recovery for Rs 78.29 crore and Rs 2.11 crore was stayed by Courts and other appellate authorities respectively. Recovery of Rs 16.07 crore was held up due to rectification/ review of applications. Amount of Rs 0.54 crore was held up due to dealer/ party becoming insolvent. Amount of Rs 0.46 crore was likely to be written off. Specific action taken in respect of remaining arrears of Rs 15.26 crore, though called for (May 2005) was not intimated till January 2006.
3.	State excise	15.18***	5.50	Out of Rs 15.18 crore, demand for Rs 3.66 crore was certified for recovery as arrears of land revenue. Recovery of Rs 0.66 crore was stayed by appellate authorities. Amount of Rs 0.11 crore was held up due to party becoming insolvent. Rs 0.23 crore was likely to be written off. Specific action taken in respect of arrears of Rs 10.52 crore though called for (May 2005) was not intimated till January 2006.
4.	Stamps & registration fees	1.43	NA	Specific action taken in respect of arrears of Rs 1.43 crore though called for (May 2005) was not intimated till January 2006.
5.	Land revenue	0.58	NA	Specific action taken in respect of arrears of Rs 0.58 crore though called for (May 2005) was not intimated till January 2006.

\* Separate details of arrears for each head of revenue though called for, have not been furnished by the department.

\*\* Total arrears of revenue as on 31.3.2005 is shown as Rs 154.83 crore whereas its breakup reflects 234.68 crore.

\*\*\* Figures of Ranchi and Giridih districts are not included in above details. There is a difference of Rs 4.66 crore between the total arrears of revenue shown and its break up as furnished by the Department.

6	Taxes on vehicles	127.84*	NA	Out of Rs 127.84 crore, demand for Rs 2.97 crore was certified for recovery as arrears of land revenue. Specific action taken in respect of remaining arrears of Rs 124.87 crore though called for in May 2005 was not intimated by the department till January 2006.
<b>Total</b>		<b>1,741.08</b>	<b>1,176.20</b>	

The position of arrears of revenue pending collection at the end of 2004-05 in respect of other departments, though called for (May 2005) has not been furnished by Government (January 2006).

### 1.6 Collection of sales tax per assessee

(Rupees in lakh)			
Year	No of assessee	Sales tax revenue	Revenue per assessee
2002-03	49,136	1,44,453.68**	2.94
2003-04	52,315	1,69,938.10	3.25
2004-05	55,388	1,96,923.67	3.56

The above table reveals that revenue collection per assessee increased from Rs 2.94 lakh in the year 2002-03 to Rs 3.56 lakh in 2004-05.

### 1.7 Arrears in assessments

The details of cases pending at the beginning of the year 2004-05, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of year as furnished by the Commercial Taxes Department are as follows:

Head of revenue	Opening balance	New cases due for assessment during 2004-05	Total assessments due	Cases disposed of during 2004-05	Balance at the end of the year	Percentage of Column 6 to 4
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	39,846	49,313	89,159	48,745	40,414	45

From the above it could be seen that pendency in finalisation of assessments was 45 *per cent* under various heads of revenue, resulting in delay in corresponding realisation of revenue in these cases.

\* Above details include figures of nine DTOs only.

\*\* The figures furnished by the Department are different from the Finance Account. Please see paragraph 1.1.2.

### 1.8 Evasion of tax

The details of cases of evasion of tax detected by Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the department are given below:

(Rupees in lakh)

Sl. No.	Head of revenue	Cases pending as on 31 March 2004	Cases detected during 2004-05	Total	Number of cases in which assessment/ investigation completed and additional demand including penalty etc. raised		Number of cases pending finalisation as on 31 March 2005
					No. of cases	Amount of demand	
1	Taxes on sales, trade etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	53	21	74	44	7.22	30
2	State excise	1	Nil	1	Nil	Nil	1

It would be seen from the above that the Commercial Taxes Department could finalise only 44 cases which is 59 *per cent* of the total number of cases pending for settlement during 2004-05 whereas State Excise Department could not settle solitary pending case.

### 1.9 Refund

The refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year as reported by the Commercial Taxes Department are given below:

(Rupees in crore)

Sl. No.	Particulars	Taxes on sales, trade, etc., taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	1,196*	14.07
2	Claims received during the year	230	22.17
3	Refunds made during the year	301	22.14
4	Balance outstanding at the end of the year	1,125	14.10

\* Differs by (-) Rs 3.38 crore in (-) 5 cases from the closing balance of Rs 17.45 crore in 1,201 cases as furnished earlier by the department and shown in Audit Report 2003-04.



### **1.10 Results of audit**

Test check of the records of sales tax, land revenue, state excise, taxes on vehicles, stamps and registration fees, electricity duty, other tax receipts, forest receipts and other non tax receipts conducted during the year 2004-05 revealed underassessment/ short levy/loss of revenue amounting to Rs 1,100.08 crore in 31,114 cases. During the year, the concerned departments accepted under assessments etc., of Rs 417.09 crore involved in 10,559 cases of which 8,884 cases involving Rs 171.36 crore had been pointed out in audit during 2004-05 and the rest in earlier years and recovered Rs 0.02 crore at the instance of audit.

This Report contains 29 paragraphs including two reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs 508.13 crore. Of these, the Department/Government accepted audit observations involving Rs 417.61 crore, out of which Rs 12.96 crore has been recovered upto October 2005 at the instance of audit. Audit observations with a total revenue effect of Rs 34.82 crore have not been accepted by the Department/Government. Final reply has not been received in remaining cases.

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

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

IRs issued upto December 2004 disclosed that 17,937 paragraphs involving money value of Rs 2,935.29 crore relating to 3,713 IRs remained outstanding at the end of June 2005. Even the first replies, required to be received within one month of the receipt of the IRs, were not received in respect of 1,284 IRs issued between 1980-81 and 2002-03.

Department wise break up of IRs and audit observations outstanding as on 30 June 2005 is given below:

*Audit Report (Revenue Receipts) for the year ending 31 March 2005*

Sl. No.	Department	Revenue head	Position of IRs issued upto December 2004 but not settled at the end of June 2005			Year to which earliest pending IRs relate	Position of IRs in respect of which first reply not received	
			IRs	Paras	Money value (Rs in crore)		IRs	Earliest year to which IR relates
1	Revenue	Land revenue	1,550	4,558	254.47	1980-81	890	1980-81
2	Finance (Commercial taxes)	Taxes on sales trade etc.	495	5,715	767.05	1982-83	101	1982-83
		Minor taxes	169	284	42.64	1984-85	50	2001-02
3	Excise & Prohibition	State excise	214	1,137	41.49	1985-86	37	1985-86
4	Transport	Taxes on vehicles	215	1,973	268.30	1980-81	51	1980-81
5	Mines & Geology	Non ferrous mining and metallurgical industries	349	3,149	800.34	1980-81	44	1983-84
6	Water resources	Water rates	200	265	182.23	1981-82	19	1981-82
7	Revenue (Registration Department)	Stamps and registration fees	179	372	22.10	1990-91	23	2002-03
8	Forest & Environment	Forest receipts	342	484	556.67	1984-85	69	1992-93
<b>Total</b>			<b>3,713</b>	<b>17,937</b>	<b>2,935.29</b>		<b>1,284</b>	

The above position was brought to the notice of the Chief Secretary to Government in August 2005 but no reply has been received till January 2006.

Unsatisfactory compliance by the departments in settlement of audit observations resulted in increasing trend of audit observations and IRs.

The large pendency of IRs due to non receipt of replies indicates that heads of offices and heads of departments have failed to initiate action to rectify the defects, omissions and irregularities pointed in IRs. It is recommended that Government should take suitable steps to ensure that effective procedure exists for prompt and appropriate response to the audit observations, action against officials/officers failing to send replies to IRs/paras as per the prescribed time schedule and action to recover loss/outstanding demands in a time bound manner.

### **1.12 Departmental audit committee meetings**

In order to expedite settlement of outstanding audit observations contained in the IRs, departmental audit committees are constituted by Government. These committees consist of representative of the concerned administrative department and are attended among others by the concerned officers and officers from office of the Accountant General. To expedite the clearance of the outstanding 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 2004-05, Government departments were requested (April 2004) to hold 10

audit committee meetings, which were held between May 2004 and January 2005 in which 229 paragraphs involving Rs 66.45 crore were settled.

### **1.13 Response of the departments to draft audit paragraphs**

According to the instructions issued (1966) by Government of Bihar, replies to 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.

29 paragraphs including two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Revenue Receipts), Government of Jharkhand were forwarded to the Secretaries to Government. Rs 12.96 crore was recovered at the instance of audit in two paragraphs during the year 2004-05. Replies in respect of five paragraphs have been received from the Government/Department.

### **1.14 Follow up on Audit Reports- Summarised position**

Audit Report paragraphs related to Audit Report 1999-2000 and 2000-01 (Revenue Receipts) were under discussion and a review meeting in respect of Audit Report 2001-02 was held in the Public Accounts Committee (PAC) of Jharkhand during 2004-05. Accordingly, the Chief Secretary, Government of Jharkhand issued (August 2004) instructions demi officially to all the departmental secretaries to constitute PAC (Cells) in each department to monitor and to ensure early submission of explanatory notes after making a complete review of the points raised in the paragraphs.

PAC Jharkhand presented two reports to the State Legislature on 31 December 2004 related to one para each of Audit Report 1999-2000 and 2000-01 (Revenue Receipts).