

Chapter-I: General

1.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Jharkhand during 2005-06, 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 2001-02 to 2004-05 are given below:

(Rupees in crore)

		2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	• Tax revenue	1,585.48	1,750.30	1,986.22	2,382.79	2,758.04
	• Non tax revenue	851.88	987.14	1,105.55	1,052.45	1,426.53*
	Total	2,437.36	2,737.44	3,091.77	3,435.24	4,184.57
II.	Receipts from Government of India					
	• State's share of divisible Union taxes	1,603.19	1,702.52	1,979.73	2,366.40	3,175.89
	• Grants in aid	454.47	496.82	566.27	858.87	1,103.42
	Total	2,057.66	2,199.34	2,546.00	3,225.27	4,279.31
III.	Total receipts of the State Government (I & II)[©]	4,495.02	4,936.78	5,637.77	6,660.51	8,463.88
IV.	Percentage of I to III	54	55	55	52	49

The above table indicates that during 2005-06 the State Government could raise only 49 per cent of the total revenue receipts (Rs 8,463.88 crore) while 51 per cent of receipts were from Government of India. The contribution of revenue raised by the State Government of total revenue receipts decreased by three per cent as compared to 2004-05.

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	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non plan	95.65	21.05	42.11	8.48	90.24	15.94	85.86	10	111.72	10.12
Plan	358.82	78.95	454.71	91.52	476.03	84.06	773.01	90	991.70	89.88
Total	454.47	100	496.82	100	566.27	100	858.87	100	1,103.42	100

* Adjustment entry of Rs One lakh.

© For details, please see Statement No.11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2005-06. 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 axes" in this statement.

1.1.2 The details of the tax revenue raised during the year 2005-06 alongwith the figures for the period from 2001-02 to 2004-05 are given below:

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-2003	2003-2004	2004-2005	2005-06	Percentage of increase or decrease in 2005-06 over 2004-05
1	Taxes on sales, trade etc.	1,238.70	1,366.14	1,601.02	1,881.53	2,212.03	(+) 18
2	State excise	100.21	98.51	96.49	145.76	161.64	(+) 11
3	Stamp duty and registration fees	63.88	82.87	81.75	86.59	91.93	(+) 6
4	Taxes on vehicles	86.10	104.91	98.66	130.24	138.32	(+) 6
5	Taxes and duties on electricity	57.18	34.70	30.85	36.14	33.87	(-) 6
6	Taxes on goods and passengers- Tax on entry of goods into local areas	22.23	38.65	53.78	78.19	96.66	(+) 24
7	Other taxes and duties on commodities and services	7.20	9.37	6.70	6.87	5.93	(-) 14
8	Land revenue	9.98	15.15	16.97	17.47	17.66	(+) 1
	Total	1,585.48	1,750.30	1,986.22	2,382.79	2,758.04	(+) 16

The reasons for variations in receipts from that of previous years, though called for (May 2006) from the concerned departments, were not received (November 2006).

1.1.3 The details of non tax revenue raised during the year 2005-06 alongwith the figures for the period from 2001-02 to 2004-05 are given below:

(Rupees in crore)

Sl. No	Head of revenue	2001-02	2002-2003	2003-2004	2004-2005	2005-06	Percentage of increase or decrease in 2005-06 over 2004-05
1	Non ferrous mining and metallurgical industries	709.13	802.72	919.94	937.41	1,013.15	(+) 8
2	Forestry and wild life	15.70	22.50	21.74	4.51	40.84	(+) 806
3	Interest receipts	61.06	96.08	46.65	18.63	71.49	(+) 284
4	Social security and welfare	2.47	5.31	14.02	8.48	17.94	(+) 112
5	Others	63.52	60.53	103.20	83.42	283.11	(+) 239
	Total	851.88	987.14	1,105.55	1,052.45	1,426.53	(+) 36

The reasons for variations in receipts from that of previous years, though called for (May 2006) from the concerned departments, were not received (November 2006).

1.2 Variations between budget estimates and actuals

The variations between revised estimates and actuals of revenue receipts for the year 2005-06 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
A Tax revenue					
1	Taxes on sales, trade etc.	2,149.95	2,212.03	(+) 62.08	(+) 3
2	State excise	155.00	161.64	(+) 6.64	(+) 4
3	Stamp duty and registration fees	125.00	91.93	(-) 33.07	(-) 26
4	Taxes on vehicles	270.00	138.32	(-) 131.68	(-) 49
5	Taxes and duties on electricity	73.31	33.87	(-) 39.44	(-) 54
6	Land revenue	30.00	17.66	(-) 12.34	(-) 41
7	Other taxes and duties on commodities and services	11.28	5.93	(-) 5.35	(-) 47
8	Taxes on goods and passengers –Tax on entry of goods into local areas	73.93	96.66	(+) 22.73	(+) 31
B Non tax revenue					
1	Non ferrous mining and metallurgical industries	1,151.40	1,013.15	(-) 138.25	(-) 12
2	Forestry and wild life	25.00	40.84	(+) 15.84	(+) 63
3	Interest receipts	89.24	71.49	(-) 17.75	(-) 20
4	Social security and welfare	14.00	17.94	(+) 3.94	(+) 28

The reasons for variations between the revised estimates and actual receipts as reported by the concerned departments were as under:

Taxes on vehicles: The decrease of 49 *per cent* was attributed by the department to fixation of high target.

Taxes and duties on electricity: The department attributed the decrease of 54 *per cent* to exemption from levy of electricity duty on captive power generation plants.

Tax on entry of goods into local areas: As furnished by the department, increase of 31 *per cent* was attributed to better tax administration.

Stamp duty and registration fees: The decrease of 26 *per cent* was attributed by the department to the reduction in the rate of stamp duty and registration fees.

Land revenue: The decrease of 41 *per cent* was attributed by the department to higher target fixed by the Finance department and less collection due to extremist activities and drought.

Other taxes and duties on commodities and services: The decrease of 47 *per cent* was attributed to reduction in the rates of compounding of tax for cinema halls.

Information from other departments, though called for in May 2006 were not received (November 2006).

1.3 Analysis of collection

Break up of total collections at pre assessment 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 2005-06 and figures of tax for the period 2003-04 and 2004-05 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
1	2	3	4	5	6	7	8
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	2003-04	1,655.93	43.46	0.85	14.07	1,686.17	98.21
	2004 -05	1,999.45	24.31	1.08	22.15	2,002.73	99.84
	2005-06	2,352.95	28.36	1.08	43.27	2,348.50*	100.19

It would be seen from above that collection of taxes at pre assessment stage was between 98.21 and 100.19 *per cent* during the last three years.

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 2003-04 to 2005-06 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows:

* The figures furnished by department (Rs 2339.12 crore) are different from the Finance Account. Refer to in Para 1.1.2

(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 2004-05
1	Taxes on sales, trade etc.	2003-04	1,601.02	12.21	0.76	0.95
		2004 -05	1,881.53	16.29	0.87	
		2005-06	2,212.03	14.53	0.66	
2	Taxes on vehicles	2003-04	98.66	1.94	1.97	2.74
		2004 -05	130.24	2.32	1.78	
		2005-06	138.32	2.50	1.81	
3	State excise	2003-04	96.49	5.59	5.79	3.34
		2004 -05	145.76	5.75	3.94	
		2005-06	161.64	6.51	4.03	
4	Stamp duty & registration fees	2003-04	81.75	3.39	4.15	3.44
		2004 -05	86.59	4.71	5.44	
		2005-06	91.93	5.21	5.67	

The above table indicates that the percentage of expenditure on collection in respect of state excise and stamp 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 2006 in respect of some principal heads of revenue amounted to Rs 1,671.73 crore of which Rs 1,230.87 crore were outstanding for more than five years as detailed in the following table:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than five years as on 31 March 2006	Remarks
1	2	3	4	5
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	1,296.01*	1,024.65	Out of Rs 1,296.01 crore, demand for Rs 125.58 crore were certified for recovery as arrears of land revenue. Recovery of Rs 412.06 crore and Rs 591.80 crore was stayed by Courts and Government respectively. Recovery of Rs 0.25 crore was held up due to rectification / review of applications. Amount of Rs 10.59 crore was held up due to dealers/ party becoming insolvent. Amount of Rs 5.25 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs 150.48 crore, though called for (May 2006) has not been intimated till November 2006.

* Details of arrears under the head taxes on entry of goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services though called for, were not been furnished by the department.

1	2	3	4	5
2.	Non ferrous mining and metallurgical industries	312.73*	193.19	Out of Rs 312.73 crore, demand for Rs 148.46 crore were certified for recovery as arrears of land revenue. Recovery for Rs 134.36 crore and Rs 1.85 crore was stayed by Courts and Government respectively. Recovery of Rs 2.76 crore was held up due to rectification/ review of applications. Amount of Rs 0.03 crore was held up due to dealer/ party becoming insolvent. Amount of Rs 5.18 crore was likely to be written off. Specific actions taken in respect of remaining arrears of Rs 20.09 crore, though called for (May 2006) has not been intimated till November 2006.
3.	State excise	12.33	12.13	Out of Rs 12.33 crore, demand for Rs 3.63 crore had been certified for recovery as arrears of land revenue. Recovery of Rs 0.76 crore was stayed by Government. Amount of Rs 0.68 crore was likely to be written off. Specific actions taken in respect of arrears of Rs 7.26 crore though called for (May 2006) has not been intimated till November 2006.
4.	Stamp duty & registration fee	1.54	NA	Specific actions taken in respect of arrears of Rs 1.54 crore, though called for (May 2006) has not been intimated till November 2006.
5.	Land revenue	0.82	NA	Specific actions taken in respect of arrears of Rs 0.82 crore, though called for (May 2006) has not been intimated till November 2006.
6.	Taxes on vehicles	48.30	0.90	Out of Rs 48.30 crore, demand for Rs 0.34 crore have been certified for recovery as arrears of land revenue. Recovery of Rs 0.01 crore was stayed by Courts and other judicial authorities. Specific actions taken in respect of remaining arrears of Rs 47.95 crore though called for (May 2006) has not been intimated till November 2006.
Total		1,671.73	1,230.87	

The position of arrears of revenue pending collection at the end of 2005-06 in respect of other departments, though called for (May 2006) was not furnished by the Government (November 2006).

1.6 Collection of sales tax per assessee

Year	No of assessee	Sales tax Revenue*	(Rupees in lakh)
			Revenue per assessee
2003-04	52,315	1,69,938.10	3.25
2004-05	55,388	1,96,923.67	3.56
2005-06	60,691	2,38,124.66	3.92

The above table reveals that revenue collection per assessee increased from Rs 3.25 lakh in 2003-04 to Rs 3.92 lakh in 2005-06.

* Total arrears of revenue as per 31.03.2006 are shown as Rs 295.48 crore where as its break up reflects Rs 312.73 crore.

♦ The figures furnished by the department are different from the Finance Account. Refer to in Para 1.1.2.

1.7 Arrears in assessments

The details of cases pending at the beginning of the year 2005-06, 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 2005-06	Total assessments due	Cases disposed of during 2005-06	Balance at the end of the year	Percentage of Column 6 to 4
1	2	3	4	5	6	7
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	40,404*	50,058	90,462	52,721	37,741	42

From the above it could be seen that pendency in finalisation of assessments was 42 *per cent* under various heads of revenue, resulting in delay in corresponding realisation of revenue in these cases.

1.8 Evasion of tax

The details of cases of evasion of tax detected by Commercial Taxes and State Excise Departments, 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 2005	Cases detected during 2005-06	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 2006
					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	30	NIL	30	NIL	NIL	30
2	State excise	1	NIL	1	NIL	NIL	1

* Differs by (-) 10 cases from the closing balance of 40,414 cases as furnished earlier by the department and shown in Audit Report 2004-05.

It would be seen from the above that no efforts were made by the Commercial Taxes/ State Excise departments during the year for settlement of the pending cases.

1.9 Refunds

The refund cases pending at the beginning of the year 2005-06, claims received during the year, refunds allowed during the year and cases pending at the close of the year as reported by the department are given below:

(Rupees in crore)

Sl. No.	Particulars	Sales tax, 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	1,104 [▼]	14.10
2	Claims received during the year	192	49.00
3	Refunds made during the year	283	43.54 [▲]
4	Balance outstanding at the end of the year	1,013	19.56

1.10 Results of audit

Test check of the records of sales tax, land revenue, state excise, taxes on vehicles, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non tax receipts conducted during the year 2005-06 revealed under assessment/short levy/loss of revenue amounting to Rs 1,423.21 crore in 23,919 cases. During the year, the concerned departments accepted under assessments etc., of Rs 453.43 crore involved in 14,997 cases of which 13,967 cases involving Rs 327.85 crore were pointed out in audit during 2005-06 and the rest in earlier years.

This report contains 27 paragraphs including two reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs 520.78 crore. Of these, the departments/ Government accepted audit observations involving Rs 92.01 crore, out of which Rs 0.13 crore have been recovered. Final reply has not been received in other cases.

[▼] Differs by (-) 21 cases from the closing balance of 1,125 cases as furnished earlier by the department and shown in Audit Report 2004-05.

[▲] The department furnished two different figures of refund during the year 2005-06. Reason though called for was not furnished. Refer para 1.3.

1.11 Recovery of revenue of accepted cases

During the years between 2000-01 and 2004-05, the department/ Government accepted audit observations involving Rs 813.16 crore of which only an amount of Rs 13.24 crore was recovered on 31 March 2005 as detailed below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2000-01*	61.30	37.31	0.01
2001-02	289.37	8.51	0.03
2002-03	392.30	84.23	0.06
2003-04	319.72	265.50	0.03
2004-05	508.13	417.61	13.11
Total	1,570.82	813.16	13.24

Position of recovery of accepted cases between 2000-01 and 2004-05 from different departments of Government though called for (October 2006), has not been furnished (November 2006).

1.12 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 audit inspection reports (IRs) 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 six months are forwarded to Government to expedite their settlement.

IRs issued up to December 2005 disclosed that 19,045 paragraphs involving money value of Rs 3,708.56 crore relating to 3,787 IRs remained outstanding at the end of June 2006. Even the first replies, required to be received within one month of the receipt of the IRs, were not received in respect of 1,125 IRs issued between 1980-81 and 2002-03.

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

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

The large pendency of IRs due to non receipt of replies indicates that heads of offices and heads of departments failed to initiate action to rectify defects,

* The State of Jharkhand came into existence with effect from 15 November 2000. So the figures relating to the AR 2000-01 is calculated on the basis of the paragraphs of revenue receipts.

omission and irregularities pointed out in the 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.

1.13 Departmental audit committee meetings

In order to expedite the 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 clearance of outstanding observations it is necessary that 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 2005-06, Government departments were requested (April 2005) to hold 12 audit committee meetings which were held between May 2005 and January 2006 in which 608 paragraphs involving Rs 21.34 crore were settled.

1.14 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.

27 paragraphs including two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Revenue Receipts), Government of Jharkhand were forwarded to the Secretaries to Government of the departments concerned during April 2006 and June 2006. However, replies were received only in 11 cases.

1.15 Follow up on Audit Reports- Summarised position

Sl. No.	Audit Report ending on	Date of presentation in legislature	No. of Draft Paragraphs	No. of draft paragraphs discussed	No. of DP where ATN not received
1	31 March 2000	21.03.2002	36*	1	⊖
2	31 March 2001	17.12.2003	35*	1	⊖
3	31 March 2002	03.08.2004	27	Discussion started	-
4	31 March 2003	24.03.2005	42	Discussion started	-
5	31 March 2004	19.12.2005	31	Discussion not started	-
6	31 March 2005	24.08.2006	29	Discussion not started	

N.B. This office has no information about any decision taken by the competent authority in respect of the pending paragraphs (Paragraphs of Audit Report for the year 1998-99 and earlier years) of pre separation period of the areas/districts falling under jurisdiction of Jharkhand, in terms of Section 39 (2) (b) of Bihar reorganisation Act, 2000 for discussion in the PAC of Jharkhand.

* 30 paragraphs of Audit Report 1999-2000 and 18 paragraphs of Audit Report 2000-2001 are under discussion in the Public Accounts Committee (PAC) of Jharkhand, during 2005-06. Since compliances being partial/ incomplete, PAC has not taken any decision regarding settlement of these paras.

⊖ Submission of Government's action taken notes (ATN) on the recommendations of PAC is not in vogue in Jharkhand presently. There is practice of furnishing explanatory notes or *suo moto* action taken notes to PAC by the departments/Government.