

Chapter-I: General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jharkhand during 2006-07, 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 period 2002-03 to 2006-07 are mentioned below:

(Rupees in crore)

Sl. No.		2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue	1,750.30	1,986.22	2,382.79	2,758.04	3,188.50
	• Non-tax revenue	987.14	1,105.55	1,052.45	1,426.53*	1,250.40
	Total	2,737.44	3,091.77	3,435.24	4,184.57	4,438.90
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	1,702.52	1,979.73	2,366.40	3,175.89	4,050.90
	• Grants-in-aid	496.82	566.27	858.87	1,103.42	1,520.02
	Total	2,199.34	2,546.00	3,225.27	4,279.31	5,570.92
III.	Total receipts of the State Government (I & II)[©]	4,936.78	5,637.77	6,660.51	8,463.88	10,009.82
IV.	Percentage of I to III	55	55	52	49	44

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 44 per cent of the total revenue receipts (Rs. 10,009.82 crore) against 49 per cent in the preceding year. The balance 56 per cent of receipts during 2006-07 were from the Government of India.

1.1.1 Grants-in-aid

The details of grants-in-aid received from the Government of India are mentioned below:

(Rupees in crore)

Particulars of grants-in-aid	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non-plan	42.11	8.48	90.24	15.94	85.86	10	111.72	10.12	259.71	17.09
Plan	454.71	91.52	476.03	84.06	773.01	90	991.70	89.88	1,260.31	82.91
Total	496.82	100.00	566.27	100.00	858.87	100.00	1,103.42	100.00	1,520.02	100.00

* Adjustment entry of Rs. 1 lakh.

© For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2006-07. 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 the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The following table presents the details of the tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase or decrease in 2006-07 over 2005-06
1	Taxes on sales, trade etc.	1,366.14	1,601.02	1,881.53	2,212.03	2,556.90	(+) 16
2	State excise	98.51	96.49	145.76	161.64	129.62	(-) 20
3	Stamp duty and registration fees	82.87	81.75	86.59	91.93	122.02	(+) 33
4	Taxes on vehicles	104.91	98.66	130.24	138.32	218.27	(+) 58
5	Taxes and duties on electricity	34.70	30.85	36.14	33.87	45.14	(+) 33
6	Taxes on goods and passengers - Tax on entry of goods into local areas	38.65	53.78	78.19	96.66	74.19	(-) 23
7	Other taxes and duties on commodities and services	9.37	6.70	6.87	5.93	6.01	(+) 1
8	Land revenue	15.15	16.97	17.47	17.66	36.35	(+) 106
	Total	1,750.30	1,986.22	2,382.79	2,758.04	3,188.50	(+) 16

The following reasons for variations were reported by the concerned departments:

Taxes on sales, trade etc.: The increase was attributed to normal growth with improving trend.

State excise: The decrease was attributed to surrender of shops by licencees of country spirit and spiced country spirit and non-settlement of some shops of India made foreign liquor during February and March 2007.

Stamp duty and registration fees: The increase of 33 *per cent* was attributed by the department to reduction of rate of stamp duty and registration fees. The figures of stamp duty and registration fee in Finance Accounts for 2005-06 and 2006-07 were:

(Rupees in crore)

Head of account	Head of revenue	2005-06	2006-07
0030	Stamp duty and registration fees		
02	Stamps – non-judicial	0.87	71.57
03	Registration fees	71.79	20.35

The increase of 8,126 *per cent* in sale of non-judicial stamps and fall of registration fees by 72 *per cent* in 2006-07 over 2005-06 requires investigation.

Land revenue: The increase in receipts was due to more collection of cess, acquisitions of land, settlement of *Khas Mahal* land and transfer/lease settlements of the Government land.

Taxes on vehicles: The increase of 58 *per cent* was due to registration of more non-commercial motor vehicles and collection from smart cards issued for driving licences and registration certificates.

Taxes and duties on electricity: The increase of 33 *per cent* was attributed to better tax administration.

Taxes on goods and passenger taxes on entry of goods into local areas: The department did not inform any specific reason for variation despite being requested (June 2007).

1.1.3 The following table presents the details of non-tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase or decrease in 2006-07 over 2005-06
1	Non-ferrous mining and metallurgical industries	802.72	919.94	937.41	1,013.15	1,022.12	(+) 1
2	Forestry and wild life	22.50	21.74	4.51	40.84	3.68	(-) 91
3	Interest receipts	96.08	46.65	18.63	71.49	38.09	(-) 47
4	Social security and welfare	5.31	14.02	8.48	17.94	11.65	(-) 35
5	Others	60.53	103.20	83.42	283.11	174.86	(-) 38
	Total	987.14	1,105.55	1,052.45	1,426.53	1,250.40	(-) 12

The concerned departments did not intimate (November 2007) the reasons for variations in receipts from that of the previous year despite being requested (June 2007).

1.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for 2005-06 and 2006-07 under the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Budget estimates	Actual receipts	Variations (+) increase (-) shortfall	Percentage of variation (+) increase (-) decrease
A. Tax revenue						
1	Taxes on sales, trade etc.	2005-06	2,149.95	2,212.03	(+) 62.08	(+) 3
		2006-07	2,458.00	2,556.90	(+) 98.90	(+) 4
2	State excise	2005-06	155.00	161.64	(+) 6.64	(+) 4
		2006-07	186.00	129.62	(-) 56.38	(-) 30
3	Stamp duty and registration fees	2005-06	125.00	91.93	(-) 33.07	(-) 26
		2006-07	95.25	122.02	(+) 26.77	(+) 28
4	Taxes on vehicles	2005-06	270.00	138.32	(-) 131.08	(-) 49
		2006-07	162.80	218.27	(+) 55.47	(+) 34

5	Taxes and duties on electricity	2005-06	73.31	33.87	(-) 39.44	(-) 54
		2006-07	60.00	45.14	(-) 14.86	(-) 25
6	Land revenue	2005-06	30.00	17.66	(-) 12.34	(-) 41
		2006-07	33.00	36.35	(+) 3.35	(+) 10
7	Other taxes and duties on commodities and services	2005-06	11.28	5.93	(-) 5.35	(-) 47
		2006-07	13.30	6.01	(-) 7.29	(-) 55
8	Taxes on goods and passengers – Tax on entry of goods into local areas	2005-06	73.93	96.66	(+) 22.73	(+) 31
		2006-07	120.00	74.19	(-) 45.81	(-) 38
B. Non-tax revenue						
1	Non-ferrous mining and metallurgical industries	2005-06	1,151.40	1,013.15	(-) 138.25	(-) 12
		2006-07	1,200.00	1,022.12	(-) 177.88	(-) 15
2	Forestry and wild life	2005-06	25.00	40.84	(+) 15.84	(+) 63
		2006-07	25.00	3.68	(-) 21.32	(-) 85
3	Interest receipts	2005-06	89.24	71.49	(-) 17.75	(-) 20
		2006-07	59.25	38.09	(-) 21.16	(-) 36
4	Social security and welfare	2005-06	14.00	17.94	(+) 3.94	(+) 28
		2006-07	15.00	11.65	(-) 3.35	(-) 22

The concerned departments did not inform (November 2007) the reasons for variation despite being requested (June 2007).

1.3 Analysis of collection

The break-up of the total collection 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 2006-07 and figures of tax for the period 2004-05 and 2005-06 as furnished by the department is mentioned 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.	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
	2006-07	2,574.69	22.95	0.87	9.55	2,682.24 ^s	95.59

It would be seen from above that collection of taxes at the pre-assessment stage ranged between 96 and 100 *per cent* during 2004-05 to 2006-07.

^s The figures furnished by department are different from those reflected in the Finance Accounts and referred to Paragraph 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 2004-05 to 2006-07 alongwith the all India average percentage of expenditure on collection to gross collection for 2005-06 were as follows:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1	Taxes on sales, trade etc.	2004-05	1,881.53	16.29	0.87	0.91
		2005-06	2,212.03	14.53	0.66	
		2006-07	2,556.90	14.29	0.56	
2	Taxes on vehicles	2004-05	130.24	2.32	1.78	2.67
		2005-06	138.32	2.50	1.81	
		2006-07	218.27	2.49	1.14	
3	State excise	2004-05	145.76	5.75	3.94	3.40
		2005-06	161.64	6.51	4.03	
		2006-07	129.62	7.38	5.69	
4	Stamp duty & registration fees	2004-05	86.59	4.71	5.44	2.87
		2005-06	91.93	5.21	5.67	
		2006-07	122.02	9.86	8.08	

The above table indicates that the percentage of expenditure on collection in respect of State excise and stamp duty 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 2007 in respect of some principal heads of revenue amounted to Rs. 1,655.94 crore of which Rs. 566.96 crore were outstanding for more than five years as mentioned in the following table:

(Rupees in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007	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	1,256.80	383.59	Out of Rs. 1,256.80 crore, demands totalling Rs. 124.51 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 329.97 crore and Rs. 641.79 crore were stayed by Courts and the Government respectively. Recovery of Rs. 2.47 crore was held up due to rectification/review of applications. Rs. 2.27 crore could not be recovered due to dealers/party becoming insolvent. Rs. 5.24 crore was likely to be written off. Specific action taken in respect of the remaining arrears of Rs. 150.55 crore has not been intimated by the departments (November 2007) despite being requested (June 2007).

2.	Non-ferrous mining and metallurgical industries	229.92	175.72	Out of Rs. 229.92 crore, demands totalling Rs. 60.19 crore were certified for recovery as arrears of land revenue. Recovery of Rs. 93.01 crore and Rs. 57 lakh were stayed by the Courts and the Government respectively. Recovery of Rs. 17 lakh was held up due to rectification/review of applications. Specific action taken in respect of the remaining arrears of Rs. 75.98 crore has not been intimated by the department (November 2007) despite being requested (June 2007).
3.	State excise	38.00	2.69	Out of Rs. 38 crore, demand for Rs. 10.57 crore was certified for recovery as arrears of land revenue. Recovery of Rs. 12.16 crore was stayed by the Courts and other judicial authorities. Specific action taken in respect of the balance arrears of Rs. 15.27 crore has not been intimated by the department (November 2007) despite being requested (June 2007).
4.	Stamp duty & registration fee	1.42	NA	Specific action taken in respect of the arrears of Rs. 1.42 crore has not been intimated by the department (November 2007) despite being requested (June 2007).
5.	Land revenue	1.15	NA	Specific action taken in respect of the arrears of Rs. 1.15 crore has not been intimated by the department (November 2007) despite being requested (June 2007).
6.	Taxes on vehicles	128.65	4.96	Out of Rs. 128.65 crore, demand for Rs. 2.61 crore was certified for recovery as arrears of land revenue. Recovery of Rs. 1 lakh had been stayed by courts and other judicial authorities. Specific action taken in respect of remaining arrears of Rs. 126.03 crore has not been intimated by the department (November 2007) despite being requested (June 2007).
Total		1,655.94	566.96	

The position of arrears of revenue pending collection at the end of 2006-07 in respect of other departments was not furnished (November 2007) despite being requested (June 2007).

1.6 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes and State Excise departments, cases finalised and the demands for additional tax raised as reported by the departments are mentioned below:

(Rupees in lakh)

Sl. No.	Heads of revenue	Cases pending as on 31 March 2006	Cases detected during 2006-07	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 2007
					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	9	Nil	9	Nil	Nil	9
2	State excise	1	Nil	1	Nil	Nil	1

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.

1.7 Refunds

The refund cases pending at the beginning of 2006-07, claims received during the year, refunds allowed during the year and cases pending at the close of the year as reported by the State excise and Commercial Taxes departments are mentioned below:

(Rupees in crore)

Sl. No.	Particulars	State excise		Sales tax	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	936	1.32	963	20.72
2	Claims received during the year	157	3.02	233	8.82
3	Refunds made during the year	119	3.04	296	9.14
4	Balance outstanding at the end of the year	974	1.30	900	20.40

The pendency of refund cases under sales tax, beyond six months entails mandatory payment of interest at the rate of nine *per cent* per annum. The Government may, therefore, take effective steps to dispose the cases within six months.

1.8 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 2006-07 revealed underassessment/short levy/loss of revenue involving Rs. 1,030.52 crore in 26,653 cases. During the year, the concerned departments accepted underassessments and other deficiencies involving Rs. 296.15 crore involved in 25,145 cases of which 24,872 cases involving Rs. 221.39 crore were pointed out in audit during 2006-07 and the rest in earlier years.

This report contains 36 paragraphs including two reviews bringing out deficiencies in different aspects of tax administration and involving a tax/revenue effect of Rs. 591.10 crore. Of these, the departments/Government accepted audit observations involving Rs. 201.08 crore, out of which Rs. 3.12 crore have been recovered. Final reply has not been received in other cases.

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

Audit observations on financial irregularities and defects in the initial records that are 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 (IRs) for prompt action. The more important irregularities are reported to the heads of departments and to the Government for initiating immediate corrective action. Besides, half yearly reports on such observations outstanding for more than six months are forwarded to the Government to expedite their settlement.

In respect of the IRs issued upto December 2006, 18,772 paragraphs relating to 3,627 IRs involving money value of Rs. 4,901.46 crore remained outstanding at the end of June 2007. Even the first replies, required to be received within one month of the receipt of the IRs, were not received in respect of 745 IRs issued between 1980-81 and 2004-05.

The position was brought to the notice of the Chief Secretary to the Government in September 2007. However, no reply has been received. Unsatisfactory compliance by the departments of the 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 the heads of the offices and the heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out in the IRs. To ensure that action to recover the revenue due does not become time barred, it is recommended that the Government should take suitable steps to ensure that prompt and appropriate responses are given to the audit observations, action is initiated against officials/officers failing to send replies to IRs/paragraphs as per the prescribed time schedule and take action to recover loss/outstanding demands in a time bound manner.

1.10 Departmental audit committee meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees are constituted by the Government. These committees consist of representatives of the concerned administrative department and are attended, among others, by the concerned officers and officers from the office of the Accountant General. To expedite clearance of the outstanding observations it is necessary that the audit committees meet regularly and ensure that final action is taken in respect of all the audit observations outstanding for more than a year, leading to their settlement. During 2006-07, the Government departments were requested between April and December 2006 to hold 15 audit committee meetings which were held between May 2006 and January 2007 in which 1,330 paragraphs involving Rs. 64.98 crore were settled.

1.11 Response of the departments to draft audit paragraphs

According to the instructions issued (1966) by the 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. The 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 the Government is indicated at the end of each paragraph included in the Audit Report.

Fifty three draft paragraphs clubbed into 36 paragraphs including two reviews included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007 (Revenue Receipts) were forwarded to the Secretaries to the Government of the departments concerned during April 2007 and May 2007. The reviews and draft paragraphs were discussed with the Principal Secretary/Secretaries to the Government. The Principal Secretary, Finance Department expressed his concern over delays by the departments in furnishing replies to audit. He directed the concerned departments to furnish the replies to the Accountant General in respect of the audit observations.

Principal Secretary/Secretaries assured that corrective/remedial measures would be taken wherever found necessary in accordance with the rules and procedures for arresting potential risks of leakage of revenue.

1.12 Follow-up on Audit Reports - Summarised position

Sl. No.	Audit Report ending on	Date of presentation in legislature	No. of paragraphs	No. of paragraphs* discussed	No. of paragraphs for which ATNs# have not received
1	31 March 2000	21.03.2002	36	20	35
2	31 March 2001	17.12.2003	35	8	35
3	31 March 2002	03.08.2004	27	7	27
4	31 March 2003	24.03.2005	42	8	42
5	31 March 2004	19.12.2005	31	4	31
6	31 March 2005	24.08.2006	29	Discussion not started	-
7	31 March 2006	04.04.2007	27	Discussion not started	-

N.B. Audit has no information about any decision taken by the competent authority about discussion by PAC of the pending paragraphs of the Audit Reports relating to the areas/districts falling under the jurisdiction of Jharkhand, for the periods prior to the constitution of the State of Jharkhand.

* During 2006-07, 47 paragraphs of Audit Report 1999-2000 to 2003-04 were taken-up for discussion by the Public Accounts Committee (PAC) of Jharkhand. Since compliance reports received from the Government were partial/incomplete, PAC decided to settle only one para pertaining to the Audit Report (Revenue Receipts) - 1999-2000.

Action taken notes

1.13 Recovery of revenue of accepted cases

During the years 2001-02 to 2005-06, the department/Government accepted audit observations involving Rs. 867.86 crore of which only Rs. 17.68 crore has been recovered as on 31 March 2007 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	289.37	8.51	0.76
2002-03	392.30	84.23	1.01
2003-04	319.72	265.50	1.31
2004-05	508.13	417.61	0.80
2005-06	520.78	92.01	13.80
Total	2,030.30	867.86	17.68

The recovery in respect of the accepted cases was very low (two *per cent* of accepted money value). The Government may advise the concerned departments to take necessary steps for speedy recovery.