

OVERVIEW

This Report contains 36 paragraphs including two reviews relating to non/short levy/loss of tax involving Rs. 591.10 crore. Some of the major findings are mentioned below:

I. General

The total receipts of the Government of Jharkhand for the year 2006-07 were Rs. 10,009.82 crore against Rs. 8,463.88 crore during 2005-06. The revenue raised by the State Government amounted to Rs. 4,438.90 crore comprising tax revenue of Rs. 3,188.50 crore and non-tax revenue of Rs. 1,250.40 crore. The receipts from the Government of India were Rs. 5,570.92 crore (State's share of divisible Union taxes: Rs. 4,050.90 crore and grants-in-aid: Rs. 1,520.02 crore). Thus, the State Government could raise only 44 *per cent* of the total revenue. Taxes on sales, trade etc. (Rs. 2,556.90 crore) and non-ferrous mining and metallurgical industries (Rs. 1,022.12 crore) were the major source of tax and non-tax revenue respectively during the year 2006-07.

[Paragraph 1.1]

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 amounting to Rs. 1,030.52 crore in 26,653 cases. During the year, the concerned departments accepted underassessments and other deficiencies of 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.

[Paragraph 1.8]

The number of inspection reports and audit observations issued upto December 2006, but not settled by June 2007, stood at 3,627 and 18,772 respectively involving Rs. 4,901.46 crore. In respect of 745 IRs issued between 1980-81 and 2004-05, even the first replies have not been received though these were required to be furnished within one month of their receipt.

[Paragraph 1.9]

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.

[Paragraph 1.13]

II. Taxes on sales, trade etc.

A review of “**Assessment, levy and collection of sales tax on works/supplies contracts**” revealed as under:

- Failure of the department to institute control measures for registration of works/supply contractors resulted in loss of revenue to the State which cannot be quantified in the absence of data. Audit could detect some cases of unregistered contractors through cross verification of records which resulted in non-realisation of revenue of Rs. 98.48 lakh including penalty of Rs. 6.75 lakh.

[Paragraph 2.2.7.2]

- Failure to verify the various declaration forms *vis-à-vis* the claims/utilisation certificates as well as inter departmental cross verification resulted in non/short levy of tax and penalty of Rs. 70.11 crore.

[Paragraph 2.2.8]

- Irregular allowance of deduction of Rs. 54.61 crore from gross turnover in case of 16 contractors of six commercial taxes circles resulted in short levy of tax of Rs. 5.76 crore.

[Paragraph 2.2.13]

- Misuse of declaration forms by four contractors in five cases in four commercial taxes circles resulted in non-levy of tax of Rs. 14.81 crore, including penalty.

[Paragraph 2.2.14]

- Incorrect allowance of concessional rate of tax in case of three contractors in three commercial taxes circles resulted in short levy of tax of Rs. 1 crore, including additional tax and surcharge.

[Paragraph 2.2.15]

Cross verification of inter departmental data revealed as under:

- Cross verification of data regarding sales turnover collected from Commissioner of Income Tax; Principal Director, Commercial Audit; CCL Headquarters; Mines and Geology department and Annual Audited Accounts with the records of 27 dealers in five commercial taxes circles revealed less exhibition of turnover in sales tax returns and incorrect allowance of concessional rate of tax. This resulted in concealment of turnover and consequent short levy of tax of Rs. 179.25 crore.

[Paragraph 2.3]

Other points noticed in audit were:

- In nine commercial taxes circles, suppression of sales/purchase turnover of Rs. 126.35 crore by 28 dealers resulted in short levy of tax amounting to Rs. 12.57 crore and non-levy of penalty of Rs. 11.46 crore.

[Paragraph 2.4]

- In one commercial taxes circle, incorrect determination of gross turnover by the assessing authority in case of a dealer resulted in short levy of tax amounting to Rs. 15.09 crore.

[Paragraph 2.5]

- In one commercial taxes circle, in case of a dealer, the assessing authority allowed excess deduction of Rs. 142.29 crore on account of branch transfer. This resulted in short levy of tax of Rs. 11.38 crore.

[Paragraph 2.6]

- In one commercial taxes circle, in case of a dealer, inaction on the part of the assessing authority to realise the amount as arrears of land revenue resulted in non-realisation of tax of Rs. 6.34 crore including interest of Rs. 3.54 crore.

[Paragraph 2.7]

- In two commercial taxes circles, in case of two dealers, incorrect allowance of exemption on inter state sale of Rs. 117.07 crore resulted in short levy of tax of Rs. 4.68 crore.

[Paragraph 2.8]

III. State excise

- In one excise district, non-settlement of 56 excise shops of Group I and the failure of the department to run them departmentally resulted in non-realisation of excise revenue of Rs. 6.64 crore.

[Paragraph 3.2]

- In one excise district, non-settlement of excise shops of Group-I below reserve fee in time resulted in loss of revenue of Rs. 1.81 crore in shape of licence fee.

[Paragraph 3.3]

- In five excise districts, non-realisation of differential licence fee from 58 different licensees resulted in short realisation of revenue of Rs. 1.33 crore

[Paragraph 3.4]

IV. Taxes on vehicles

- In 10 DTOs, it was noticed that tax amounting to Rs. 123.50 crore was outstanding against 14,161 defaulting vehicle owners. No certificate proceeding against these vehicle owners was initiated.

[Paragraph 4.2.1]

- In five ROs and COs, certified amount of Rs. 9.29 crore remained unrealised due to untraceable vehicle owners.

[Paragraph 4.2.2.1]

- In 14 DTOs, 853 vehicles owners discontinued payment of tax in the offices where they were originally registered. This resulted in non-levy of tax of Rs. 1.66 crore and penalty of Rs. 3.32 crore.

[Paragraph 4.3]

- In six DTOs, collecting banks transferred collected revenue into the Government account after delay ranging between one to 11 months. This resulted in loss of interest of Rs. 3.59 crore for delayed transfer of the Government revenue.

[Paragraph 4.4]

- In five DTOs, 73,856 certificates of registrations in the form of smart cards were issued without levying additional fee. This resulted in non-levy of additional fee of Rs. 1.48 crore.

[Paragraph 4.5]

V. Land revenue

- A public sector undertaking irregularly collected and retained premium of Rs. 14.46 crore, which legally belonged to the State Government, by leasing out 1,792 quarters to its employees, contrary to the terms and conditions of the agreement.

[Paragraph 5.2]

VI. Other tax receipts

- In three commercial taxes circles, three assesseees, engaged in mining activities as well as generation of electrical energy for mining and domestic purposes, consumed 51.41 crore units of electrical energy in mining activity/washing of coal. But the department levied electricity duty at incorrect rate. This resulted in short levy of duty amounting to Rs. 6.68 crore.

[Paragraph 6.2]

VII. Mineral concession, fees and royalties

A review of “**Levy and collection of mining receipts**” revealed as under:

- Failure of the department to grant mining leases and issue notification for granting of fresh lease in case of surrendered leases resulted in the mines remaining idle and consequent loss of revenue of Rs. 42.88 crore as surface rent and dead rent.

[Paragraph 7.2.8]

- Failure of the DMOs/AMOs to scrutinise the returns submitted by the lessees resulted in non/short levy and evasion of revenue of Rs. 35.54 crore.

[Paragraph 7.2.9]

- Absence of a system of inter departmental cross verification of information resulted in non/short realisation of royalty and evasion of revenue of Rs. 28.97 crore.

[Paragraph 7.2.10]

- Failure of DMOs to maintain the register of illegal mining resulted in non-levy of penalty/loss of revenue of Rs. 57.32 crore.

[Paragraph 7.2.11]

- Failure of the DMOs to cross verify the returns filed by the lessees with the register of issue and utilisation of TCs resulted in non-imposition of penalty of Rs. 38.08 crore.

[Paragraph 7.2.12]

- Failure of eight DMOs to initiate certificate proceedings, issue demand notices and distress warrants against the defaulters resulted in non-realisation of dues of Rs. 21.42 crore.

[Paragraph 7.2.13]

- The internal controls of the department were weak. Vigilance - enforcement and inspection wing of the department was not operational defeating the very purpose for which it was created.

[Paragraph 7.2.14]

VIII. Other non-tax receipts

- Non-completion of *khesra* and *khatiani* etc. required for assessment of water rates recoverable from beneficiaries, resulted in non-raising of demand of revenue amounting to Rs. 24.49 lakh.

[Paragraph 8.4]