

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR ENDED
31 MARCH 2006**

(REVENUE RECEIPTS)

GOVERNMENT OF JHARKHAND

TABLE OF CONTENTS

	Paragraph	Page
Preface		(iii)
Overview		(iv)
Chapter –I: General		
Trend of revenue receipts	1.1	1
Variations between budget estimates and actuals	1.2	3
Analysis of collection	1.3	4
Cost of collection	1.4	4
Analysis of arrears of revenue	1.5	5
Collection of sales tax per assessee	1.6	6
Arrears in assessments	1.7	7
Evasion of tax	1.8	7
Refunds	1.9	8
Results of audit	1.10	8
Recovery of revenue of accepted cases	1.11	9
Failure of senior officials to enforce accountability and protect interest of Government	1.12	9
Departmental audit committee meetings	1.13	10
Response of the departments to draft audit paragraphs	1.14	10
Follow up on Audit Reports – Summarised position	1.15	11
Chapter – II: Taxes on Sales, Trade etc.		
Results of audit	2.1	12
Review: Working of Commercial Taxes Department in respect of sales tax receipts	2.2	13
Chapter- III: State Excise		
Results of audit	3.1	33
Irregularities in grant of exclusive privilege for wholesale supply of country spirit	3.2	34
Loss of revenue due to non operation of excise shops departmentally	3.3	38
Loss of revenue due to incorrect fixation of reserve fee of excise retail shops	3.4	40
Chapter – IV: Taxes on Vehicles		
Results of audit	4.1	41
Non collection of tax	4.2	42
Delay in deposit of revenue collection by banks	4.3	42
Non levy of trade tax	4.4	43
Non levy of tax from trailers	4.5	44

Short realisation of tax due to incorrect fixation of seating capacity	4.6	44
Non levy of tax from vehicles involved in surrender	4.7	45
Non levy of tax from the date of sale/ expiry of temporary registration	4.8	46
Chapter – V: Land Revenue		
Results of audit	5.1	47
Underassessment of cess	5.2	48
Non realisation of revenue due to non renewal of leases	5.3	48
Non removal from /settlement of encroached public land	5.4	49
Chapter- VI: Other Tax Receipts		
Results of audit	6.1	50
Entry Tax		
Taxes on Entry of Goods into Local Areas	6.2	51
Electricity Duty		
Short levy of electricity duty	6.3	55
Non levy of penalty	6.4	56
Incorrect allowance of rebate on surcharge	6.5	57
Entertainment Tax		
Short levy of entertainment tax	6.6	58
Chapter- VII: Mineral Concession, Fees and Royalties		
Results of audit	7.1	59
Short levy of surface rent	7.2	60
Non/short levy of royalty due to misclassification of grade of coal	7.3	60
Non levy of penalty for illegal mining of brick earth	7.4	61
Non levy of penalty for non submission of monthly returns	7.5	61
Chapter- VIII: Other Non Tax Receipts		
Results of audit	8.1	63
Review: Police Receipts	8.2	64
Forest Receipts		
Non raising of demand for net present value and cost of compensatory afforestation	8.3	73
Blockage of revenue due to non disposal of seized forest produce	8.4	74
Water Rates		
Non raising of demand of water rates	8.5	75
Appendices		
Appendix-I: Application of incorrect rate of tax	2.2.17	76

PREFACE

This report for the year ended 31 March 2006 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This report presents the results of audit of receipts comprising taxes on sales, trade etc., state excise, taxes on vehicles, land revenue, other tax receipts, mineral concession, fees and royalties and other non tax receipts of the State.

The cases mentioned in this report are among those which came to notice in the course of test audit of records during the year 2005-2006 as well as those which came to notice in earlier years but could not be covered in previous reports.

22

OVERVIEW

This Report contains 27 paragraphs including two reviews relating to non/short levy/loss of tax involving Rs 520.78 crore. Some of the major findings are mentioned below:

I. General

The total receipts of Government of Jharkhand for the year 2005-06 were Rs 8,463.88 crore against Rs 6,660.51 crore during 2004-05. The revenue raised by the State Government amounted to Rs 4,184.57 crore comprising tax revenue of Rs 2,758.04 crore and non tax revenue of Rs 1,426.53 crore. The receipts from Government of India were Rs 4,279.31 crore (State's share of divisible Union taxes: Rs 3,175.89 crore and grants in aid: Rs 1,103.42 crore). Thus, the State Government could raise only 49 per cent of total revenue. Taxes on sales, trade etc. (Rs 2,212.03 crore) and non ferrous mining and metallurgical industries (Rs 1,013.15 crore) were the major source of tax and non tax revenue respectively during the year 2005-06.

[Paragraph 1.1, 1.1.1, 1.1.2 and 1.1.3]

The percentage of cost of collection in respect of state excise and stamps and registration fees during the year 2005-06 was notably higher than the all India average percentage for the year 2004-05.

[Paragraph 1.4]

Test check of records of commercial taxes, state excise, taxes on vehicles, land revenue, non ferrous mining and metallurgical industries and other departmental offices 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 2005-06, 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 had been pointed out in audit during 2005-06 and the rest in earlier years.

[Paragraph 1.10]

The number of inspection reports and audit observations issued upto December 2005, but not settled by June 2006, stood at 3,787 and 19,045 respectively involving Rs 3,708.56 crore. In respect of 1,125 inspection reports issued between 1980-81 and 2002-03, even the first replies have not been received though these were required to be furnished within one month of their receipt.

[Paragraph 1.12]

II. Taxes on sales, trade etc.

A Review on “**Working of Commercial Taxes Department in respect of sales tax receipts**” revealed as under:

- Cross verification of data of sales/purchases reflected in income tax returns of 23 dealers with their sales tax returns revealed suppression of turnover of Rs 38.64 crore and consequent short levy of tax of Rs 22.46 crore including penalty.

[Paragraph 2.2.11.1]

- Cross verification of data of sales/despatch of stone chips, dust and ballasts reflected in returns furnished to Mining Department by eight dealers with their sales tax returns revealed suppression of turnover of Rs 8.65 crore and consequent short levy of tax of Rs 3.58 crore including penalty.

[Paragraph 2.2.11.2]

- Cross verification of data of sales collected from Principal Director of Commercial Audit, Ranchi with the sales tax records of two manufacturing dealers revealed suppression of Rs 258.43 crore and consequent short levy of tax of Rs 96.21 crore including penalty.

[Paragraph 2.2.11.3]

- Cross verification of data of sales/despatch of iron ore and stone chips reflected in mining returns by seven dealers with their sales tax returns revealed suppression of turnover of Rs 160.64 crore and consequent non levy of penalty of Rs 53.42 crore on estimated tax.

[Paragraph 2.2.12]

- Cross verification of annual audited accounts and declaration forms utilised by 76 dealers of 17 commercial taxes circles with their trading accounts/returns revealed suppression of Rs 371.92 crore and consequent short levy of tax of Rs 139.54 crore including penalty.

[Paragraph 2.2.13]

- In case of two dealers incorrect determination of gross turnover resulted in short levy of tax of Rs 6.30 crore.

[Paragraph 2.2.19.2]

- In case of four dealers dealing in supply of animal fodder and one dealer dealing in iron and steel of two commercial taxes circles, non adherence to the provisions of the Act and departmental instructions resulted in cases becoming barred by limitation of time and loss of government revenue of Rs 6.71 crore.

[Paragraph 2.2.22.1 and 2.2.22.2]

III. State excise

Due to non observance of terms and conditions of tender notices and letter of grant by the grantees and non initiation of corrective measures by the department, Government sustained loss of revenue amounting to Rs 3.54 crore.

[Paragraph 3.2.2 to 3.2.5]

Import fee is leviable on import of country spirit. Instead of importing country spirit (CS), the department allowed the grantees of exclusive privilege for wholesale supply of CS to import rectified spirit, not leviable to import fee. The entire rectified spirit imported was used for manufacture of CS. The undue benefit to grantees deprived Government of revenue of Rs 4.56 crore.

[Paragraph 3.2.6]

In 10 excise districts, non settlement of 640 retail excise shops and failure of the department to run them departmentally resulted in loss of revenue of Rs 14.82 crore.

[Paragraph 3.3]

IV. Taxes on vehicles

In 13 district transport offices, 719 motor vehicle owners discontinued payment of tax in the offices where they were originally registered. This resulted in non levy of tax of Rs 2.66 crore besides penalty of Rs 5.32 crore.

[Paragraph 4.2]

In five district transport offices, collecting banks transferred collected revenue into Government account after delay ranging between one month and 12 months. This resulted in loss of interest of Rs 3.58 crore for delayed transfer of Government revenue.

[Paragraph 4.3]

In seven district transport offices, 44 dealers of motor vehicles had not deposited requisite trade tax in respect of 1,05,476 vehicles. The department did not raise any demand on the defaulters which resulted in non levy of tax of Rs 66.99 lakh besides penalty of Rs 37.30 lakh.

[Paragraph 4.4]

V. Land Revenue

In one revenue anchal, cess of Rs 38.66 lakh was short levied.

[Paragraph 5.2]

VI. Other Tax Receipts

Cross verification of data of scheduled goods imported from West Bengal with the records of a dealer of tobacco products revealed suppression of turnover of Rs 3.72 crore which resulted in underassessment of tax of Rs 64.40 lakh including penalty.

[Paragraph 6.2.1.3]

Jharkhand Tax on Entry of Goods into Local Areas for Consumption, Use or Sale therein (Amendment) Act, 2001 was struck down by Hon'ble Jharkhand High Court due to non obtaining assent of the President of India by Government. Government had to forego revenue of Rs 46.85 crore.

[Paragraph 6.2.2]

In one commercial taxes circle, an assessee engaged in mining activities as well as generation of electrical energy for mining and domestic purposes consumed 16.54 crore units of electrical energy in washing of coal. But the department levied duty at incorrect rate. This resulted in short levy of duty amounting to Rs 2.15 crore.

[Paragraph 6.3.1]

VII. Mineral Concession, Fees and Royalties

In one district mining office, four lessees of coal and sand used 24,326.27 acres of leased area for mining operation. But the department levied surface rent at agricultural rate instead of commercial rate. This resulted in short levy of surface rent amounting to Rs 23.98 crore.

[Paragraph 7.2]

Failure of assessing officers to classify coal correctly as per grade notified by coal controller resulted in non/short levy of royalty of Rs 7.57 crore.

[Paragraph 7.3]

VIII. Other Non Tax Receipts

A review on "**Police Receipts**" revealed as under:

- Demand of Rs 36.03 crore, representing GRP cost, was not raised against Railway.

[Paragraph 8.2.10]

- Demand of Rs 1.28 crore was not raised against offices of State/Central Government/ banks/other organisations.

[Paragraph 8.2.11]

In one divisional forest office, non initiation of any action to stop illegal utilisation of forest land, by Central Coal Field Limited, resulted in non raising of demand of Rs 1.10 crore.

[Paragraph 8.3]

In one waterways division, 8,187.69 crore gallons of water were supplied to Jharkhand State Electricity Board and Public Health Engineering Department during 2001-02 and 2002-03 but demand of Rs 36.84 crore was neither raised nor realised.

[Paragraph 8.5]

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

(Rupees in lakh)			
Year	No of assessee	Sales tax Revenue*	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.

CHAPTER-II: Taxes on Sales, Trade etc.

2.1 Results of audit

Test check of records relating to assessments and refunds of sales tax in Commercial Taxes Department conducted during 2005-06, revealed under assessment of tax of Rs 608.39 crore in 371 cases which broadly fall under the following categories: -

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non /short levy of tax	84	47.29
2	Irregular allowance of exemption from tax	79	16.33
3	Non levy of penalty	08	79.16
4	Irregular allowance of concessional rate of tax	26	3.54
5	Non/short levy of additional tax/ surcharge	26	0.27
6	Application of incorrect rate of tax	22	1.72
7	Short levy due to incorrect determination of turnover	29	5.87
8	Non levy of penalty for excess collection of tax/ mistake in computation	08	1.02
9	Other cases	88	77.69
10	Review on “Working of Commercial Taxes Department in respect of sales tax receipts”	1	375.50
Total		371	608.39

During 2005-06, the concerned department accepted under assessment, etc. of Rs 43.35 crore involved in 115 cases of which 34 cases involving Rs 1.78 crore were pointed out in audit during 2005-06 and rest in earlier years.

A Review on **Working of Commercial Taxes Department in respect of sales tax receipts** involving Rs 375.50 crore is given in the following paragraph:

2.2 Review on Working of Commercial Taxes Department in respect of sales tax receipts

2.2.1 Highlights

- Cross verification of data of sales/purchases reflected in income tax returns of 23 dealers with their sales tax returns revealed suppression of turnover of Rs 38.64 crore and consequent short levy of tax of Rs 22.46 crore including penalty.

[Paragraph 2.2.11.1]

- Cross verification of data of sales/despatch of stone chips, dust and ballasts reflected in returns furnished to Mining Department by eight dealers with their sales tax returns revealed suppression of turnover of Rs 8.65 crore and consequent short levy of tax of Rs 3.58 crore including penalty.

[Paragraph 2.2.11.2]

- Cross verification of data of sale collected from Principal Director of Commercial Audit, Ranchi with the sales tax records of two manufacturing dealers revealed suppression of turnover of Rs 258.43 crore and consequent short levy of tax of Rs 96.21 crore including penalty.

[Paragraph 2.2.11.3]

- Cross verification of data of sales/despatch of iron ore and stone chips reflected in mining returns by seven dealers with their sales tax returns revealed suppression of turnover of Rs 160.64 crore and consequent non levy of penalty of Rs 53.42 crore on estimated tax.

[Paragraph 2.2.12]

- Cross verification of annual audited accounts and declaration forms utilised by 76 dealers of 17 commercial taxes circles with trading accounts/returns of dealers revealed suppression of turnover of Rs 371.92 crore and consequent short levy of tax of Rs 139.54 crore including penalty.

[Paragraph 2.2.13]

- In case of 13 dealers, incorrect allowance of exemption from levy of tax on goods valued at Rs 24.43 crore resulted in non/short levy of tax amounting to Rs 2.05 crore.

[Paragraph 2.2.14.2]

- In case of two dealers, incorrect determination of gross turnover resulted in short levy of tax of Rs 6.30 crore.

[Paragraph 2.2.19.2]

- In case of four dealers dealing in supply of animal fodder and one dealer dealing in iron and steel of two commercial taxes circles, non adherence to the provisions of the Act and departmental instructions resulted in cases becoming barred by limitation of time and loss of Government revenue of Rs 6.71 crore.

[Paragraph 2.2.22.1 and 2.2.22.2]

- 23 dealers in three commercial taxes circles defaulted in payment of assessed tax of Rs 11.73 crore between 1988-89 and 2002-03 but penalty amounting to Rs 19.46 crore though leviable was not levied.

[Paragraph 2.2.25]

- In case of three dealers of two commercial taxes circles, institution of certificate proceedings on incorrect amount resulted in short institution of certificate proceedings of Rs 3.92 crore.

[Paragraph 2.2.27]

2.2.2 Recommendations

Government may consider that:

- provisions of Acts/Rules and instructions of the department should be scrupulously followed while allowing exemption from levy of tax;
- system of cross verification of transactions under various declaration forms and inter departmental transactions needs to be made effective; and
- internal control system for enforcement of norms may be evolved for proper functioning of internal audit, conducting market survey, functioning of IB, vigilance and monitoring wing.

2.2.3 Introduction

The Sales Tax Department, now called the Commercial Taxes Department was established in the erstwhile State of Bihar on 1 July 1944. The present Finance Act, called the Bihar Finance Act (BF Act), came into force from April 1981. The State of Jharkhand, after its creation in November 2000, adopted existing BF Act as on 15 November 2000.

The activities of the department lie in formulating plan and procedures for levy, assessment and collection of sales tax with minimum tax remaining outstanding, widening tax base for augmentation of revenue in grey areas and framing policies and procedures for additional mobilisation of resources. The levy, assessment and collection of sales tax is governed by BF Act, Central Sales Tax Act, 1956 (CST Act) and rules framed thereunder and administrative instructions issued from time to time by the department. On receipt of return from the dealer it is the responsibility of the department to ensure prompt completion of the assessment in accordance with the provisions of the law and executive instructions issued from time to time.

2.2.4 Organisational set up

At the apex level, Commissioner of Commercial Taxes (CCT) is responsible for administration of the Acts and rules in the department. The CCT is assisted by Additional Commissioner (AC) and Joint Commissioner of Commercial Taxes (JCCT), Vigilance and Monitoring alongwith other JCCTs and Deputy/Assistant Commissioners of Commercial Taxes (DCCT/ACCT) at the headquarter level.

The State of Jharkhand is divided into five commercial taxes divisions* consisting of 28 circles[✓], each under the charge of a JCCT (Administration) and DCCT/ACCT respectively. DCCT/ACCT incharge of the circle is assisted by commercial tax officers (CTO). A JCCT (Appeal) is also posted in each division for disposal of appeal cases.

A Deputy Commissioner of Bureau of Investigation (IB) is posted in each division to assist JCCT (Administration) and a DCCT of Vigilance and Monitoring is posted under the direct charge of CCT. The incharge of the circle as well as divisional IB is responsible for market survey.

2.2.5 Audit objectives

The review was conducted to ascertain whether

- provisions of laws, rules and departmental instructions were enforced to safeguard the revenue of State;
- there exists an internal control mechanism within the department, which is reliable and working efficiently to check evasion of tax.

2.2.6 Scope of audit

A review on the working of Commercial Taxes Department in respect of sales tax receipts was conducted for the period 2000-01 to 2004-05 in 23* out of 28 commercial taxes circles during the period from November 2005 to March 2006 with special emphasis on registration, filing of returns, assessment, exemption and concession of taxes, recovery of arrears and working of IB, vigilance and monitoring wings of Commercial Taxes Department. Besides, information obtained from Principal Director Commercial Audit, Mines and Geology Department and Income Tax Department were also cross verified with the sales tax records maintained in these circles.

* Dhanbad, Dumka, Hazaribag, Jamshedpur and Ranchi.

✓ Adityapur, Bokaro, Chaibasa (Chakradharpur), Chirkunda, Dhanbad, Dhanbad Urban, Deoghar, Dumka, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia (Sindri), Koderma, Katras, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahebganj, Singhbhum and Tenughat.

* Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Giridih, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Koderma, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sindri and Tenughat.

2.2.7 Trend of revenue

2.2.7.1 The variation between budget estimates (BE) and actual receipt in respect of sales tax revenues during the period 2001-02 to 2004-05 is as under:

(Rupees in crore)

Year	BE	Actual	Variation	Percentage of variation
2001-02	1,515.00	1,238.70	(-)276.30	(-) 18
2002-03	1,621.54	1,366.14	(-)255.40	(-) 16
2003-04	1,675.65	1,601.02	(-) 74.63	(-) 5
2004-05	1,782.47	1,881.53	(+) 99.06	(+) 6

The percentage of variation between BE and actual receipt ranged between (+) 6 and (-) 18 per cent. During 2001-02, 2002-03 and 2003-04 the actual receipt fell short of BE by five to 18 per cent.

After this was pointed out in June 2006, the department stated in September 2006 that while finalising BEs the departmental target was not taken into account by the Finance Department. This indicated that there was lack of co-ordination between the Finance and Commercial Taxes Department and failure of internal control in respect of preparation of BEs.

2.2.7.2 As per Bihar Financial Rules (BFR) as applicable to Jharkhand, it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed and credited to Government account. In order to ensure that amount credited to Government account has been accounted for, CCT is required to reconcile the departmental figures with the figures booked in the office of the Accountant General (A&E).

From the information made available by Government, it was noticed that there were variations between the departmental figures of revenue and the figures shown in Finance Accounts of Government of Jharkhand for the years 2001-02 to 2004-05 as detailed below:

(Rupees in crore)

Year	Departmental figures	Figures as per Finance Accounts	Difference
2001-02	1,330.12	1,238.70	91.42
2002-03	1,444.53	1,366.14	78.39
2003-04	1,699.45	1,601.02	98.43
2004-05	2,023.77	1,881.53	142.24

This reflects failure of the department to reconcile the figures with the office of the Accountant General (A&E).

2.2.8 Registration

2.2.8.1 Market survey

CCT issued instructions in April 1997 and March 1999 for conducting market survey during the period from April to June every year to unearth unregistered dealers and for registration of eligible dealers to widen the tax base.

Information furnished by 12 commercial taxes circles* relating to market survey revealed as under:

Year	No. of surveys conducted during the year	No. of dealers found due for registration	No. of surveyed dealers who applied for registration	Percentage of column 4 to 3
1	2	3	4	5
2000-01	565	217	151	70
2001-02	660	192	156	81
2002-03	799	330	277	84
2003-04	976	362	328	91
2004-05	776	276	219	79

70 to 91 per cent of the dealers who were found due for registration applied for registration. However, no record was available to indicate the percentage of dealers who were actually registered by the department.

No records were maintained in the office of CCT Jharkhand relating to market survey indicating absence of monitoring and analysis of tax base and of initiative for resource mobilisation.

2.2.8.2 Pending application for registration

Under the provisions of the BF Act read with Rules made thereunder, no dealer, who is liable to pay tax, shall sell or purchase goods unless he has a valid registration certificate. For this, a dealer has to apply within seven days from the date of his becoming liable for payment of tax. The authority prescribed shall grant him a registration certificate within a period of 30 days from the date of receipt of the said application.

Information furnished by 12 commercial taxes circles* on registration of dealers revealed as under:

-
- * Adityapur, Bokaro, Chaibasa, Deoghar, Hazaribag, Jamshedpur, Jamshedpur Urban, Katras, Ranchi East, Ranchi South, Ranchi West and Singhbhum.
 - * Adityapur, Chaibasa, Deoghar, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Katras, Ranchi East, Ranchi Special, Ranchi West and Singhbhum.

Year	Opening balance	No. of applications received	Total	No. of registration granted	No. of application rejected	Closing balance (pending for more than 1 month)	Pendency in percentage Col. 7 to 4
1	2	3	4	5	6	7	8
2000-01	211	1,911	2,122	1,564	188	370	17
2001-02	370	2,007	2,377	1,686	180	511	21
2002-03	511	2,258	2,769	2,028	285	456	16
2003-04	456	2,499	2,955	2,070	399	486	16
2004-05	486	2,818	3,304	2,523	444	337	10

The circles did not assign any reasons for the delay in granting of registration certificates. This resulted in delayed filing of returns, payment of admitted tax and assessed tax etc.

2.2.9 Internal control and monitoring

2.2.9.1 Monitoring of returns / registers

The BF Act read with CST Act and Rules made thereunder provide for submission of periodical returns (monthly, quarterly), depicting details of turnover, alongwith proof of payment of tax by 15th of the month following the end of the month/quarter. Annual return is to be furnished by 31 July following the close of the financial year. On the basis of the return, the assessing officer is required to complete the assessment within four years after the expiry of the financial year.

CCT vide instructions issued in April 1985 read with instruction of November 1998 prescribed two registers i.e. demand and collection register (Register VI) and daily progressive collection register (Register VIII) to be maintained by the circle to facilitate monitoring of receipt of returns and collection of admitted tax. The prescribed authority is required to review the returns and initiate proceedings within three days against the defaulting dealer for delay in submission of return, belated payment of admitted tax and turnover escaping assessment.

Scrutiny of returns and Register VI in the circles test checked revealed that no information regarding date of submission of return, date of completion of proceedings and date of demand raised was available in most of the cases. The entries of Register VI and Register VIII were also not verified and authenticated by the prescribed authority.

Scrutiny of Register VIII revealed that the entries in the registers were neither reconciled with challans of treasury nor authenticated by the prescribed authority. This reflects that Government instructions issued in April 1985 and November 1998 were not being followed although system of monitoring is laid down indicating failure of internal control mechanism.

2.2.9.2 Internal audit

Internal audit ensures an effective mechanism for evaluating the various internal control systems and identifying weaknesses. The Finance (Audit) Department works as internal auditor for all the departments of Government including Finance (Commercial Taxes) Department. By an order of May 1960, the internal audit parties are required to conduct 100 *per cent* audit of all assessments finalised, examining *inter alia* assessment orders, issue of demand notices, amount of tax collected, verification of amount deposited with treasury records etc.

Information as made available to audit revealed that no internal audit had been conducted in office of the CCT, Jharkhand as well as in circles since creation of State of Jharkhand. This reflects failure of the mechanism to ensure that the objectives behind the setting up of the department are fulfilled.

2.2.9.3 Working of IB

As per CCT order issued in June 1991, IB wing was assigned the work of verification of declaration forms C, F, H, IXC and formulation of procedure for market survey. This wing was to conduct surprise inspection of big business premises as well as to inspect vehicles to prevent tax evasion. The IB wing is to conduct minimum 35 inspections of business premises and 60 inspections of vehicles per month and to send a report to the CCT, Jharkhand by the 10/25th of the following month.

To ascertain the performance of IB, information/data regarding verification of declaration forms, inspection of business premises/vehicles for a period from 2001 to 2005 was called for in November 2005 but was not made available to audit till August 2006.

After this was pointed out in June 2006, the department replied in August 2006 that the IB functioned as per codal provisions. However, non availability of information/data clearly indicated absence of an effective mechanism to monitor the working of the IB.

2.2.9.4 Working of vigilance and monitoring wing

In office of the CCT, Jharkhand there is a vigilance and monitoring wing. The department framed guidelines in February 1986 and March 1997 for working of the wing, which *inter alia*, included checking of 20 assessment records every month. Selection of records was to be made on the basis of gross turnover. Besides, the DCCT (Vigilance and Monitoring) was required to check inspection registers, returns and issue of demand notices etc. and send a report on the compliance of registration, non levy of penalty for belated payment of admitted tax/assessed tax and realisation of assessed tax to JCCT (Administration) and CCT. JCCT (Administration) at the divisional level is required to review the position of compliance of pending monitoring reports on quarterly basis and send a report to the CCT.

To ascertain the performance of the wing, information/data regarding checking of assessment records and returns etc. for a period from 2001 to 2005 was called for in November 2005 but was not made available to audit till August 2006.

After this was pointed out in June 2006, the department replied in August 2006 that DCCT (Vigilance and Monitoring) were not posted in any of the divisions due to shortage of officers. This reflected that work assigned to the wing could not be carried out during this period and an important wing which acts as internal audit wing of the department remained non functional.

2.2.10 Performance of assessing officer against norms prescribed

The CCT fixed in March 1989 following norms for various assessing officers to finalise assessment cases:

DCCT incharge of circle	Minimum 15 cases per month along with registration cases
ACCT incharge of circle	Minimum 25 cases and maximum 35 cases per month along with registration cases
Other ACCT	Minimum 35 cases per month
CTOs incharge of the circle	Minimum 40 cases per month
Other CTOs	Minimum 50 cases per month

Information furnished by 12 commercial taxes circles[®] revealed that norms prescribed by CCT were not followed and assessments completed during the last five years were far below the norms as shown under:

Year	Minimum number of assessments to be completed as per norms	Pending assessments	Assessments actually to be completed	Assessments completed	Shortfall (in assessments)	Shortfall (in percentage) (Col.6 to 4)
1	2	3	4	5	6	7
2000-01	37,080	37,033	37,033	17,279	19,754	53
2001-02	38,640	42,467	38,640	23,157	15,483	40
2002-03	41,460	43,876	41,460	26,639	14,821	36
2003-04	41,700	41,773	41,700	27,227	14,473	35
2004-05	39,540	42,251	39,540	24,620	14,920	38

The percentage of shortfall in assessments ranged between 35 and 53 per cent.

This indicates that the instructions were not followed by field officers. Although the system for monitoring is laid down but related records were not found maintained in the office of CCT Jharkhand. This indicates that no follow up action was taken on the norms fixed and there was failure of internal control mechanism at the level of CCT.

[®] Adityapur, Chaibasa, Dhanbad, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Katras, Ranchi East, Ranchi Special, Ranchi West and Singhbhum.

2.2.11 Cross verification of data with different departments

Under the BF Act read with CST Act, if the prescribed authority has reason to believe that the dealer has concealed, omitted or failed to disclose wilfully the particulars of turnover or has furnished incorrect particulars of such turnover, the said authority shall assess or reassess the amount of tax due from the dealer in respect of such turnover and shall direct the dealer to pay besides the tax assessed on escaped turnover, penalty not exceeding three times but not less than an amount equivalent to the amount of tax on the escaped turnover.

CCT issued instructions in May 1990 for cross verification of data/information collected by the circle offices from the Income Tax Department and departments of the State Government regarding purchase/sale by the business establishments with their returns/records to check evasion of tax. IB of the department was also entrusted with this work in June 1991 to cross verify these data/records available with Income Tax Department and various departments of the Central/State Government.

The department failed to act upon the instructions as shown as under:

2.2.11.1 Cross verification of data collected from the Commissioner of Income Tax with assessment records of 23 dealers of seven commercial taxes circles* revealed that the dealers had shown purchase/sales turnover as Rs 109.64 crore in their sales tax returns during 1999-2000 to 2003-04, assessed between July 2002 and December 2005, against the actual purchase/sales of Rs 148.28 crore as shown by dealers in their income tax returns. This resulted in suppression of taxable turnover of Rs 38.64 crore and consequent short levy of tax of Rs 22.46 crore including penalty of Rs 16.45 crore.

After this was pointed out in January 2006, Hazaribag circle in the case of a dealer raised an additional demand for Rs 33.92 lakh in August 2006. No reply was received from other circles (November 2006).

2.2.11.2 As per records of the Department of Mines and Geology, it was noticed that eight dealers of Pakur commercial tax circle despatched (sold) 100.47 crore cubic feet stone chips during the period between 2000-01 and 2004-05. Cross verification of assessment records revealed that assessing officers while finalising the assessments between May 2003 and December 2005 assessed the value of stone chips/dust /ballasts as Rs 2.32 crore as per sales tax returns. As per the schedule of rates issued by Public Works Department in January 2000 (based on present market rate) the value of stone chips worked out to Rs 10.97 crore which resulted in suppression of sales turnover of Rs 8.65 crore. Thus, the dealers were liable to pay tax of Rs 3.58 crore including penalty of Rs 2.62 crore.

* Bokaro, Chaibasa, Dhanbad, Dhanbad Urban, Hazaribag, Ramgarh and Ranchi West.

2.2.11.3 Cross verification of data collected from Principal Director of Commercial Audit, Ranchi with the records of two manufacturing dealers assessed /reassessed between March 2002 and March 2005 of commercial taxes circles, Bokaro and Ranchi South revealed that between 1995-96 and 2000-01, the dealers returned the sales turnover as Rs 6,414.43 crore in their sales tax returns instead of Rs 6,672.86 crore as shown in their annual audited accounts. This resulted in suppression of turnover of Rs 258.43 crore. Failure of the department to follow instructions to cross verify the information furnished by dealers in their returns resulted in underassessment of tax of Rs 96.21 crore including penalty amounting to Rs 70.40 crore.

After the above findings were pointed out in June 2006, the department stated in August 2006 that no data/information was received from Income Tax Department/departments of State Government. The reply is not tenable as no action was taken by the department/IB in accordance with instructions of CCT issued in May 1990 and June 1991 to cross verify data / information available in different departments with the details shown in sales tax returns by the dealers.

2.2.12 *Non levy of penalty before finalisation of assessment*

Under provisions of BF Act, if a registered dealer has furnished incorrect particulars of the sale/ despatch value of goods in the return, the prescribed authority shall direct the dealer to pay penalty on the basis of provisional tax assessed on such concealed turnover. By issuing instructions in November 1998, the department instituted a control measure for monitoring of return, which *inter alia* includes initiation of penalty proceedings on such concealed turnover before assessment.

Cross verification of data collected from the Department of Mines and Geology with the assessment records of seven dealers of Pakur and Chaibasa commercial taxes circles revealed that between 2000-01 and 2004-05, the dealers had shown sale value of stone chips/dust/ballasts and iron ore at Rs 161.29 crore in their returns furnished to Mining Department whereas as per sales tax returns the value of stone chips sold was shown as Rs 0.65 crore resulting in suppression of sales turnover of Rs 160.64 crore. Thus the dealers were liable to pay penalty amounting to Rs 53.42 crore on estimated tax which was leviable on escaped turnover but was not levied.

After this was pointed out in September 2004, the department in case of a dealer of Chaibasa raised additional demand of penalty for Rs 52.67 crore in November 2004. The position of recovery was awaited (November 2006).

2.2.13 Non verification of utilisation certificate of different declaration forms/annual audited accounts at the time of finalisation of assessment

Under provisions of the BF Act read with CST Act and Rules made thereunder, every registered dealer, who issues declaration forms, is required to issue the portion marked as original and duplicate to the purchasing/selling dealer as the case may be and retain the counterfoil with him and furnish a utilisation certificate of the forms to the issuing circle.

Cross verification of utilisation certificates of declaration forms C, F, green road permit (incoming goods in the state) and blue road permit (outgoing goods out of the state), form IX and annual audited accounts with the trading accounts/returns of 76 dealers of 17 commercial taxes circles^{\$} revealed that the dealers purchased/sold goods valued at Rs 1,872.18 crore between 1999-2000 and 2003-04 but were assessed to tax between January 2001 and June 2005 on the basis of their trading accounts/ returns for purchase/sale of goods valued at Rs 1,500.26 crore only. Failure of assessing authorities to cross verify the documents furnished by the dealers with their returns resulted in short determination of taxable turnover by Rs 371.92 crore and consequent short levy of tax of Rs 139.54 crore including penalty of Rs 102.39 crore.

The above findings were reported to Government in June 2006. Government stated in July 2006 that respective circles have been directed to review the cases.

2.2.14 Incorrect allowance of exemption from levy of tax

Incorrect concession/exemption on defective/invalid declarations

Under the provisions of the BF Act read with CST Act and Rules made thereunder, the dealers claiming exemption from levy of tax were required to submit before the assessing officer the original copy of cash memo, bill or invoice and file a true and complete declaration form in original for the same amount. Further, declaration forms being declared invalid/defective/incomplete are liable to be rejected.

2.2.14.1 In four commercial taxes circles* in case of six dealers assessed between July 2003 and March 2005, exemption from levy of tax on sales turnover of Rs 379.12 crore was allowed between 1999-2000 and 2003-04 on production of provisional D forms, incomplete and defective/ obsolete declaration forms (form 'C' and 'IX C'). This resulted in short levy of tax amounting to Rs 15.20 crore.

^{\$} Adityapur, Chaibasa, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Koderma, Palamu, Ranchi East, Ranchi South, Ranchi Special, Ranchi West and Tenughat.

* Bokaro, Chaibasa, Hazaribag and Jamshedpur.

2.2.14.2 Incorrect allowance of exemption

In five commercial taxes circles⁸⁹, in case of 13 dealers, assessed between June 2001 and March 2005, incorrect exemption of sales turnover of Rs 24.43 crore from levy of tax, resulted in non/short levy of tax amounting to Rs 2.05 crore. A few cases by way of illustrations are shown as under:

(Rupees in lakh)

Sl. No.	Name of circle Number of dealers	Period Date of assessment	Commodity	Amount of irregular exemption	Non/short levy of tax	Nature of irregularity
1	Deoghar 1	1999-2000 to 2002-03 Between June 2001 and May 2004	Cattle feed	294.38	29.40	As per BF Act, cattle feed, as such, is not exempted from levy of tax. Hence, exemption of sales turnover of Rs 2.94 crore from levy of tax allowed was incorrect.
2	Deoghar 1	1998-99 March 2003	Ornamentation of glass	963.46	96.23	Exemption was allowed treating ornamentation of glass as manufacture. As per judicial pronouncement ⁹⁰ , any treatment of an ornamental nature applied to such articles does not derogate from their fundamental character as glass articles.
3.	Giridih 3	1999-00 to 2002-03 Between June 2003 and March 2005	Iron scrap	275.68	11.03	Under provisions of BF Act and notification issued thereunder, only sale of finished product is exempted from levy of tax and not the by product. Melting of scrap is a by product. Hence exemption allowed was incorrect.
4.	Hazaribag 1	2003-04 February 2005	Coal	451.81	36.14	Exemption was granted on furnishing of form GAA (State) for interstate sale instead of form C which was irregular.

2.2.14.3 Incorrect allowance of exemption not supported by state declaration forms

BF Act and rules made thereunder provide that where any dealer claims that he is not liable to pay tax in respect of any goods occasioned by reason of transfer of such goods to any other place of his business or to his agent or principal within State, he shall furnish a declaration in form IXD issued by the transferee before the prescribed authority.

In Bokaro and Tenughat commercial taxes circles in case of three dealers assessed between October 2003 and March 2005 exemption of tax was granted on goods valued at Rs 143.29 crore during the period 1999-2000 and 2001-02 transferred from one place to another not supported by declaration form IXD. This resulted in incorrect allowance of exemption of tax of Rs 5.73 crore.

⁸⁹ Deoghar, Giridih, Hazaribag, Jamshedpur and Jamshedpur Urban.

⁹⁰ Atul Glasses Industries (P) LTD V/s Collector of Central Excise 63 STC 322 (1986) SC.

2.2.14.4 Non levy of additional tax and surcharge

Under the provisions of BF Act, every dealer is required to pay additional tax at the rate of one *per cent* (except on India made foreign liquor) from November 1981 on his gross turnover.

In six commercial taxes circles[∇] in respect of 11 dealers assessed between March 2001 and March 2005, for the period from 1995-1996 to 2003-04, additional tax and surcharge though leviable was not levied amounting to Rs 59.61 lakh.

After this was pointed out in September 2004, DCCT, Bokaro, in case of one dealer, raised in June 2005 an additional demand of Rs 5.69 lakh. No replies have been received from other circles (November 2006).

2.2.14.5 Irregular grant of exemption on account of export sale

Under the provisions of the CST Act, BF Act and Rules framed thereunder, no tax shall be payable on sales or purchases of goods which have taken place in course of export out of territory of India, if the sale or purchase either occasions such export or is effected by transfer of documents provided the sale is substantiated by documentary evidence. According to orders issued by Government in March 1986 and August 1991, for exemption from levy of tax on sale taking place in course of export to Nepal, the transactions must be supported, apart from other evidences, by bill of export issued by the customs officials of India.

During audit of three commercial taxes circles[⊗], it was noticed in case of six dealers, assessed between August 2003 and December 2004, that goods valued at Rs 3.49 crore exported to Nepal between 1999-2000 and 2002-03, not supported by bills of export, were exempted from levy of tax treating the sale as taking place in course of export. Non observance of instructions by the assessing officers resulted in under assessment of tax amounting to Rs 45.85 lakh including additional tax and surcharge.

2.2.14.6 Irregular grant of exemption not supported by declaration forms

Under the provisions of CST Act, tax is leviable at the rate of four *per cent* on inter State sale of goods (other than declared goods) duly supported by prescribed declaration form. In case, the sale is not supported by the prescribed declaration form, tax is leviable at the rate of 10 *per cent* or at the prescribed rate of tax within the State, whichever is higher. By a notification issued in May 1996, Government exempted sale of finished goods from levy of CST in course of inter State trade or commerce for a period of eight years or 10 years, as the case may be, provided such sale was not contrary to the provisions of CST Act.

[∇] Bokaro, Deoghar, Hazaribag, Jamshedpur, Ranchi South and Sindri.

[⊗] Jamshedpur Urban, Ranchi South and Ranchi West.

In three commercial taxes circles^Ω it was noticed that 15 dealers who were availing exemption of tax on the manufacture of finished goods were allowed exemption of tax on inter state sale of finished goods valued at Rs 45.96 crore, during the period from 2000-01 to 2003-04, assessed between October 2002 and March 2005. Sale of these goods was not supported by declaration in form C. This was contrary to the notification of Government and resulted in non levy of tax amounting to Rs 4.23 crore.

2.2.14.7 Irregular grant of exemption on account of subsequent sale

Under the CST Act and Rules framed thereunder, submission of declaration forms E I, E II and C is mandatory in case of any subsequent sale made in the course of movement of goods from one State to another and no exemption shall be allowed if sales are not supported by required declaration forms.

In commercial taxes circle, Ranchi South, it was noticed that two dealers, assessed in January 2004 and February 2005, were exempted from levy of tax on sale made during movement of goods of Rs 1.79 crore during 1999-2000 and 2001-02 without declaration forms E1 and EII. Thus, exemption of tax allowed was incorrect and resulted in under assessment of tax amounting to Rs 18.56 lakh.

After the above findings were pointed out in June 2006, the department replied in August 2006 that concerned circles have been directed to initiate action on these cases. Further replies are awaited from the circles (November 2006).

2.2.15 Non imposition of penalty for belated payment of admitted tax

Under provisions of the BF Act, if a registered dealer fails to make payment of admitted tax on due date, the prescribed authority shall impose a penalty for such delay which may extend to five *per cent* but not less than two and half *per cent* of the amount of tax admitted for each of the first three months following the due date and up to 10 *per cent* but not less than five *per cent* for each subsequent month.

In case of five dealers assessed between January 2003 and March 2005 of five commercial taxes circles[#], minimum penalty amounting to Rs 53.58 lakh, though leviable, was not levied during the period from 1998-99 to 2001-02 for belated payment of admitted tax of Rs 3.27 crore. The delay ranged between two days and 1665 days. This resulted in loss of revenue of Rs 53.58 lakh.

After this was pointed out in July 2005, the DCCT, Koderma raised an additional demand of Rs 1.10 lakh in September 2006.

^Ω Adityapur, Deoghar and Giridih.

[#] Adityapur, Bokaro, Jamshedpur, Koderma and Tenughat.

2.2.16 Inadmissible allowance of concessional rate of tax

Under BF Act, registered dealers are allowed to purchase goods for use in manufacture or processing or for use in mining of goods for sale at concessional rate of tax on furnishing declaration form IX. It was judicially held² that the goods, which are not directly consumed/used in the process of manufacture of other goods, cannot be treated as raw material.

In Ranchi South and Sindri commercial taxes circles, four dealers assessed between May 2003 and October 2004 purchased timber/tyres valued at Rs 1.71 crore between 2001-02 and 2003-04 at concessional rate treating the goods as raw materials for mining purposes. These goods were not directly consumed/used in the process of mining and hence cannot be treated as raw material. Failure of the assessing officers to classify the goods correctly resulted in short levy of tax amounting to Rs 15.96 lakh including additional tax and surcharge.

2.2.17 Application of incorrect rate of tax

Under the BF Act, the State Government may from time to time, by notification, specify the rate of tax on any class or description of goods.

Scrutiny of records of nine commercial taxes circles³ revealed that the assessing officers while assessing 16 dealers between October 2002 and July 2005 for the period from 1998-99 to 2003-04 levied tax at incorrect rate on sale of goods valued at Rs 31.42 crore. This resulted in short levy of tax of Rs 1.59 crore including additional tax and surcharge as shown in *Appendix I*.

2.2.18 Non levy of penalty for excess collection of tax

Under the provisions of BF Act, no registered dealer shall collect from any person any tax on sale of goods in excess of tax liability under the said Act. In the event of any contravention of the said provision, the prescribed authority shall direct the dealer to pay, by way of penalty, a sum equal to twice the amount of tax so collected.

In five commercial taxes circles⁴, six dealers collected and deposited tax, in excess of their liability by Rs 24.28 lakh during 2000-01 and 2002-03. However, the assessing authorities while finalising the assessment during February and July 2005 did not levy any penalty. This resulted in non levy of penalty of Rs 48.57 lakh.

² Rewa Coal Field Vrs CCT Madhya Pradesh SC 1998.

³ Adityapur, Bokaro, Chaibasa, Giridih, Hazaribag, Ranchi South, Ranchi West, Sindri and Tenughat.

⁴ Adityapur, Chaibasa, Deoghar, Jamshedpur and Tenughat.

2.2.19 Turnover escaping assessment

Under the BF Act, gross turnover for the purpose of levy of sales tax, in respect of sales of goods means aggregate of sales prices received and receivable.

2.2.19.1 In six commercial taxes circles[⊗], the assessing officers determined gross turnover of eight dealers as Rs 162.59 crore for the assessment year 1999-2000 to 2002-03 but while computing tax between May 2003 and July 2005 the assessing officers incorrectly levied tax on Rs 146.87 crore only. Thus turnover of Rs 15.72 crore escaped assessment, which resulted in under assessment of tax of Rs 2.10 crore including additional tax and surcharge.

2.2.19.2 In commercial taxes circles, Jamshedpur Urban and Tenughat, two dealers sold goods of Rs 6,436.71 crore as per annual audited accounts/returns during the period 2000-01 and 2001-02. The assessing officers incorrectly determined the gross turnover as Rs 6,284.46 crore between January and February 2005. This resulted in short determination of gross turnover by Rs 152.25 crore and consequential short levy of tax of Rs 6.30 crore including additional tax and surcharge.

2.2.20 Mistake in computation of tax

In three commercial taxes circles^Π in case of four dealers, assessed between December 2004 and March 2005, for the period 2000-01 and 2003-04, tax was levied as Rs 15.79 lakh instead of Rs 46.39 lakh due to calculation mistake. This resulted in short levy of tax amounting to Rs 30.60 lakh including additional tax and surcharge.

2.2.21 Non realisation of instalments of deferred tax and interest

Under the Bihar Sales Tax Supplementary (Deferment of Tax) Rules, 1990, deferred amount of tax shall be repaid within 10 years from the date of commencement of production. In case of industrial units availing deferment of tax for a period of five years, deferred tax is to be repaid in five instalments and in case of units availing deferments for seven years, deferred tax is to be repaid in three instalments, payable by 31 March every year after the expiry of validity period. In case of default, interest at the rate of two *per cent* per month shall be charged on such amount of tax remaining unpaid till the date of payment.

In Deoghar and Ranchi South commercial tax circles, four manufacturers were allowed deferment of tax between January 1990 and October 1996 for five years, but failed to repay the instalments of deferred tax of Rs 7.52 crore on due dates during the period between March 1996 and March 2005. The dealers were liable to pay interest of Rs 2.39 crore from the due date upto March

[⊗] Adityapur, Hazaribag, Palamu, Ranchi South, Sindri and Tenughat.

^Π Hazaribag, Ranchi South and Ranchi West.

2005, alongwith instalment of deferred tax of Rs 7.52 crore payable by them. However, no action was taken by the department to recover the tax alongwith interest.

2.2.22 Loss of revenue due to assessment being barred by limitation

Under provisions of the BF Act, no proceeding for assessment of tax payable by a dealer in respect of any period shall be initiated after the expiry of eight years/four years (with effect from 1993-94) from the expiry of such period. Government instructed the department in March 2000 that all assessment cases involved in fodder scam be completed in time to prevent assessments from becoming time barred.

2.2.22.1 In Ranchi South commercial taxes circle, sale of goods valued at Rs 11.44 crore made between 1992-93 to 1995-96 by four dealers dealing in supply of animal fodder, ground nut cake and medicines were not assessed within the stipulated period despite submission of returns. In cases of fodder scam suppliers, Government had informed the circles concerned the amount of supplies made by these suppliers to Animal Husbandry Department. These cases became barred by limitation of time. This resulted in loss of Government revenue of Rs 85 lakh including additional tax and surcharge.

2.2.22.2 In Chaibasa commercial taxes circle, a dealer despatched iron ore valued at Rs 47.98 crore during the year 2000-01 but was not assessed to tax upto March 2005 i.e. within the period prescribed under the Act and as such, assessment became barred by limitation of time. Failure of the department to assess the case within the stipulated period resulted in loss of revenue in terms of tax, additional tax and surcharge amounting to Rs 5.86 crore.

2.2.23 Misuse of declaration forms

Under the CST Act, if a registered dealer misrepresents, while purchasing any goods, that the said goods are covered by his registration certificate (RC) or utilises such goods for any purpose other than that mentioned in his RC, he is liable to be prosecuted. The authority competent to grant the RC may, in lieu of prosecution, impose penalty for a sum not exceeding one and a half times of the tax leviable that would have been levied had the sale been a sale not supported by the prescribed declaration in form 'C'.

Scrutiny of records of Ranchi West commercial taxes circle revealed that a contractor who was not registered for mining operation under provisions of BF Act purchased high speed diesel valued at Rs 6.72 crore at concessional rate of tax for use in mining against form 'C' from outside the State during 2004-05. Further scrutiny revealed that the contractor was engaged in execution of work in mining operations. Failure of the assessing authority to verify the RC before issuing the declaration form resulted in unauthorised use of declaration form C and consequential loss of tax amounting to Rs 2.71 crore including penalty.

2.2.24 Non levy of purchase tax

Under the provisions of the BF Act, every dealer liable to pay tax, who purchases goods in circumstances in which no sales tax is payable or has been paid on the sale price of such goods and either consumes such goods in the manufacture of other goods for sale or otherwise disposes of such goods in any manner other than by way of sale in the State or sale in the course of inter state trade or commerce, shall be liable to pay tax on the purchase price of such goods at the same rate at which it would have been leviable on the sale price of such goods.

In Deoghar commercial taxes circle, a dealer used cement valued at Rs 2.61 crore during the period 2000-01, produced in his own cement factory, for manufacture of asbestos sheets valued at Rs 22.24 crore. The goods so manufactured were transferred to the branch office in Kolkata. While finalising the assessment in March 2005 the assessing authority did not levy purchase tax. This resulted in non levy of tax of Rs 34.74 lakh.

2.2.25 Non/short levy of penalty for non payment of assessed tax

Under the provisions of BF Act, if a dealer failed to make payment of any amount of tax by the date specified in the notice or the extended date if any, the prescribed authority may direct that the dealer shall pay penalty which may extend up to five *per cent* of the tax for the first three months and up to 10 *per cent* thereafter.

Test check of assessment records of three commercial taxes circles[©] revealed that 23 dealers did not pay assessed tax of Rs 11.73 crore between 1988-89 and 2002-03. The assessing authorities while assessing/reassessing these dealers between May 2001 and March 2005 either did not levy or levied short penalty of Rs 19.46 crore.

The power conferred to the assessing officers under BF Act is intended to act as a deterrent to expedite realisation of Government revenue. However, the assessing officers failed to exercise the said power in the interest of revenue of the State.

2.2.26 Trend of arrears of revenue

The arrears of revenue pending collection during 2000-01 to 2002-03 as furnished by the department were as under:

[©] Adityapur, Gumla and Ranchi West

(Rupees in crore)						
Year	Opening balance	Addition	Total	Amount recovered	Closing balance	Percentage of col. 5 to 4
1	2	3	4	5	6	7
2000-01	1,088.18	163.95	1,252.13	62.86	1,189.27	5.02
2001-02	1,189.27	181.01	1,370.28	62.39	1,307.89	4.55
2002-03	1,307.89	169.60	1,477.49	58.16	1,419.33	3.93
2003-04	NA	NA	NA	NA	1,286.08	NA
2004-05	NA	NA	NA	NA	1,341.02	NA

The above table indicates that while the amount of arrears increased from Rs 1,088.18 crore as on 1 April 2001 to Rs 1,419.33 crore as on 31 March 2003, registering an over all increase of 31 *per cent*, the rate of recovery was low and ranged between 3.93 to 5.02 *per cent*. The percentage of recovery of arrears of revenue decreased during 2001-02 (4.55 *per cent*) and in 2002-03 (3.93 *per cent*) i.e. after bifurcation of State when compared to 2000-01 (5.02 *per cent*). Information relating to 2003-04 and 2004-05 was not provided by the department.

No records were maintained in the office of the CCT, Jharkhand to monitor the arrears of revenue. It indicates absence of internal control mechanism in the department. The figures of arrears as on 31 March 2002 as furnished by the office of CCT, Jharkhand in March 2003 were Rs 1,243.44 crore, while in December 2004, it furnished figures of Rs 1,307.89 crore, resulting in a discrepancy of Rs 64.45 crore.

After this was pointed out in June 2006, the department replied in August 2006 that the discrepancy in figures was being reconciled by the different divisions/circles.

2.2.27 Short institution of certificate proceedings

Under provisions of the BF Act, amount of tax together with penalty, if any, which remains unpaid after the date as specified in the notice shall, without prejudice to any other mode of recovery, be recoverable as arrears of land revenue. Before initiation of a certificate case against a dealer penalty at the rates prescribed is also leviable on the unpaid amount of assessed tax.

In Jamshedpur Urban and Ranchi South commercial taxes circles, in case of three dealers, certificate proceedings were instituted during November 2003 and February 2004 for non payment of assessed tax of Rs 83.87 lakh. The assessing officer failed to invoke the provisions of levy of penalty of Rs 3.92 crore under the provisions of BF Act, before instituting the certificate cases. This resulted in short institution of certificate proceedings of Rs 3.92 crore.

After these were pointed out between November 2005 and May 2006, the department stated that the cases would be reviewed. Further progress was awaited (November 2006).

The above findings were reported to Government in June 2006. Government stated in July 2006 that respective circles have been directed to review the cases. Final reply is awaited (November 2006).

2.2.28 Conclusion

The department failed to take effective and meaningful action in either prescribing internal control procedures/measures or in effectively enforcing existing control procedures leading to large scale leakage of revenue. The review revealed that the deficiencies, mistakes, omissions which appeared in the report of Comptroller and Auditor General of India in earlier years still persisted in the working of the Commercial Taxes Department in respect of sales tax receipts.

2.2.29 Acknowledgement

Audit findings as a result of test check of records were reported to Government in June 2006 with a specific request to attend the meeting of the Audit Review Committee for State revenue receipts. A meeting of the committee was held on 17 August 2006. The Secretary cum Commissioner Commercial Taxes, Jharkhand attended the meeting. Their views have been incorporated in the review.

CHAPTER- III: State Excise

3.1 Results of audit

Test check of records of State Excise Department, conducted during 2005-06, revealed cases of under assessments and losses of revenue etc. amounting to Rs 55.09 crore in 479 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/delayed settlement of excise shops	100	19.44
2	Non realisation of licence fee	51	3.43
3	Undue financial benefit due to unauthorised concession	3	1.32
4	Other cases	325	30.90
Total		479	55.09

During 2005-06, the department accepted under assessments etc. of Rs 22.46 crore involved in 228 cases which were pointed out in audit during 2005-06.

A few illustrative cases involving tax effect of Rs. 18.42 crore are given in the following paragraphs:

3.2 Irregularities in grant of exclusive privilege for wholesale supply of country spirit

Under the provisions of the Bihar Excise Act (BE Act) 1915 (adopted by Government of Jharkhand), Government of Jharkhand issued a tender notice in January 2002 for grant of exclusive privilege for wholesale supply of country spirit (CS) in sachets/ bottles in the State during the period from April 2002 to March 2005. For this purpose, the State was divided into three zones i.e. Hazaribag, Dhanbad and Ranchi. As per tender notice, each willing bidder was required to deposit Rs. 5 lakh as security money for each zone with the tender either through treasury challan or in shape of national saving certificate (NSC) drawn in favour of Excise Commissioner. The security money was refundable to unsuccessful bidders. Every successful bidder of each zone was required to apply for licence to Deputy Commissioner of the respective district within 15 days from the date of issue of letter of grant. The licensee had to pay a licence fee, in advance, in lumpsum at the rate of Re 1 per london proof litre (LPL) of minimum guaranteed quota (MGQ) fixed for that year. An additional licence fee at the same rate was also payable by licensee if the total wholesale supply of CS exceeded the annual MGQ.

The licensees of exclusive privilege were required to make necessary arrangements for supply of CS in sachets/ bottles within two months from the date of grant of privilege by Commissioner failing which their tender was to be cancelled and security money forfeited.

Under the above policy, five contractors^r were granted exclusive privilege for wholesale supply of CS in sachets/ bottles in three zones (one for Hazaribag zone and two each for Ranchi and Dhanbad zones) for the period between April 2002 and March 2005.

Scrutiny of records of 10 excise districts^{*} and information furnished by the Excise Commissioner, Jharkhand, revealed that due to non observation of the terms and conditions of the tender notice and letter of grant by the grantees and non initiation of corrective measures by the department, Government sustained loss of revenue as discussed in the following paragraphs:

3.2.1 Loss of revenue due to reduction of MGQ

Scrutiny of records of Excise Commissioner revealed in April 2006 that as per instructions issued by Commissioner on 19 March 2001, MGQ of CS for the year 2001-02 for all three zones was fixed as 98.42 lakh LPL after increase of five per cent in the MGQ of 2000-01. It was however, observed that

^r Hazaribag zone: M/s Kumar Bottlers Pvt Ltd; Dhanbad zone: M/s KD Liquor and Fertiliser Pvt Ltd and M/s Abhay Kumar; Ranchi zone: M/s Ramjee Prasad and M/s Majestic Liquor Pvt Ltd.

^{*} Bokaro, Dhanbad, Dumka-cum-Jamtara-cum-Godda, Deoghar, East Singhbhum (Jamshedpur), Giridih, Hazaribag-cum-Koderma-cum-Chatra, Palamu-cum-Garhwa-cum-Latehar, Ranchi and West Singhbhum (Chaibasa)- cum- Saraikela – Kharsawan.

Government issued a gazette notification on 12 January 2002 for inviting tender for the years 2002-05 in which MGQ for 2001-02 was shown as 89.23 lakh LPL. Thus, there was a difference of 9.19 lakh LPL in figures as shown in Commissioner's order dated 19 March 2001 and notification of Government dated 12 January 2002. This resulted in loss of revenue amounting to Rs. 8.68 crore in shape of licence fee and excise duty.

After this was pointed out in April 2006, the department stated in April 2006 that the matter would be examined, further reply has not been received (November 2006).

3.2.2 Loss of revenue due to delay in finalisation of tender

3.2.2.1 Under the provisions of the BE Act, for settlement of a new contract, the Commissioner has to publish notice three months before the expiry of the term of existing contract, specifying the area, quantity, nature, quality of the CS required to be supplied, and the warehouse at which delivery is to be made together with any conditions that may be considered necessary. Government can extend the existing exclusive privilege for any period on the same terms and conditions.

It was noticed between September 2004 and April 2006 from the records of the Commissioner of Excise, that tender notice for new contract for exclusive privilege to be effective from 1 April 2002, was issued on 12 January 2002 and the date of submission of tender was 16 February 2002. The new contracts were finalised and letters of grant of privilege to new grantees were issued on 8 April 2002. As a result, supply of CS could not be started on due date. Thus due to delay in finalising new contract and issuing letter of grant, 16 districts remained dry during April 2002. In addition, two districts remained dry during May 2002 and one district in June 2002. This resulted in loss of revenue amounting to Rs. 1.65 crore in shape of excise duty.

3.2.2.2 BE Act provides that every grantee of exclusive privilege has to apply for licence for wholesale supply to District Collector within 15 days from the date of issue of letter of grant failing which tender shall be cancelled and security forfeited. Any loss on this account is recoverable from him as an arrear of revenue.

In Godda district of Dhanbad zone, one of the two grantees who were granted exclusive privilege for the year 2002-05 for wholesale supply of CS in sachets failed to obtain licence for supply of CS and the other grantee who obtained licence for supply of CS in the district did not supply CS between 1 April 2002 and 30 November 2004. No action was taken to forfeit security for non supply of CS by department. This resulted in loss of duty amounting to Rs 23.03 lakh.

After this was pointed out in April 2006, the department stated in April 2006 that the matter would be examined; further reply has not been received (November 2006).

3.2.3 Loss of licence fee due to non renewal of licence

Under the provisions of the BE Act and Rules framed thereunder, licence for wholesale or retail vend of excisable articles may be granted for one year.

In course of scrutiny of records it was noticed between July 2005 and April 2006 that in 17 districts of three zones in the State, three grantees of exclusive privilege failed to obtain licence for the period from 2002-03 to 2004-05. This resulted in loss of annual licence fee amounting to Rs 1.23 crore as detailed in table below:

(Rupees in lakh)

Sl. No	Name of Zone	Number of Districts ^a	Year	LF to be realized on the basis of MGQ of the year ^Σ	LF realised	Difference
1	Ranchi	7	2004-05	38.85	Nil	38.85
2	Hazaribag	5	2004-05	25.29	8.49 ³	16.80
3	Dhanbad	5	Between 2002-03 and 2004-05	67.74	Nil	67.74
Total		17		131.88	8.49	123.39

After this was pointed out in April 2006, the department stated in April 2006 that the matter would be examined; further reply has not been received (November 2006).

3.2.4 Short levy of licence fee

Excise Commissioner vide circular issued in March 2001 and March 2003 stated that MGQ of next financial year is to be fixed by increasing five *per cent* of the MGQ of preceding year. The licensee is required to pay annual licence fee in lump sum at the rate of Re 1 per LPL of MGQ fixed for that year in advance.

Scrutiny of records revealed that during 2001-02, Government fixed MGQ of 85, 22,593 LPL in all the three zones. It was however, observed that MGQ for the years 2002-03, 2003-04 and 2004-05 was not increased by five *per cent* every year as per instructions issued by Excise Commissioner. This resulted in loss of revenue in shape of licence fee amounting to Rs 27.73 lakh[#] as shown under:

^a Bokaro, Chatra, Deoghar, Dhanbad, Dumka, East Singhbhum (Jamshedpur), Garhwa, Giridih, Godda, Hazaribag, Jamtara, Koderma, Latehar, Palamau, Ranchi, Saraikela-Kharsawan and West Singhbhum (Chaibasa).

^Σ MGQ of the year calculated on the basis of MGQ for 2001-02 given in tender notice by increasing five *per cent* in each year (2002-03 to 2004-05).

³ Amount shown realised in Hazaribag zone is given as the grantee was accorded grant for wholesale supply in Bokaro, Giridih and Hazaribag districts.

[#] Licence fee to be levied at the rate of Re 1 per LPL on 27,72,815 LPL = Rs 27,72,815.

Sl. No	Zone Number of districts	MGQ fixed by the Govt for 2001-02 (in LPL)	Period involved	MGQ after adding five per cent (in LPL)	MGQ fixed (in LPL)	Difference (in LPL)	Remarks
1	Ranchi 7	33,53,670	2002-03	35,21,354	33,53,670	1,67,684	Excluding MGQ of Gumla, Simdega and Lohardaga
			2003-04	36,97,421	36,13,816	83,605	
			2004-05	38,82,292	36,13,816	2,68,476	
			Total	1,11,01,067	1,05,81,302	5,19,765	
2	Dhanbad 5	29,84,331	2002-03	31,33,547	29,84,331	1,49,216	Excluding MGQ of Sahebganj and Pakur
			2003-04	32,90,224	32,69,753	20,471	
			2004-05	34,54,736	32,69,753	1,84,983	
			Total	98,78,507	95,23,837	3,54,670	
3	Hazaribag 5	21,84,592	2002-03	22,93,821	21,84,592	1,09,229	-
			2003-04	24,08,512	22,99,271	1,09,241	-
			2004-05	25,28,938	8,49,029	16,79,910	-
			Total	72,31,271	53,32,891	18,98,380	-
Grand Total		85,22,593		2,82,10,845	2,54,38,030	27,72,815	-

After this was pointed out in April 2006, the department stated in April 2006 that the matter would be examined; further reply has not been received (November 2006).

3.2.5 Non forfeiture of security money

As per terms and conditions of tender notice, each licensee was required to complete all the formalities for wholesale supply of CS in sachets/ bottles within two months from the date of issue of letter of grant and was also required to open godown/sale centre in each district. In case of failure, the security money was to be forfeited, licences cancelled and any loss of Government revenue recovered from the licensee as public demand.

Scrutiny of records of 10 excise districts³⁸ between December 2005 and April 2006 revealed that three licensees failed to supply CS to retail vendors and to open sale centres in any of the concerned districts during the period between April 2002 and March 2005. No action was taken by the department to forfeit security of Rs 15 lakh deposited by the licensees for the block year 2002 to 2005.

After this was pointed out in April 2006, the department stated in April 2006 that the matter would be examined; further reply has not been received (November 2006).

³⁸ Bokaro, Deoghar, Dhanbad, Dumka cum Jamtara cum Godda, Giridih, East Singhbhum (Jamshedpur), Hazaribag cum Koderma cum Chatra, Palamu cum Latehar cum Garhwa, Ranchi and West Singhbhum (Chaibasa) Cum Saraikela Kharsawan .

3.2.6 Undue financial aid to grantees of exclusive privilege for wholesale supply of CS in sachets/ bottles

Under provisions of the BE Act and Rules made/ notification issued thereunder, import of rectified spirit shall be made on prepayment of duty in the district of import by a person holding a licence for medical or surgical purpose, manufacture of perfumes and toilet preparations, medicines and chemicals, compounding and blending foreign liquor, hospital and dispensaries and for defence services requirements. Besides, in absolutely necessary cases, other than above, passes for import of rectified spirit shall be issued under the specific order of the Excise Commissioner. The Excise Commissioner is empowered to permit for import of CS from distilleries. No import fee is leviable on rectified spirit but this fee is leviable on import of CS.

In seven excise districts^{*}, scrutiny of records revealed that between July 2005 and April 2006, rectified spirit instead of CS was imported by the grantees of exclusive privileges for wholesale supply of CS in sachets/bottles under the specific order of the Excise Commissioner for converting rectified spirit into CS. Though the power granted under the Act/ Rules is to be applied only in exceptional cases, it was applied in all cases. Importantly, the entire amount of rectified spirit imported was being used for producing CS. Thus, this action of the department deprived Government of revenue of import fee leviable on CS and resulted in undue financial aid to the grantees of Rs 4.56 crore calculated as per provisions of the Act.

After this was pointed out, the department stated in April 2006 that matter would be examined, further reply has not been received (21 September 2006). During the meeting on 22 September 2006 for obtaining assurance, with Chief Secretary and Excise Commissioner, Government appreciated this issue and assured that it would be examined.

The matter was reported to Government in May 2006; reply has not been received (November 2006).

3.3 Loss of revenue due to non operation of excise shops departmentally

Under the BE Act and Rules framed thereunder, if the excise shops notified by the Government are not settled through auction-cum-tender at the notified reserved fee, the fee could be lowered by the district collector with the approval of the Excise Commissioner. In absence of any bidder, shops are to be run departmentally in accordance with Government of Bihar instructions of June 1995. Further, Government vide resolution of February 2004 formulated

^{*} Bokaro, Dhanbad, Dumka cum Jamtara cum Godda, East Singhbhum (Jamshedpur), Hazaribag cum Chatra cum Koderma, Palamu cum Latehar cum Garhwa and Ranchi.

a new excise policy for settlement of retail excise shops with effect from 1 July 2004. The department accordingly directed all the Deputy Commissioners in March 2004 to extend the existing licence of retail excise shops for three months upto June 2004 on realisation of licence fee in one lump for the first quarter in advance with other conditions remaining the same as applicable during 2003-04.

It was noticed between March 2004 and January 2006 that in 10 excise districts* excise shops remained inoperative for different periods between 2002-03 and 2004-05 as detailed below for reasons mentioned against each. The department, however, did not initiate any action to run the inoperative shops departmentally in contravention of the instructions issued. This resulted in loss of revenue of Rs 14.82 crore on account of licence fee and excise duty.

(Rupees in crore)

Sl No	Total no of shops ^f	Period lying inoperative	Total loss of revenue	Reasons for non operation
1	10	2002-03	0.16	Due to non initiation to reduce reserve fee.
2	88	1/04/04 to 30/6/04	1.49	Due to non extension of licence.
3	542	Between 1/07/04 and 14/12/04	13.17	Delay in settlement of excise shops.
Total	640		14.82	

After this was pointed out between March 2004 and January 2006, the Assistant Commissioner of Excise (ACE)/ Superintendent of Excise (SE), Bokaro, Godda, Gumla cum Simdega and Hazaribag stated that extension was not done due to non availability of competent bidder, SE, Sahebganj cum Pakur stated that outstanding fee was not paid by the old licensee and ACE/ SE, Dhanbad and Palamu cum Garhwa cum Latehar stated that security money of old licensee would be forfeited. The replies are not tenable as the department did not take initiative to operate the shops departmentally till finalisation of settlement.

The matter was reported to Government in April 2006; replies have not been received (November 2006).

* Bokaro, Deoghar, Dhanbad, East Singhbhum (Jamshedpur), Godda, Gumla cum Simdega, Hazaribag cum Koderma Cum Chatra, Palamu cum Garhwa cum Latehar, Sahebganj cum Pakur and Ranchi.

^f Same shops for different reasons and different period were lying inoperative.

3.4 Loss of revenue due to incorrect fixation of reserve fee of excise retail shops

Government of Jharkhand vide resolution of February 2004 framed a new excise policy to settle retail excise shops in two groups, one for all the CS and spice CS and the other for IMFL/ beer shops in all districts of the State. As per the new policy, the reserve fee was required to be fixed after adding the amount of duty on the annual MGQ of excise shops with that of the auction money (reserve fee in case of unsettled shops). The willing bidders were liable to furnish bank guarantee equivalent to two months reserve fee and deposit three months advance licence fee which was to be adjusted during October to December in the last financial year of the licence period.

In Palamu cum Garhwa cum Latehar excise district, it was noticed in January 2006 that at the time of settlement of 106 excise shops reserve fee was incorrectly fixed and collected by the department. This resulted in loss of revenue of Rs. 5.63 lakh. In addition, bank guarantee furnished was also less by Rs 0.98 lakh in comparison with required security deposit.

After this was pointed out in January 2006, the SE stated in January 2006 that reply would be furnished after examination; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply is awaited (November 2006).

CHAPTER- IV: Taxes on Vehicles

4.1 Results of audit

Test check of records of the Transport Department conducted during 2005-06, revealed non/short levy of motor vehicles tax, fees, penalty, fines etc. amounting to Rs 101.42 crore in 9,313 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of taxes	376	10.81
2	Short levy of taxes due to wrong fixation of seating capacity/RLW	345	14.86
3	Other cases	8,592	75.75
Total		9,313	101.42

During 2005-06 the concerned department accepted under assessment and other irregularities in 9,012 cases involving Rs 21.36 crore which were pointed out in audit during 2005-06.

A few illustrative cases involving Rs 13.64 crore are given in the following paragraphs:

4.2 Non collection of tax

Under the provisions of Bihar Motor Vehicles Taxation Act (BMVT Act), 1994, as adopted by Jharkhand State, tax shall be paid by the owner of the vehicle to the taxing officer within 15 days from commencement of the quarter in whose jurisdiction the place of registration falls. In case of change of place of residence/business, the owner can pay tax to the new registration authority subject to production of "no objection certificate" from the previous taxing officer. If delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

It was noticed between July 2005 and March 2006 that in 13 district transport offices (DTOs),* 719 motor vehicle owners stopped payment of taxes between April 2001 and March 2006 in the offices where they were originally registered. Although no reasons were found recorded for non payment of tax, the department did not raise demand on the defaulters. This resulted in non levy of tax of Rs. 2.66 crore. Besides, penalty of Rs 5.32 crore was also leviable.

After this was pointed out between July 2005 and March 2006, the DTOs stated between July 2005 and March 2006 that demand notices would be issued. Further, five DTOs[©] raised demand between December 2005 and October 2006 of Rs 5.89 crore including penalty against 409 vehicles and the DTOs Ranchi and Palamu realised taxes including penalty in respect of 19 vehicles amounting to Rs 10.89 lakh. Reply has not been received from other offices (November 2006).

The matter was reported to the Government in May 2006; reply has not been received (November 2006).

4.3 Delay in deposit of revenue collection by banks

Under the provisions of Bihar Financial Rules (adopted by Government of Jharkhand), all transactions must be brought to account without delay and money received as Government dues should be credited to public account. As per instructions of State Transport Commissioner, Bihar (March 1996), amount collected by banks during April to February is to be transferred to State Bank of India (SBI) Doranda branch, Ranchi in such a manner that all receipts during a particular month stand transferred latest by first week of the following month. As regards the amount deposited in the month of March, it is to be transferred by 31 March positively so that all amount deposited in the financial year stand transferred to Government account in a financial year. As per instructions issued by the Reserve Bank of India in April 2003, interest at

* Bokaro, Deoghar, Dhanbad, Dumka, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu, Ranchi and Sahebganj.

© Dhanbad, Giridih, Jamshedpur, Palamu and Ranchi.

the rate of eight *per cent* per annum is payable by the banks on delayed remittances to Government account.

In five DTOs*, it was noticed between July 2005 and February 2006 that the collecting banks i.e. Punjab National Bank at Jamshedpur, Dhanbad, Ranchi, Bokaro and Bank of India, Hazaribag transferred collected revenue into Government account through SBI Doranda branch, after delay ranging between one month and 12 months. The collecting banks did not credit interest of Rs 3.58 crore during 2004-05 for delayed transfer of Government revenue into SBI Doranda, Ranchi. The department also did not pursue with the banks for payment of interest.

After this was pointed out between July 2005 and February 2006, the concerned DTOs** stated between July 2005 and February 2006 that matter would be taken up with banks. Further, DTO, Ranchi has pursued the matter with the bank. Reply has not been received from other offices ((November 2006).

The cases were reported to Government in May 2006; reply has not been received (November 2006).

4.4 Non levy of trade tax

Under the provisions of BMVT Act, and Rules framed thereunder, (as adopted by Government of Jharkhand) tax at the annual rate as prescribed is leviable on a manufacturer/dealer in respect of motor vehicles in his possession in the course of his business as manufacturer/dealer. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In seven DTOs[‡], it was noticed between August 2005 and February 2006 that 44 dealers of motor vehicles had not deposited the requisite trade tax in respect of 1,05,476 vehicles possessed by them between the period 2000-01 and 2004-05. The department did not raise any demand on the defaulters. Failure of the department to enforce the provisions of the Act/Rules resulted in non levy of tax of Rs. 66.99 lakh. Besides, penalty of Rs 37.30 lakh was also leviable.

After this was pointed out between August 2005 and February 2006, the concerned DTOs replied between August 2005 and February 2006 that notices against the dealers would be issued. Demand notice for Rs 77.32 lakh has been issued between May and October 2006 by DTOs Dhanbad, Jamshedpur and Palamu. Reply has not been received from other offices (November 2006).

* Bokaro, Dhanbad, Hazaribag, Jamshedpur and Ranchi.

** Bokaro, Dhanbad, Hazaribag, Jamshedpur and Ranchi.

‡ Bokaro, Dhanbad, Gumla, Hazaribag, Jamshedpur, Lohardaga and Palamu.

The matter was reported to Government in May 2006; reply has not been received (November 2006).

4.5 Non levy of tax from trailers

Under the provisions of BMVT Act, and Rules framed thereunder, as adopted by Jharkhand State, every owner of registered motor vehicle is required to pay road tax and additional motor vehicle tax at the prescribed rates. If delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In 13 DTOs[∞], it was noticed between July 2005 and March 2006 that owners of 564 trailers did not pay road tax and additional motor vehicle tax for the period between May 2002 and March 2006. The department failed to raise demand on the defaulters. Failure of the department to enforce the provisions of the Act/Rules resulted in non levy of tax of Rs 23.41 lakh. Besides, penalty of Rs 46.81 lakh was also leviable.

After this was pointed out between July 2005 and March 2006 the DTOs of Dhanbad, Jamshedpur, Palamu and Ranchi raised between May and October 2006 demand of Rs 29.15 lakh including penalty against 243 vehicles while other DTOs stated between July 2005 and March 2006 that demand notices would be issued to the concerned vehicle owners for realisation. DTOs, Ranchi and Palamu realised Rs one lakh in respect of eight vehicles. Replies have not been received from other offices (November 2006).

The matter was reported to Government in May 2006; reply has not been received (November 2006).

4.6 Short realisation of tax due to incorrect fixation of seating capacity

As per instructions issued by STC, Bihar in September 2000 (adopted by Government of Jharkhand), seating capacity of bus is to be fixed on the basis of their wheelbase. Further, seating capacity of transport vehicle may be allowed less than its wheelbase, on payment of tax according to its wheelbase. Buses having wheelbase 205" are liable to pay tax at 53 seats irrespective of number of seats fitted in them. If delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In four DTOs^{*}, it was noticed between September 2005 and January 2006 that owners of 26 buses having 205" wheelbase paid tax on 37 seats and one owner

[∞] Bokaro, Deoghar, Dhanbad, Dumka, Giridih, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu, Ranchi and Sahebganj.

^{*} Bokaro, Deoghar, Jamshedpur and Palamu.

of bus of same wheelbase paid tax on 40 seats instead of 53 seats during 2001-2002 and 2005-06. Failure of the department to enforce the instructions of STC resulted in short realisation of tax amounting to Rs 6.18 lakh. Besides, penalty of Rs 12.37 lakh was also leviable.

After this was pointed out between September 2005 and January 2006 the DTO Palamu stated in October 2006 that demand notices for Rs 13.18 lakh including penalty against 13 vehicles had been issued while the other DTOs stated between September 2005 and January 2006 that demand notice would be issued. Further reply has not been received (November 2006).

The matter was reported to Government in May 2006; reply has not been received (November 2006).

4.7 Non levy of tax from vehicles involved in surrender

Under the BMVT Act and Rules made thereunder (as adopted by Government of Jharkhand), when the owner of a motor vehicle does not intend to use his vehicle for a certain period not exceeding six months at a time, he can be exempted from payment of tax by the competent authority provided his claim for exemption is supported by the required documents. In the absence of any extension, the vehicle would be deemed to have been used and liable to pay tax. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In two DTOs*, it was noticed between July 2005 and March 2006 that nine vehicles were surrendered between January 2003 and March 2005 but after expiry of surrendered period, the vehicle owners neither applied for extension of surrender nor was the demand raised by taxing officer beyond the expiry of the surrendered period. This resulted in non levy of tax amounting to Rs 2.85 lakh for the period between March 2003 and March 2006. Besides, penalty of Rs 5.69 lakh was also leviable.

After this was pointed out between July 2005 and March 2006 the DTO, Ranchi stated in July 2005 that reason for non furnishing of further extension of period of surrender would be asked from the vehicle owners whereas the DTO, Deoghar stated in March 2006 that demand notice would be issued. Further, DTO, Ranchi raised demand for Rs 3.79 lakh against four vehicles in September 2006. Reply has not been received from other offices (November 2006).

The matter was reported to Government in May 2006; reply has not been received (November 2006).

* Deoghar and Ranchi

4.8 Non levy of tax from the date of sale/ expiry of temporary registration

Under the provisions of the Central Motor Vehicle Rules, 1989, an application for registration of a motor vehicle shall be made to the registering authority within a period of seven days from the date of taking delivery of such vehicle. Further, under the provisions of the BMVT Rules, (adopted by Government of Jharkhand) tax is payable from the date of acquisition of the vehicle. If the delay in payment of tax exceeds 90 days, penalty at twice the amount of tax due may be imposed.

In DTO, Palamu, Daltonganj it was noticed in January 2006 that in case of 13 vehicles, taxes were not levied either from the date of sale of vehicle or after the date of expiry of temporary registration during the period between May 2003 and April 2005. Failure of the department to enforce the provisions of the Rules resulted in non levy of taxes amounting to Rs 1.83 lakh. Besides penalty of Rs 3.67 lakh was also leviable.

After this was pointed out in January 2006, the DTO Palamu stated in October 2006 that demand notices for Rs 5.50 lakh including penalty have been issued to concerned vehicle owners. Further reply has not been received (November 2006).

The mater was reported to Government in May 2006; reply has not been received (November 2006).

CHAPTER- V: Land Revenue

5.1 Results of audit

Test check of the records of the Revenue and Land Reforms Department, conducted during 2005-06, revealed non/short levy of cess, loss of revenue etc. amounting to Rs 177.52 crore in 144 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of cess and interest on arrears of cess	24	1.09
2	Non fixation of <i>salami</i> and commercial rent	03	0.06
3	Non settlement of vested lands	41	0.97
4	Non settlement of <i>sairats</i>	16	0.53
5	Other cases	60	174.87
6	Total	144	177.52

During 2005-06 the concerned department accepted under assessment etc. of Rs 175.28 crore involved in 101 cases of which 95 cases involving Rs 175.01 crore were pointed out in audit during 2005-06 and rest in earlier years.

A few illustrative cases involving Rs 0.84 crore are given in the following paragraphs:

5.2 Underassessment of cess

Under the provisions of Bihar Land Reforms Act, 1950 read with Chhotanagpur Tenancy Act, 1908, land rent is leviable from tenants (*raiyats*). Further, cess at the rate of 145 *per cent* is leviable on land rent from September 1982.

Test check of records in January 2006 of Golmuri cum Jugsalai Anchal, Jamshedpur revealed that during 2002-03 the department raised demand of land rent of Rs 34.58 lakh, but levied cess of Rs 11.49 lakh instead of Rs 50.15 lakh leviable as per prescribed rate. This resulted in short levy of cess amounting to Rs 38.66 lakh.

After this was pointed out in January 2006, Anchal Adhikari (AA) stated in January 2006 that matter would be examined; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply has not been received (November 2006).

5.3 Non realisation of revenue due to non renewal of leases

Under the provisions of the Bihar Government Estates (*Khas Mahal*) Manual, 1953, as adopted by Government of Jharkhand and the Rules framed thereunder, for grant of lease, State Government is to issue notices to the lessees six months prior to the expiry of lease to apply for renewal of such lease, whereas a lessee is required to apply three months prior to the expiry of his lease for renewal thereof. A lessee continuing to occupy leasehold property without payment of rent and without renewal of lease is to be treated as a trespasser and has no claim for renewal on past terms and conditions.

On fresh leases for residential purposes, *salami* at the current market value of land, besides annual rental at the rate of two *per cent* of such *salami* is leviable. Further, as per instructions issued in April 1999 by the Revenue and Land Reforms Department, Government of Bihar, the lessees are liable to pay arrears of double the rental at the rate proposed in fresh leases from the date of expiry of earlier lease as penal rent together with interest at the rate of 10 *per cent* on the differential of the proposed rent in the new deeds and the rent already paid by the lessees.

In course of audit of Ratu and Garhwa anchal offices in May and November 2005, it was noticed that 10 leases involving 2.1375 acres of land expired between 1950-51 and 1990-91. Neither the lessees applied for renewal of lease nor the department issued notices to lessees to notify their intention for renewal. Failure on the part of the department in taking action for renewal of expired leases resulted in loss of Government revenue of Rs 31.03 lakh in the

shape of *salami*, penal rent and interest calculated for the period 2001-02 and 2005-06.

After this was pointed out in May and November 2005, the AA, Ratu stated that action would be taken after examination and AA, Garhwa stated that action for renewal of leases would be completed.

The matter was reported to Government in April 2006; reply has not been received (November 2006).

5.4 Non removal from /settlement of encroached public land

Under the Bihar Public Land Encroachment Act, 1956, as adopted by Government of Jharkhand, if a person has encroached upon any public land, he may be evicted or the land may be settled with such person, on payment of rent and damages for the use of such land as per rules laid down in Bihar Government Estate (*Khas Mahal*) Manual, 1953. Further, in case of encroachment of public land for residential purpose, *salami* at the prevailing market value of such land together with annual residential rent at prescribed rates is payable.

During the course of audit of anchal offices, Bhawnathpur and Golmuri cum Jugsalai in December 2005 and January 2006, it was found that during 2003-04 and 2004-05, the department noticed encroachment of 1.33 acres of public land by 19 persons for residential purposes. The department did not take any action for eviction or regularisation of encroachment on payment of penal rate of *salami* and rent. This resulted in non realisation of *salami* and rent of Rs 14.31 lakh.

After this was pointed out between December 2005 and January 2006, the AAs stated between December 2005 and January 2006 that action was being taken to remove the encroachments; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply has not been received (November 2006).

CHAPTER- VI: Other Tax Receipts

6.1 Results of audit

Test check of records of the Registration and Commercial Taxes Department, conducted during 2005-06 revealed under assessments of tax, fee, duty, loss of revenue etc. amounting to Rs 71.91 crore in 1,676 cases which broadly fall under the following categories:

(Rupees in crore)			
Sl. No	Category	No. of cases	Amount
• STAMPS AND REGISTRATION FEES			
1	Short levy of stamp duty and registration fees due to misclassification of documents	428	0.87
2	Short realisation of stamp duty and registration fees due to late receipt of revised rate	209	0.87
3	Other cases	967	2.29
	Total	1,604	4.03
• PGT/ENTRY TAX			
1	Non / short levy of tax	25	8.91
2	Irregular allowance of exemption from tax	02	0.11
3	Non levy of penalty	11	0.25
4	Short levy of entry tax due to incorrect determination of turnover	02	0.33
5	Other cases	19	48.54
	Total	59	58.14
• ENTERTAINMENT TAX			
1	Short levy of entertainment tax	2	0.11
2	Other cases	2	0.01
	Total	4	0.12
• ELECTRICITY DUTY			
1	Non/ short levy of surcharge	4	1.38
2	Short levy of electricity duty	2	3.75
3	Other cases	3	4.49
	Total	9	9.62
	Grand Total	1,676	71.91

During 2005-06, the concerned department accepted under assessments etc. of Rs 2.82 crore in 703 cases of which 700 cases involving Rs 2.81 crore were pointed out in audit during 2005-06 and rest in earlier years.

A few illustrative cases involving Rs 5.65 crore are given in the following paragraphs:

ENTRY TAX

6.2 Taxes on Entry of Goods into Local Areas

6.2.1 On entry of six[®] specified goods (hereinafter called scheduled goods) for consumption, use or sale in Jharkhand, entry tax is levied under the Bihar Tax on Entry of Goods into Local Areas* for Consumption, Use or Sale Therein Act, 1993 (BTEG Act) as adopted by Government of Jharkhand and the Rules made and notifications issued there under.

Under the BTEG Act, every dealer/person who causes entry of scheduled goods of Rs 25,000 or above into Jharkhand/local area is required to get himself registered and furnish a true and complete monthly/quarterly and annual return for each year in respect of transaction of import of all scheduled goods and tax payable thereon in accordance with the provisions of Bihar Finance Act, 1981 (BF Act) as adopted by the State. All the provisions of BF Act apply *mutatis mutandis* to BTEG Act.

6.2.1.1 Non levy of entry tax due to non registration of dealers

Every dealer/person dealing in scheduled goods who is either registered under BF Act or imports goods for sale, use or consumption above a specified value is required to be in possession of valid registration certificate under the BTEG Act. Failure to apply for registration within seven days of his becoming liable to pay tax may render him liable to pay penalty in addition to levy of tax at the rate of Rs 50 per day or tax assessed whichever is less.

- Cross verification of data of scheduled goods brought from Delhi and West Bengal with records of six dealers in three circles[⊕] revealed that the dealers imported tobacco product valued at Rs 56.49 lakh between 2000-01 and 2004-05, but did not get themselves registered under BTEG Act. The department also failed to detect and register them. This resulted in non levy of entry tax of Rs 5.37 lakh including penalty of Rs 2.56 lakh.
- In Seven commercial taxes circles[≈], it was noticed from the sales tax records, utilisation of declaration forms C, F and green road permits,

[®] Motor vehicles, tobacco products (excluding biris), India made foreign liquor, vanaspati and hydrogenated oils, crude oil, cement

* Local area includes municipal corporation, municipality, notified area committee, cantonment board, town board, mines board, gram panchayat and any other local authority by whatever nomenclature called constituted or continued in the time being in force. After the coming into force of the JTEG (Amendment) Act in January 2002 the above definition of local area remained unchanged for tobacco and tobacco products but for taxable goods under Section 12 of BF Act the state of Jharkhand as a whole became a local area.

[⊕] Hazaribag, Jamshedpur and Singhbhum.

[≈] Adityapur, Godda, Jamshedpur Urban, Jharia, Koderma, Palamu and Ranchi West.

trading accounts etc. that 10 dealers imported scheduled goods^Ø valued at Rs 28.55 crore from outside the State during the years 2000-01 to 2002-03 for sale but failed to get themselves registered under the BTEG Act and consequently were not assessed to tax under the Act *ibid*. This resulted in non levy of penalty of Rs 5.23 lakh.

6.2.1.2 As per provision of BTEG Act, import value means the value of scheduled goods as ascertained from the purchase invoice/ bills and includes insurance charges, excise duties, countervailing duties, sales tax, transport charges, freight charges and all other charges incidental to the import of scheduled goods.

In Ranchi East Circle, in case of three dealers, entry tax was levied on goods valued at Rs 29.10 crore excluding excise duty, import fee, insurance and freight charges instead of the actual value of import of Rs 29.71 crore during the period 2000-01 to 2002-03, assessed between May 2004 and June 2005. This resulted in short levy of entry tax amounting to Rs 2.75 lakh.

6.2.1.3 Suppression of turnover

Under the provisions of the BTEG Act read with BF Act, every registered dealer shall furnish a true and complete return in respect of all his transactions failing which the prescribed authority may, within eight years from the date of assessment, assess the amount of tax due from the dealer in respect of such turnover and shall direct the dealer to pay, besides the tax assessed, penalty not exceeding three times but not less than an amount equivalent to the amount of tax.

In Sahebganj commercial taxes circle, cross verification of data of scheduled goods imported from West Bengal with the records of a dealer of tobacco products revealed that the dealer accounted for goods valued at Rs 2.45 crore against the actual receipt of goods of Rs 6.17 crore during the year 2002-03, assessed in December 2004. Thus suppression of turnover of goods valued at Rs 3.72 crore resulted in under assessment of tax of Rs 64.40 lakh including penalty of Rs 48.30 lakh.

6.2.1.4 Irregular allowance of exemption from levy of tax

Under provisions of BTEG Act and Rules made thereunder, if a dealer who claims that any part of his turnover relating to import of scheduled goods is not liable to tax on the ground that tax was paid at the first point of entry, he shall substantiate such claim before the assessing authority by producing purchase bill, invoices or cash memos and a true and complete declaration in form 'ET-IX' received from the selling dealer.

In three circles^{**}, in case of four dealers exemption of turnover was allowed on import value of motor vehicles and cement valued at Rs 8.14 crore during the

^Ø Motor vehicles and cement.

^{**} Jamshedpur Urban, Koderma and Sindri.

period 2001-02 to 2002-03, assessed between May 2003 and May 2005, without production of declaration form in ET-IX resulting in incorrect allowance of exemption from levy of entry tax of Rs 40.71 lakh.

After this was pointed out in January 2006, the DCCT Jamshedpur Urban circle, in case of a dealer, raised demand of Rs. 0.75 lakh in August 2006. Reply in other cases has not been received (November 2006).

The above cases were referred to the department and Government in May 2006; their reply has not been received (November 2006).

6.2.2 The Jharkhand Tax on Entry of Goods into Local Areas for Consumption, Use or Sale therein (Amendment) Act 2001, {JTEG (Amendment) Act} came into force from 2 January 2002. Government brought 10 new commodities [¶] under the purview of the act for levy of entry tax. This amendment of Act was struck down by Honourable Jharkhand High Court[§] on 14 August 2006 as Government failed to get assent of the President of India under Article 301 read with Article 304B of the Constitution of India before implementing amendment in the Bihar Entry of Goods into Local Areas for Consumption, Use or Sale therein Act, 1993. Due to this, Government had to forego a revenue of Rs 46.85 crore as shown under:

6.2.2.1 Non levy of entry tax due to non registration of dealers

Every dealer/person dealing in scheduled goods who is either registered under BF Act or imports goods for sale, use or consumption above a specified value is required to be in possession of valid registration certificate under the BTEG Act read with JTEG (Amendment) Act, 2001. Failure to apply for registration within seven days of his becoming liable to pay tax may render him liable to pay penalty in addition to levy of tax at the rate of Rs 50 per day or tax assessed whichever is less.

- Cross verification of data of scheduled goods brought from Delhi and West Bengal with records of 14 dealers in eight circles[⊙] revealed that the dealers imported scheduled goods^π valued at Rs 8.61 crore between 2001-02 and 2004-05, but did not get themselves registered under the amended Act. The department also failed to detect and register them. This resulted in non levy of entry tax of Rs 46.04 lakh including penalty of Rs 3.10 lakh.

[¶] Tobacco, emulsion paint, sanitary fittings, air conditioner, air cooler and air circulator, marble, marble chips and tiles, granite stone, ceramic and glazed tiles, electrical fittings, iron and steel, steel plastic and PVC pipes, imported coal and bitumen.

[§] The Tata Iron & Steel Company Ltd. Vrs State of Jharkhand WP (T) 5,354 of 2004.

[⊙] Adityapur, Chaibasa, Hazaribag, Jamshedpur, Jamshedpur Urban, Ranchi South, Ranchi Special and Ranchi West.

^π Bitumen (*Alkatra*) and Coal.

- In eight commercial taxes circles[®] it was noticed from the sales tax records, utilisation of declaration forms C, F and green road permits, trading accounts etc. that 21 dealers imported scheduled goods^Ø valued at Rs 13.43 crore from outside the State during the years 2001-02 to 2002-03 for sale but failed to get themselves registered under the amended Act and consequently were not assessed to tax. This resulted in non levy of penalty of Rs 3.87 lakh.

6.2.2.2 Non/ short levy of entry tax

Tax shall be levied and collected on entry of scheduled goods into local area for consumption, use or sale at such rate not exceeding five *per cent* on import value of such goods. It has been judicially held^{*} that payment of entry tax on import value of scheduled goods is mandatory as soon as these enter the territory of the State.

Cross verification of data collected from the office of Principal Director, Commercial Audit, Ranchi with the record of one manufacturing dealer of iron and steel in Bokaro circle revealed that the dealer imported coal valued at Rs 972.09 crore during 2004-05 from abroad. The dealer neither furnished any return nor deposited entry tax due on the value of imported coal as prescribed in the Act although the dealer was registered under the Act. This resulted in non levy of entry tax of Rs 38.88 crore.

6.2.2.3 Non imposition of penalty for non payment of admitted tax

Under provisions of BTEG Act, read with BF Act, if a registered dealer fails to make payment of the tax due (in form of admitted tax) according to the prescribed provisions of the Act, the prescribed authority shall impose a penalty for such delay in payment of tax due which may extend upto five *per cent* but not less than two and half *per cent* of the amount of tax for each of the first three months following the due date and upto 10 *per cent* and not less than five *per cent* for each subsequent month.

In case of one dealer of Bokaro circle, minimum penalty of Rs 6. 87 crore though leviable was not levied for non payment of admitted tax due of Rs 38.88 crore for the period 2004-05 calculated upto March 2005.

6.2.2.4 Suppression of turnover

Under the provisions of the BTEG Act read with BF Act, every registered dealer shall furnish a true and complete return in respect of all his transactions failing which the prescribed authority may, within eight years from the date of assessment, assess the amount of tax due from the dealer in respect of such turnover and shall direct the dealer to pay, besides the tax assessed, penalty

[®] Adityapur, Dumka, Jamshedpur Urban, Jharia, Koderma, Ranchi East, Ranchi South and Ranchi West.

^Ø Paint, electrical fittings, marble and tiles, iron and steel and sanitary fittings.

^{*} M/S Classic Automobiles vrs State of Bihar and others CWJC Nos. 1052 and 1047 of 1998 (R) decided on 3 November 1998 by Patna High Court (Ranchi Bench).

not exceeding three times but not less than an amount equivalent to the amount of tax.

In Jamshedpur and Jamshedpur urban commercial taxes circles, cross verification of data of scheduled goods imported from West Bengal with the records of three dealers of bitumen and sanitary fittings revealed that the dealers accounted for goods valued at Rs 1.91 crore against the actual receipt of goods of Rs 4.53 crore during 2003-04 to 2004-05, assessed between December 2004 and February 2006. Thus suppression of turnover of goods valued at Rs 2.62 crore resulted in under assessment of tax of Rs 52.33 lakh including penalty of Rs 39.25 lakh.

6.2.2.5 Irregular allowance of exemption from levy of tax

Under provisions of BTEG Act and Rules made thereunder, if a dealer who claims that any part of his turnover relating to import of scheduled goods is not liable to tax on the ground that tax was paid at the first point of entry, he shall substantiate such claim before the assessing authority by producing purchase bill, invoices or cash memos and a true and complete declaration in form 'ET-IX' received from the selling dealer.

In Jamshedpur Urban commercial taxes circle, in case of two dealers, exemption of turnover was allowed on import value of paint, iron and steel valued at Rs 1.74 crore during 2002-03, assessed in May 2005 without production of declaration form in ET-IX resulting in incorrect allowance of exemption from levy of entry tax of Rs 8.32 lakh.

After this was pointed out in January 2006, the DCCT, in case of a dealer, raised demand of Rs. 1.57 lakh in August 2006. Reply in other case has not been received (November 2006).

ELECTRICITY DUTY

6.3 Short levy of electricity duty

Under the provisions of Bihar Electricity Duty Act (BED Act), 1948, as adopted by Government of Jharkhand, State Government notified in August 1993, the rate of electricity duty for mining purposes in all premises, where total load exceeded 100 BHP*, to be 15 paise per unit of energy sold or consumed. It has been judicially held* by the Hon'ble Supreme Court that the process of mining comes to an end only when the ore extracted from the mines is washed, screened, dressed and then stacked at the mining site. Further, duty on sale of electrical energy for industrial purposes is leviable at the rate of two paise per unit and for commercial purposes at the rate of 12 paise per unit.

* British Horse Power

* Chowgule & Co. Vs Union of India (1981) 47 STC-124 SC

6.3.1 In commercial taxes circle Hazaribag, it was noticed in July 2005 that an assessee engaged in mining activity as well as generation of electrical energy for mining and domestic purposes consumed 16.54 crore units of electrical energy in washing of coal during 1998-99 to 2000-01. Although washing of coal falls under mining activity, the department, while finalising assessment in February 2004, incorrectly levied duty at the rate of two paise per unit instead of 15 paise per unit. This resulted in short levy of duty amounting to Rs 2.15 crore.

After this was pointed out in July 2005, the department issued notice to the assessee in July 2006; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply is awaited (November 2006).

6.3.2 In Jamshedpur Urban commercial taxes circle, it was revealed in February 2006 that an assessee claimed consumption of 158.61 crore units of energy under industrial unit. The assessing officer while assessing the case in December 2004, disallowed 10 *per cent* of the units claimed as industrial consumption and treated it as commercial consumption. But during computation of duty, the assessing officer treated 15.86 lakh units as commercial and 157.02 crore units as industrial instead of 15.86 crore units and 142.75 crore units respectively leaving 1.43 crore units unassessed. This resulted in short levy of duty amounting to Rs 1.60 crore.

After this was pointed out in February 2006, the DCCT replied in March 2006 that notice would be issued; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply has not been received (November 2006).

6.4 Non levy of penalty

Under the provisions of the BED Act, as adopted by Government of Jharkhand, and Rules made thereunder, every assessee shall pay electricity duty due from him within two calendar months of the month to which the duty relates. In case of failure to pay duty and/ or surcharge within the due date, the prescribed authority shall impose a penalty upto five *per cent* but not less than two and half *per cent* for each of the first three months or part thereof following the due date and upto 10 *per cent* but not less than five *per cent* for each subsequent month or part thereof.

In Commercial Taxes Circle, Ranchi South, it was noticed in November 2005 that an assessee did not deposit full amount of duty and surcharge of Rs 3.90 crore on due date for the period 2001-02. The period of delay ranged between 27 days and 169 days. But the assessing officer during assessment in March 2005 raised demand without imposing penalty. This resulted in non levy of penalty amounting to Rs. 41.03 lakh.

After this was pointed out in November 2005, the DCCT agreed to review the case. Further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply has not been received (November 2006).

6.5 Incorrect allowance of rebate on surcharge

Under the provisions of the BED Act, as adopted by Government of Jharkhand, and Rules made thereunder, an assessee who submits proper return and deposits the amount of duty payable according to such return in the prescribed manner and within the prescribed time limit shall be allowed a rebate at the rate of one *per cent* on the amount of duty payable. Surcharge at the rate of 2 paise per unit is leviable on the energy sold or consumed by licensee with effect from 1-August 1985. Rebate is not allowed on the amount of surcharge. In case of failure to pay duty and/ or surcharge within the due date, the prescribed authority shall impose a penalty upto five *per cent* but not less than two and half *per cent* for each of the first three months or part thereof following the due date and upto 10 *per cent* but not less than five *per cent* for each subsequent month or part thereof.

In Jamshedpur Urban commercial taxes circle, it was noticed in February 2006 that during 2001-02 and 2002-03, an assessee paid surcharge of Rs 7.04 crore after deducting rebate of Rs 7.12 lakh from total surcharge of Rs 7.11 crore. The department while assessing the case in December 2002 and in December 2004, allowed rebate, in contravention of the rules *ibid*. This resulted in irregular allowance of rebate amounting to Rs 7.12 lakh. Besides, penalty of Rs 5.80 lakh was not imposed for non payment of surcharge.

After this was pointed out in February 2006, the DCCT replied in March 2006 that rebate on surcharge given would be verified as the assessee is making timely payment of duty. The reply is not tenable as the assessee had not paid full amount of surcharge till the date of assessment.

The matter was reported to Government in April 2006; reply has not been received (November 2006).

ENTERTAINMENT TAX

6.6 Short levy of entertainment tax

Under the provisions of Bihar Entertainments Tax Act, 1948, as adopted by Government of Jharkhand, and Rules framed thereunder, a proprietor of an entertainment house is liable to pay a consolidated amount of tax for every show at the prescribed rate of gross collection capacity of the cinema house as fixed by Government. The Act also empowers the State Government to grant permission to an owner of a cinema house to pay a fixed weekly compounded tax in lieu of the consolidated amount of tax payable for every show under the Act. The amount of tax specified in the permission shall be paid to State Government in advance for every week, failing which assessee would be liable to pay tax for every show at the prescribed rate, as if no permission for payment of compounded fixed amount had been granted.

In Commercial Taxes Circle, Hazaribag, proprietors of two cinema halls* failed to deposit weekly compounded tax in advance during 2001-02 to 2003-04 and thus were liable to pay tax for every show at the prescribed rate of gross collection capacity of the cinema halls. But the assessing officer did not levy entertainment tax on gross collection capacity in contravention of rules. This resulted in short levy of entertainment tax amounting to Rs 17.96 lakh.

After this was pointed out in August 2005, the department issued notices to proprietors of cinema houses in July 2006; further reply has not been received (November 2006).

The matter was reported to Government in April 2006; reply is awaited (November 2006).

* Geetanjali Chitra Mandir and Alankar Chitra Mandir.

CHAPTER-VII: Mineral Concession, Fees and Royalties

7.1 Results of audit

Test check of the records of Mining Department, conducted during 2005-06, revealed under assessments and loss of rent, royalty, fee etc. amounting to Rs 231.10 crore in 11,844 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short levy of royalties and cess	344	70.64
2	Short levy of royalty due to downgrading of coal	4	6.32
3	Non/short levy of dead rent/ surface rent	218	39.32
4.	Non levy of royalty on coal consumed by workmen	14	0.23
5.	Non levy of interest	73	0.40
6	Non levy of penalty/fees	882	108.77
7	Non/short levy of auction money due to non settlement / irregular settlement of sand ghats	43	1.37
8	Non initiation of certificate proceedings	501	4.00
9	Other cases	9765	0.05
Total		11,844	231.10

During 2005-06, the concerned Department accepted under assessment etc. of Rs 61.18 crore involved in 3,165 cases of which 2,547 cases involving Rs 8.86 crore were pointed out in audit during 2005-06 and rest in earlier years.

A few illustrative cases involving Rs 32.06 crore are given in the following paragraphs:

7.2 Short levy of surface rent

Under the Mineral Concession Rules, 1960, (MC Rules), holder of a mining lease is liable to pay surface rent in respect of surface area used by him for the purpose of mining operation at such rate not exceeding land revenue and cess assessable on the land. Further, mining operation being a commercial activity, surface rent is to be charged at commercial rate, which is equal to one twentieth of the market value of the land.

In District Mining Office (DMO), Bokaro, it was noticed in August 2005 that four lessees holding 24 leases of coal and sand used 24,326.27 acres of leased area for mining operation during 2003-04 and 2004-05. But the department levied surface rent at agricultural rate instead of commercial rate. This resulted in short levy of surface rent amounting to Rs 23.98 crore.

After this was pointed out in August 2005, district mining officer, Bokaro stated in March 2006 that demand has been raised for realisation of the same. Further reply has not been received (November 2006).

The case was reported to the department/Government in August 2005 and May 2006; their reply has not been received (November 2006).

7.3 Non/short levy of royalty due to misclassification of grade of coal

Under the Mines and Mineral Regulation and Development Act (MMRD Act), 1957, the holder of mining lease shall pay royalty in respect of minerals removed or consumed from the leased area at the rates specified. Further, the lessee is liable to pay royalty on the quantity of mineral extracted irrespective of whether it is removed or not from the leased area. Royalty is payable on the grade of coal notified by the coal controller.

In DMOs Dhanbad and Hazaribag, it was noticed between March 2004 and July 2005 that 21.96 lakh MT coal produced during 2002-03 and 2004-05 was incorrectly classified in the monthly returns furnished by the lessee. Royalty of Rs 19.26 crore was levied instead of Rs 26.83 crore. Failure of the assessing officer to classify coal correctly as per grades notified by coal controller resulted in non/ short levy of royalty of Rs. 7.57 crore.

After this was pointed out between March 2004 and July 2005, the district mining officers stated between February and August 2006 that demand has been raised. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006, reply has not been received (November 2006).

7.4 Non levy of penalty for illegal mining of brick earth

As per provisions of Bihar Minor Mineral Concession Rules (BMMC Rules) and Government notification of March 1992, as adopted by Government of Jharkhand, every brick kiln owner/ brick earth remover shall pay the prescribed consolidated royalty based on categories of the brick kilns before issue of permit. Further Rule 40(8) provides that whoever removes minor mineral without valid lease/ permit shall be liable to pay the price thereof as penalty.

In DMO, Hazaribag it was noticed in April 2005 that 136 brick kilns were operated in brick season 2004-05 without obtaining valid permit and without payment of consolidated royalty. In no case demand for recovery of price of mineral was raised against the defaulters. As price of the mineral was not fixed by the Deputy Commissioner, penalty amounting to Rs 30.60 lakh calculated at the minimum rate of royalty was leviable from the brick kiln owners.

After this was pointed out in April 2005, the district mining officer, Hazaribag stated in May 2005 that action would be taken after examination. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006; replies have not been received (November 2006).

7.5 Non levy of penalty for non submission of monthly returns

Under the BMMC Rules, as adopted by Government of Jharkhand, every lessee or permit holder is required to submit every month a return in the prescribed form for extraction and removal of minor minerals by the fifteenth day of the following month to which it relates. In case a lessee or a permit holder fails to furnish the required return within the prescribed period, he shall be liable to pay as penalty a sum of Rs. 20 for every day after the expiry of the prescribed date subject to maximum penalty of Rs 2,500.

In seven DMOs*, it was noticed between April and November 2005 that 73 lessees in 782 cases did not submit monthly returns for various months between December 2002 and March 2005. But no penalty was imposed by the department in any of the cases even after lapse of period which ranged between one and 28 months. This resulted in non levy of penalty amounting to Rs 19.55 lakh.

After this was pointed out between April and November 2005, the district mining officer, Bokaro stated in March 2006 that demand notices had been issued and the district mining officer, Koderma stated in September 2006 that demand of Rs 1.08 lakh against four lessees had been raised, while in all other

* Bokaro, Dumka, Godda, Koderma, Pakur, Ranchi and Sahebganj.

cases the concerned district mining officers stated between April and November 2005 that matter would be examined and action would be taken accordingly. Further reply has not been received (November 2006).

The cases were reported to Government in May 2006; reply has not been received (November 2006).

CHAPTER-VIII: Other Non Tax Receipts

8.1 Results of audit

Test check of records of the following receipts conducted during 2005-06, revealed loss/non recovery of revenue etc. amounting to Rs 177.78 crore in 92 cases, which broadly fall into the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
FOREST RECEIPTS			
1.	Loss of revenue due to departmental lapses	34	20.19
2.	Less raising of demand	7	58.98
3.	Undue financial aid to commercial undertakings	1	13.50
4.	Loss of revenue due to delay in initiation of certificate cases	5	0.52
5.	Other cases	30	4.50
	Total	77	97.69
POLICE RECEIPTS			
1.	Review on Police Receipts	1	43.12
	Total	1	43.12
WATER RATES			
1.	Loss of revenue due to non achievement of target of irrigation	4	0.02
2.	Non realisation of water rates	6	36.94
3.	Delay in assessment of water rates	4	0.01
	Total	14	36.97
	Grand Total	92	177.78

During 2005-06, the concerned departments accepted loss of revenue of Rs 126.98 crore involved in 1,673 cases of which 1,351 cases involving Rs 95.57 crore were pointed out in audit during 2005-06 and rest in earlier years.

A few illustrative cases including **Review on Police Receipts** involving Rs 81.06 crore are given in the following paragraphs:

8.2 Review on Police Receipts

8.2.1 Highlights

- Demand of Rs 36.03 crore, representing GRP cost was not raised against Railway.
(Paragraph 8.2.10)
- Rs 1.28 crore from offices of State/Central Government/banks/other organisations remained unrecovered due to non raising of demand.
(Paragraph 8.2.11)
- Non revision of rates of force deployment resulted in revenue foregone of Rs. 1.09 crore.
(Paragraph 8.2.14)
- Non remittance of police receipts resulted in a sum of Rs 39.48 lakh remaining out of Government account.
(Paragraph 8.2.16.2)

8.2.2 Recommendations

Government may consider to:

- devise effective and efficient mechanism for assessment, raising of demand, collection and remittance of police receipts into Government account;
- ensure maintenance of demand, collection and balance register and monitor outstanding dues through periodic reports and returns; and
- ensure deployment of security guards to non entitled persons only in accordance with the provisions of Act and orders of Government.

8.2.3 Introduction

The receipts of Police Department comprise mainly the charges recovered as cost of deployment of police personnel, for maintaining law and order in other State Governments, in other departments of the State and Central Governments, Railways, autonomous bodies, private organisations, commercial undertakings, individuals and on special occasions like matches, and dance parties etc. The cost of deployment comprises gross pay and allowances, bonus, travelling expenses and contingent expenditure etc. incurred on police personnel. Besides, there are some miscellaneous receipts such as sale proceeds of condemned departmental vehicles.

The assessment, collection and accounting of police receipts is governed by the Police Act, 1861, Bihar Police Manual, 1978, (now Jharkhand Police Manual) as adopted by Government of Jharkhand, and instructions issued

thereunder from time to time. The cost of deployment of permanent police personnel is realisable on submission of bills to the concerned person/department etc. while the cost of police personnel deputed as a temporary measure is recoverable in advance. The receipts of the department are credited to the major head of accounts "0055 Police".

8.2.4 Organisational set up

Under the overall control and superintendence of the Home (Police) Department, the Director General of Police (DGP), Jharkhand is the head of Jharkhand police with headquarters at Ranchi. At directorate level, he is assisted by Additional Directors General of Police (ADGP). In field offices, he is assisted by Inspectors General of Police (IGs), Deputy Inspectors General of Police (DIGs) and Senior Superintendents of Police (SSPs)/ Superintendents of Police (SPs) incharge of zone, ranges and districts respectively. DGP is responsible for assessment and collection of cost of police deployed in Railways and outside the State whereas SSP/SP of the district is responsible for collection of cost of police deployed in other departments/ individuals and on special occasions within the district.

8.2.5 Audit Objectives

Detailed analysis of assessment and collection of police receipts was conducted with a view to:

- ascertain whether demands for police receipts were correctly assessed, raised, promptly realised and deposited into Government account and
- examine existence/adequacy of internal control mechanism for the purpose of prompt assessment and effective realisation of police receipts.

8.2.6 Scope of audit

To assess the efficiency and adequacy of the system for levy and collection of police receipts, a review of records pertaining to the period from 2000-01 (after 14 November 2000)^Y to 2004-05 of 11^R out of 22 offices of SSP/SP, four^R out of 11 offices of Commandant, Jharkhand Armed Police (JAP), two offices[∞] of SP, Government Rail Police (GRP), IG (Rail), IG (JAP), DGP and Department of Home (P), Jharkhand was conducted during the period between December 2005 and April 2006.

^Y After reorganisation of states.

^R Bokaro, Deoghar, Dhanbad, Dumka, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu and Ranchi.

^R Bokaro, Deoghar, Dhanbad and Ranchi.

[∞] Dhanbad and Jamshedpur.

8.2.7 Trend of revenue

The budget estimates and actual receipts during the last five years were as under:

(Rupees in crore)

Year	Budget estimates	Actual receipt	Excess (+) shortfall (-)	Percentage
15.11.2000 to 31.3.2001	0.21	0.34	(+) 0.13	(+) 62
2001-02	0.62	1.22	(+) 0.60	(+) 97
2002-03	0.69	1.96	(+) 1.27	(+) 184
2003-04	7.86	2.57	(-) 5.29	(-) 67
2004-05	3.00	1.71	(-) 1.29	(-) 43

A comparison of actual receipts with the budget estimates revealed excess collection during the period from 2000-01 to 2002-03 which ranged between 62 to 184 *per cent*. There was shortfall in actual collection in comparison to budget estimates during 2003-04 and 2004-05 which ranged between 43 to 67 *per cent*. It would also be seen that there is sharp increase in budget estimates in 2003-04 as compared to 2002-03 and decrease during 2004-05 as compared to 2003-04. The reasons for excess/ short realisation and increase/ decrease in budget estimates though called for in May 2006 have not been furnished by the department (November 2006).

➤ Arrears of revenue

Jharkhand State emerged as a result of reorganisation of Bihar State. As per Bihar Reorganisation Act, it is the responsibility of Jharkhand State, being successor state, to monitor the recovery of arrears in its territorial jurisdiction. The position of arrears of the State as on 31 March 2005 though called for in May 2006 has not been furnished by the department.

Test check of records of seven offices* revealed an arrear of Rs 17.24 crore as on 31 March 2005. These arrears pertain to the period prior to the reorganisation of State of Bihar (upto 15 November 2000) as shown under:

(Rupees in crore)

Sl No	Name of offices raising demand	Amount
1	GRP	14.64
2	JAP	0.93
3	Police	1.67
	Total	17.24

No action was taken by the department to monitor the recovery of arrears after formation of Jharkhand State.

After this was pointed out, the Secretary, Department of Home stated in August 2006 that the matter of arrears pertaining to the period of undivided

* JAP Bokaro, Dhanbad, SP Rail, Dhanbad, Jamshedpur, Sr SP/SP Bokaro, Jamshedpur and Ranchi.

Bihar would be taken up, with the State of Bihar. This reflects absence of internal control mechanism in the department as instituted in the Act and Rules.

8.2.8 Internal control and monitoring

8.2.8.1 Non maintenance of demand, collection and balance register

The demand, collection and balance register (DCB register) is to be maintained to monitor demand, collection and balance of receipts from time to time but it was neither maintained at district level nor in the office of the DGP. In absence of the DCB register, the department was not aware of the outstanding dues to be recovered from different States/ PSU/ organisations etc.

8.2.8.2 Non preparation of reports and returns

Periodical reports and returns depicting deployment of police personnel, expenditure incurred and recoveries made during the month, although prescribed under Jharkhand Police Manual (JP Manual), were not being prepared monthly and submitted to the office of DGP. As such consolidated information regarding deployment of police personnel, cost recoverable/ recovered in lieu thereof, outstanding dues, etc. if any, were not available either with the district level offices or with office of DGP.

Non maintenance of register and non preparation of reports/returns on periodic basis reflected non existence of internal control mechanism in the department for monitoring assessment, raising of demand, collection and remittance into Government account leading to financial irregularities.

8.2.9 Police cost escaping assessment due to lack of monitoring

Under provisions of the Police Act, 1861 read with JP Manual, police personnel are deployed to Government offices, commercial undertakings, autonomous bodies etc. on payment of cost which comprises gross pay and allowances, leave salary and pension contribution, contingency charges, and travelling allowances etc. and demand is raised annually.

Cross verification of records of SP Deoghar and Dhanbad with records of their police lines revealed that police force was deployed to various institutions/ organisations such as banks, Excise Department, Mining Department etc. between November 2000 and March 2005. But incharge of police lines did not furnish any return/ information of such deployment to the concerned SP offices. Thus cost of deployment of police force with reference to actual deployment of the force could neither be worked out nor was any demand raised by the concerned SP offices against those institutions / organisations to recover the same. This resulted in escapement of demand of Rs 51.52 lakh.

8.2.10 Non raising of demand for realisation of share of cost of deployment of police personnel to Government Railway Police (GRP)

Under the provisions of Government Accounting Rules, 1990 the cost incurred on GRP is to be shared between the State Government and Railways on 50:50 basis, provided the strength of GRP is determined with prior approval of Railways.

For the purpose of calculating Railways share of cost, pay and all allowances of personnel of GRP including officers upto the level of SP and supervisory staff, leave and pension contribution, contingency charges and cost of rent of buildings occupied by GRP are to be taken into consideration.

Scrutiny of records of DGP, Jharkhand revealed that year wise statement of expenditure were furnished by office of SP (Rail), DIG (Rail), and IG (Rail) for the period from 2000-01 (from 15.11.2000) to 2004-05 to DGP. A sum of Rs 36.03 crore, being 50 per cent share of cost of GRP, was recoverable from South Eastern Railway, Kolkata and East Central Railway, Hazipur as detailed below:

(Rupees in crore)		
Name of the office	Period of demand	Amount for which demand not raised
Jamshedpur	2000-01 to 2004-05	12.50
Dhanbad	2000-01 to 2004-05	22.98
DIG (Rail) Ranchi	2002-03 to 2004-05	0.42
IG (Rail) Ranchi	2000-01 to 2004-05	0.13
Total		36.03

However, no demand for realisation of cost of deployment of police to GRP was raised against Railways by the department. This resulted in non raising of demand of Rs 36.03 crore.

After this was pointed out, IG (Budget) Jharkhand, stated in August 2006 that the cost realisable has been intimated to Department of Home. The reply is not tenable as the DGP was responsible for raising of demand and its realisation as per provisions of the Act.

8.2.11 Non raising of demand for cost of deployment of police force

Under provisions of the Police Act, 1861 read with the JP Manual, guards and police parties can be provided to departments of Central / State Governments, jails, Irrigation Department, river valley projects, State electricity board, commercial undertakings of State and Central Governments, private individuals and non Government bodies on payment of cost.

Test check of records of office of five SSP/SPs⁹¹, revealed between December 2005 and March 2006 that police force was deployed for security of different

⁹¹ Bokaro, Gumla, Lohardaga, Palamu and Ranchi.

banks, offices, Excise Department, Electricity Department and other organisations, etc. between November 2000 and March 2005 but cost of Rs 1.28 crore for such deployment was neither assessed nor raised as detailed below:

Sl. No.	Name of Office	Name of Office to which deployed	Strength		Period of deployment	Police Cost assessable
			Havildar	Constable		
1.	S S P Ranchi	SBI Ranchi	1	5	15.11.2000 to 31.3.2005	25.53
		Union Bank, Kantatoli	1		15.11.2000 to 31.12.2000	0.14
		Union Bank, Bariyatu	2		15.11.2000 to 31.12.2000	0.28
		CB I office (Two Offices)	1 & 1	4 & 5	2001-2002 to 2004-2005	23.61
		CBI Malkhana	1	5	2001-2002 to 2004-2005	4.68
		DIG - CBI House guards	1	4	2001-2002 to 2004-2005	8.20
2.	S P Bokaro	United Bank of India	1	5	15.11.2000 to 31.03.2005	18.36
		SBI Chas Court	1	5	01.04.2004 to 31.03.2005	7.92
3	S P Palamu	Caustic Soda Factory, Rehla	1	5	27.11.2000 to 13.04.2001 21.10.2001 to 15.06.2002 01.01.2005 to 31.03.2005	21.35
			1	4	20.02.2003 to 01.03.2004	
		SBI Medninagar	1	5	27.11.2000 to 31.3.2005	17.35
4	S P Gumla	Excise Department	1	4	29.01.2004 to 03.02.2004	0.78
			1	9	16.02.2004 to 25.02.2004 26.3.2004 to 04.04.2004 06.06.2004 to 08.06.2004	
			-	6	17.01.2001 to 18.01.2001	
		Bank of India	-	5	11.04.2002	0.01
		Rural Engineering Works Division	1	4	05.03.2003	0.01
5	S P Lohardaga	Excise Department	1	5	30.9.2004 to 01.10.2004	0.05
			1	4	13.10.2004	
		Electricity Department	1	4	13.11.2003 to 14.11.2003 and 26.11.2003	0.04
					Total	128.31

8.2.12 *Non raising of demand for cost of deployment of JAP outside the State*

As per decision of Government of India, Ministry of Home Affairs circulated in September 1995 to all State Governments, the borrowing State should provisionally reimburse expenditure on armed police battalions on quarterly basis to the extent of Rs 50 lakh per quarter per battalion to be adjusted against actual dues on the basis of audited figures. The payment as per the aforesaid decision is required to be made within a period of one month from the close of the relevant quarter/ receipts of audited figures.

Test check of records of JAP IV, Bokaro revealed that armed police was deployed to Bihar State during the period from 2 May to 8 May 2004 but no demand for cost of deployment was raised. This resulted in non recovery of cost of Rs 2.31 lakh.

After this was pointed out in March 2006, Commandant stated in March 2006 that action was being taken in this regard. Further reply is awaited.

8.2.13 *Non raising of demand on account of leave salary and pension contribution*

Under the Police Act, 1861 read with JP Manual, the cost of deployment includes gross estimated pay and allowances, leave salary and pension contribution at prescribed rates.

Scrutiny of records of offices of SSP/SP, Bokaro and Ranchi revealed that while calculating the police cost realisable from different offices/bodies for deployment of police force between November 2000 and March 2005, demand of leave salary and pension contribution of Rs 2.99 lakh was not raised.

8.2.14 *Non revision of cost of deployment*

Under the provisions of the Police Act, 1861 read with JP Manual, Vol. I, the cost of deployment includes gross estimated pay and allowances, leave salary and pension contribution at prescribed rates, firearms, clothing charges and travelling allowances at eight *per cent* and contingencies charge at the rate of 10 *per cent*. Government prescribed rates in January 1993 for recovery of cost of deployment of police force effective from March 1989. Though, pay and allowance of Government employees were revised in January 1996 and rates of dearness allowance are also revised on 1 January and July every year, Government has not revised the rate of deployment cost of the staff after 1989.

In the office of eight SSP/SP^Φ, test check of records revealed between December 2005 and March 2006 that police force was provided to different banks and offices between November 2000 and March 2005. The deployment cost was calculated at rates prescribed by the State Government in March 1989. Keeping in view the revision of pay and allowances in 1996 and

^Φ Deoghar, Dhanbad, Gumla, Jamshedpur, Koderma, Lohardaga, Palamu and Ranchi.

dearness allowance from time to time as per above formula the Government had foregone revenue of Rs 1.09 crore[#] during the period from 15 November 2000 to March 2005, as Government has not revised the rate of deployment after 1989.

8.2.15 Deployment in contravention of extant rules

Under the provisions of the Police Act, 1861, police force can be deployed by SP as security guard to individuals on demand and on payment of cost in advance. By an order issued in May 1995, Government of Bihar prescribed the designation of persons such as CM, Ministers, MPs, MLAs, and Judges of High Court to whom guards in prescribed numbers were to be provided. The order prohibited deployment of bodyguards from JAP under any circumstance. Further, the State Government prescribed in March 2003 guidelines and scales for providing bodyguards. SP can provide police force as security guards to persons other than entitled persons for a period not exceeding one month on approval of district level committee.

8.2.15.1 Test check of records of JAP, Deoghar revealed that one JAP personnel was deputed as bodyguard to a non entitled person (ex MLA) in violation of Government order during the period from 15 November 2000 to 31 March 2005. The cost of deployment amounted to Rs 4.50 lakh. Government may consider fixing responsibility for violation of its orders. Besides, recovery of cost of Rs 4.50 lakh may be made.

8.2.15.2 Test check of records of the office of 11 SSP/SPs^Δ revealed that two ASI, seven havildars and 178 constables were deployed as personal security guards to ex-ministers, ex MPs, ex MLAs, ex MLCs, political leaders, businessmen and other non entitled persons during the period between November 2000 and March 2005 without obtaining sanction of committee constituted for this purpose. The cost of deployment amounted to Rs 4.51 crore. The department may take necessary steps to prevent recurrence of such omission in future.

After this was pointed out between December 2005 and April 2006 the SPs/Commandant stated between December 2005 and April 2006 that necessary action would be taken in the matter. Further reply has not been received (November 2006).

8.2.16 Non accountal/remittance of receipts

Under the provisions of the BF Rules, all transactions must be brought to accounts without delay. The controlling officer should see that the dues of Government are correctly and promptly assessed, collected and paid into treasury. Under the provisions of JP Manual, any person requiring the services of police personnel for services which are not within the ordinary duty of the

[#] Calculated on the basis of pay and allowances revised on 1 January 1996 and dearness allowance from time to time.

^Δ Bokaro, Deoghar, Dhanbad, Dumka, Gumla, Hazaribag, Jamshedpur, Koderma, Lohardaga, Palamu and Ranchi.

police should be charged fee in advance. All revenue should be remitted to treasury immediately and may not be appropriated towards current expenditure.

8.2.16.1 Test check of records of five SP offices^Φ revealed between March and May 2006 that a sum of Rs 28.83 lakh being the cost of police deployed as escorts/ guards between November 2000 and March 2005 was deposited into treasury directly by the persons utilising services of police personnel during the said period and copies of challans were submitted in the offices. But the amount was not accounted for by the controlling officers in their cash books. This reflects failure of the controlling officers in ensuring that all Government revenue has been properly accounted for and reconciled with treasuries.

After this was pointed out in March and April 2006, the SPs stated between March and May 2006 that the matter would be examined; further reply is awaited (November 2006).

8.2.16.2 As per modified provisions made under Appendix 59 (special note) of the JP Manual, recoveries of expenditure on police force incurred by the department for deployment for a private party, another department/ organisation or other State Government should in all cases be treated as revenue receipts of Government rendering such services or supplies. All the recoveries made by Police Department on this accounts is required to be credited under 0055- Police.

Scrutiny of records of JAP, Ranchi, revealed in December 2005 that Rs 39.48 lakh realised between November 2000 and March 2005 on account of use of JAP campus for installation of commercial hoardings, utilising playground for athletic meets, display of JAP band during private ceremonies and petrol pump located in JAP campus and run by JAP was credited to JAP Amenity Fund instead of revenue account which is contrary to the instructions.

After this was pointed out, the Deputy Commandant stated in December 2005 that the matter would be examined; further reply was awaited (November 2006)

8.2.17 *Non disposal of condemned departmental vehicles—blockage of revenue*

Under the provisions of Bihar Financial Rules, obsolete, surplus or unserviceable stores are to be disposed of by sale or otherwise, under the orders of the competent authority.

According to statement of condemned departmental vehicles furnished by DGP, 612 condemned vehicles were lying undisposed under the jurisdiction of SP offices. The years of their make and their condemnation were not made available by DGP. The reserve price of the condemned vehicles, if any, fixed

^Φ Bokaro, Dhanbad, Gumla, Hazaribag and Palamu.

by the department was also not made available to audit. No action to auction these vehicles was taken.

Condemned departmental vehicles were kept in open space in the police stations. This leads to pilferage and natural decay. Effective steps may be taken for early disposal of such vehicles.

8.2.18 Conclusion

The department failed to enforce proper maintenance of important registers and submission of periodical reports and returns for monitoring deployment of police personnel to other departments etc. and cost recoverable in lieu thereof. This indicated absence of internal control mechanism to ensure timely recovery of cost of deployment. The mechanism for assessment, raising of demand, collection and remittance of police receipts into Government account was deficient leading to non/short/incorrect raising of demand and non accountal/remittance of receipts into Government account. Deployment of police force was made in contravention of Act/orders issued by Government. No follow up action to realise arrears pertaining to the period prior to formation of the State and thereafter was taken by the department.

8.2.19 Acknowledgement

Audit findings as a result of test check of records were reported to Government in May 2006 with a specific request to attend the meeting of the Audit Review Committee (ARC) for Police Receipts. A meeting of the ARC was held on 17 August 2006. The Secretary, Home Department accepted the audit observations and agreed to take corrective measures on the points raised.

FOREST RECEIPTS

8.3 Non raising of demand for net present value and cost of compensatory afforestation

Under the provisions of the Forest Conservation Act, 1980, no forest land shall be diverted for non forest purposes without prior approval of Government of India. In case forest land is used for non forest purposes, net present value (NPV) and cost of compensatory afforestation is to be recovered from the user agency. Further, in case forest land is unauthorisedly utilised, penal NPV and cost of compensatory afforestation are to be recovered from the user agencies.

Scrutiny of records of divisional forest officer (DFO), Ranchi East Forest Division, Ranchi for the period 2004-05 revealed in February 2006 that in violation of Forest Conservation Act, nine hectares of forest land at Churi underground project were utilised by Central Coalfields Limited (CCL). The department though aware of the fact from August 1993, neither initiated any

action to stop illegal utilisation of forest land nor raised demand for penal NPV and cost of compensatory afforestation against CCL. This resulted in non raising of demand of Rs 1.10 crore.

After this was pointed out in February 2006, the DFO stated in February 2006 that the case would be reviewed and proposal for diversion of forest land had been submitted by user agency and was under process. Further reply has not been received (November 2006).

The case was reported to Government in April 2006, their reply has not been received (November 2006).

8.4 Blockage of revenue due to non disposal of seized forest produce

Under the provisions of the Indian Forest Act, 1927 and instructions issued by the Principal Chief Conservator of Forest (PCCF) Bihar, Ranchi in July 1996, seized forest produce involved in court cases is required to be disposed of immediately after obtaining court order to avoid natural decay. Revenue realised is to be deposited as per direction of the court.

In five forest divisions* it was noticed between July 2005 and February 2006 that during 2002-03 and 2004-05, in 140 cases, forest produce valued at Rs 34.71 lakh was seized and the cases were forwarded to the court for trial. The seized forest produces were required to be disposed of after obtaining court orders. But the department did not initiate any action to obtain permission of the court for disposal of seized material. This resulted in blockage of revenue of Rs 34.71 lakh due to non disposal of seized forest produce.

After this was pointed out between April 2005 and February 2006, DFO South Forest Division, Chaibasa stated in July 2005 that all the cases have been sent to CJM Chaibasa and cases are pending in the court and DFO, Latehar Forest Division stated that proper action was being taken to dispose of the offence cases pending, while in other cases, DFOs stated between April 2005 and February 2006 that matter would be examined. The replies of DFOs are not tenable as the DFOs failed to obtain approval of the court for expeditious disposal of forest produce. Further reply has not been received (November 2006).

The cases were reported to Government in April 2006, their reply has not been received (November 2006).

* Chaibasa (South), Hazaribag (West), Latehar, Ranchi (East) and Saranda at Chaibasa,

WATER RATES

8.5 Non raising of demand of water rates


Under Bihar Irrigation Act, 1997 (Act II of 1998), the canal officer (executive engineer) may supply water for purposes other than those of irrigation on payment of water rates as prescribed by Government from time to time. Water may not be supplied without execution of an agreement for other than agriculture purpose.

In the office of the Executive Engineer (EE), Waterways Division, Ranchi it was noticed in March 2005 that during 2001-02 to 2002-03 the department supplied 8,187.69 crore gallons water to Jharkhand State Electricity Board and Public Health Engineering Department (PHED) Ranchi for non agricultural purposes from Getalsud dam. But the department did not raise any demand for supply of water. This resulted in non raising of demand of Rs 36.84 crore.

After this was pointed out in March 2005, the EE, Waterways Division, Ranchi stated in August 2006 that matter is under consideration. Further reply has not been received (November 2006).


The case was reported to Government in April 2006, reply has not been received (November 2006).

Ranchi
The


(Mukesh P Singh)
Accountant General (Audit)
Jharkhand

Countersigned

New Delhi
The


(Vijayendra N. Kaul)
Comptroller and Auditor General of India

APPENDIX-I
Application of incorrect rate of tax
(Referred to para no. 2.2.17)

(Rupees in lakh)

Sl. No.	Name of circle	Name & Regn. No. of the dealer	Period	Date of assessment	Commodity	Total value of sales	Rate of tax (per cent)		Short levy of tax
							leviable	levied	
1	Hazaribag	M/s Bharat Manufacturing Co. HZ-186 (R)	2003-04	12.2.2005	Somras & Madhuras	41.55	25	8	8.55
2	Sindri	M/s ACC Ltd. SD-72 (R)	2000-01	22.3.2005	Cement	47.33	11	7	2.10
3	Ranchi South	M/s CMC Ltd. RNS 1782 (R)	2001-02	2.5.2003	Computers	36.42	8	4	1.62
4	Giridih	M/s Shanti Commercial Company GD-176 (R)	1999-00 & 2000-01	7.1.2004 & 26.2.2005	Stabilisers	22.87	12	8	1.02
5	Tenughat	M/s Bharat Refractories Ltd. TG-528 (R)	2000-01	30.3.2005	Fire bricks	12.78	8	4	0.77
6	Ranchi West	M/s Waxpol Industries Ltd. RNW 1115 (R)	2000-01 & 2001-02	16.12.2003 & 4.10.2004	Brake fluid lubricant	259.94	16	9	20.22
7		M/s Ramjee Power Constrn Pvt. Ltd., RNW 1231 (R)	2002-03 & 2003-04	8.9.2004 & 22.3.2005	Transmission Tower	52.45	12	4	5.47
			2002-03 & 2003-04	8.9.2004 & 22.3.2005	Insulator	69.83	8	2	4.82
8		M/s Singh Brothers. RNW229 (R)	2001-02	21.7.2005	Job contract	74.57	8	0	7.45
9		M/s Kapoor Marketing P Ltd. RNW 304 (R)	2001-02 2002-03 2003-04	9.9.2003 21.7.2004 5.1.2005	Glazed tiles	169.02	13	10 & 8	7.09
10		M/s Indian Agency RNW 18 (R)	2003-04	22.2.2005	Cycle lock	57.71	8	4	2.56
11		M/s Reptakoss Brett Co. Ltd. RNW 2213 (R)	2001-02 & 2002-03	21.10. 2002 & 19.4. 2004	Food products	85.01	12	10	1.89
12	Adityapur	M/s Bebco Motors P Ltd. AP 149 (C)	2002-03	11.10. 2004	Toyota & Qualis Motor vehicles	121.65	12	4	12.82
13		M/s Narayan Minerals Products P Ltd. AP 1455 (R)	2001-02 & 2002-03	1.3.2005 & 1.3. 2005	Ferro Manganese etc.	1,591.02	10	8	35.35
14		M/s Bina metalway Ltd. AP 71 (R)	2001-02 & 2002-03	27.4.2004 & 18.3.2005	Processing work	161.64	8	0	16.14
15	Chaibasa	M/s TISCO Ltd, Nowamundi CB-19 (R)	2000-01	28.05.2004	Iron Ore	38.13	10	4	3.13
16	Bokaro	M/s Usha Service Station BK-3320 (R)	1998-99	20.3.2003	Petrol, Diesel & Lubricant	99.96	16	9	7.56
			1999-2000	5.12.2003	Petrol, Diesel & Lubricant	100	16	9	8.56
			2000-01	22.3.2005	Petrol, Diesel & Lubricant	100	15/16/20	9	11.79
Total						3,141.88			158.91

