GOVERNMENT OF BIHAR

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

ON

REVENUE RECEIPTS

Report No.3

For the year ended 31 March 2010

GOVERNMENT OF BIHAR

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PREFACE

This Report for the year ended 31 March 2010 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 2009-10 as well as those which came to notice in earlier years but could not be covered in previous reports.

OVERVIEW

This Report contains 26 paragraphs including two reviews relating to non/short levy of tax, interest etc. involving ₹ 977.82 crore. Some of the major findings are mentioned below:

I. General

Total receipts of the Government of Bihar for the year 2009-10 were ₹ 35,526.83 crore. The revenue raised by the State Government amounted to ₹ 9,760.09 crore comprising tax revenue of ₹ 8,089.67 crore and non-tax revenue of ₹ 1,670.42 crore. The receipts from the Government of India were ₹ 25,766.74 crore (States' share of divisible Union taxes: ₹ 18,202.58 crore and grants-in-aid: ₹ 7,564.16 crore). Thus, the State Government's own contribution to tax revenue was only 27 *per cent* of total revenue.

(Paragraph 1.1.1)

The number of inspection reports and paragraphs issued up to December 2010 but not settled by June 2010 stood at 4,150 and 21,968 respectively involving ₹ 7,876.02 crore. We are yet to receive even first replies for 1,577 IRs though these were required to be furnished within one month of their receipt.

(Paragraph 1.2.1)

We conducted test check of the records of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices during the year 2009-10 and observed underassessment /short levy/loss of revenue of ₹ 2,399.68 crore in 2,092 cases. During the year 2009-10, the concerned Departments accepted underassessments and other deficiencies of ₹ 1,784.41 crore involved in 1,892 cases.

(Paragraph 1.5.1)

II. Commercial Taxes

In 10 commercial taxes circles, suppression of sales/purchase turnover of ₹ 766.96 crore by 17 dealers resulted in underassessment of tax of ₹ 610.40 crore including leviable penalty.

(Paragraph 2.10)

Irregular claim of ITC by the dealers in two commercial taxes circles resulted in excess allowance of ITC of ₹ 137.17 crore including leviable penalty.

(Paragraph 2.11)

Non-detection of application of incorrect rates of tax in seven commercial taxes circles resulting in short levy of tax of ₹ 28.51 crore including interest and leviable penalty.

(Paragraph 2.12)

In Patna West commercial taxes circle, though the interstate stock transfer of goods valued at ₹ 19.09 crore was not supported by the prescribed declaration

forms, tax was levied at lower rate. This resulted in short levy of tax of ₹ 84.62 lakh.

(Paragraph 2.16)

Suppression of import/purchase of scheduled goods of ₹ 238.39 crore by five dealers registered in five commercial taxes circles resulted in short levy of entry tax of ₹ 56.58 crore including leviable penalty and interest.

(Paragraph 2.21)

III. State Excise

A review on **'Levy and Collection of State Excise Revenue'** indicated the following deficiencies.

- Due to non/delayed settlement of excise shops coupled with non-operation of shops by the Department/through BSBCL, the Government sustained a loss of ₹ 134.29 crore in the shape of licence fee.

(Paragraph 3.6.9.1 and 3.6.9.2)

- Due to absence of a mechanism of periodic review of shop-wise lifting of liquor against allotted MGQ, short lifting of liquor by the licensees remained unnoticed leading to a loss of Government revenue of ₹ 94.61 crore.

(Paragraph 3.6.10)

- Due to delayed institution of certificate proceedings for recovery of arrears, there was loss of revenue of ₹ 3.14 crore in the shape of interest.

(Paragraph 3.6.12.2)

- The internal audit was weak as evidenced by the low quantum of departmental inspection, non-maintenance of registers and lack of internal audit.

(Paragraph 3.6.13)

IV. Taxes on motor vehicles

In 26 district transport offices, tax dues of ₹ 19.52 crore (including penalty) pertaining to 751 transport vehicles for the period between July 2002 and June 2009 were neither paid by the vehicle owners nor action was taken towards realisation of dues by the concerned DTOs.

(Paragraph 4.8)

In three district transport offices, CFs issued to 14 transport vehicles without ensuring up-to-date payment of tax resulted in non-realisation of tax of ₹ 54.76 lakh including penalty. Besides, plying of these vehicles without proper inspection was fraught with the risk of causing damage to public life and property.

(Paragraph 4.10)

In four district transport offices, 7,498 professional driving licences were granted to ineligible persons which resulted in loss of revenue of ₹ 15.75 lakh and also involved road safety concerns.

(Paragraph 4.11)

V. Other Tax Receipts

A review on **'Levy and Collection of Stamp Duty and Registration Fee'** indicated the following deficiencies.

- Lack of co-ordination between the Registration Department and other public offices resulted in non-levy of stamp duty and registration fee of ₹ 1.42 crore in test checked districts during 2004-05 to 2008-09.

(Paragraph 5.2.8)

- Due to pendency in the disposal of referred cases and non-pursuance of the execution of deeds, the deficit stamp duty from finalised, referred and impounded cases could not be realised, leading to consequential blocking of Government revenue of ₹ 8.57 crore.

(Paragraph 5.2.10)

- The internal audit was weak as evidenced by the low quantum of departmental inspections and absence of internal audit.

(Paragraph 5.2.12)

VI. Non-Tax Receipts

In 14 district mining offices, failure to call for copies of form 'M' and 'N' from the concerned Works Departments for verification and detection of the cases of mining from other than legal sources resulted in non-levy of penalty of ₹ 23.92 crore during 2008-09.

(Paragraph 6.3)

In five district mining offices, 230 brick kilns were operated during the brick season 2008-09 without/partial payment of the consolidated royalty which resulted in non/short levy of royalty of ₹ 1.12 crore.

(Paragraph 6.4.1)

In five irrigation divisions, *khatiani* for one lakh hectares of *kharif* and 0.45 lakh hectares of *rabi* crops land irrigated during 2007-08 and 2008-09 were not prepared by the divisions. This resulted in non-raising of demand and non-collection of water rates of ₹ 2.51 crore.

(Paragraph 6.8)

CHAPTER-I
GENERAL

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. no.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	**Revenue raised by the State Government**					
	° Tax revenue	3,561.10	4,033.08	5,085.53	6,172.74	8,089.67
	° Non-tax revenue	522.30	511.28	525.59	1,153.32	1,670.42
	Total	**4,083.40**	**4,544.36**	**5,611.12**	**7,326.06**	**9,760.09**
2.	**Receipts from the Government of India**					
	° Share of net proceeds of divisible Union taxes and duties	10,420.59	13,291.72	16,766.29	17,692.51	18,202.58
	° Grants-in-aid	3,332.72	5,247.11	5,831.67	7,962.12	7,564.16
	Total	**13,753.31**	**18,538.83**	**22,597.96**	**25,654.63**	**25,766.74**
3.	**Total revenue receipts of the State Government[1] (1 and 2)**	**17,836.71**	**23,083.19**	**28,209.08**	**32,980.69**	**35,526.83**
4.	**Percentage of 1 to 3**	**23**	**20**	**20**	**22**	**27**

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 9,760.09 crore) was 27 *per cent* of the total revenue receipts against 22 *per cent* in the preceding year. The balance 73 *per cent* of receipts during 2009-10 was from the Government of India. Though the total

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[1] For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2009-10. 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, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Minor Head – 901 - Share of net proceeds assigned to the State booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

revenue receipts of the State increased in 2009-10 compared to 2008-09 from ₹ 32,980.69 crore to ₹ 35,526.83 crore, the grants-in-aid received from the Government of India decreased by ₹ 397.96 crore in 2009-10. The overall increase of 33.22 *per cent* in revenue raised by the State Government (₹9,760.09 crore) during 2009-10 as compared to ₹ 7,326.06 crore during 2008-09 was mainly due to a 31.05 *per cent* increase in tax revenue and a 44.84 *per cent* increase in non-tax revenue as detailed in paragraphs 1.1.2 and 1.1.3. The trend of increase of revenue raised by the State is required to be maintained in subsequent years.

1.1.2 The following table presents the details of tax revenue raised during the period 2005-06 to 2009-10.

(₹ in crore)

Sl. no.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Taxes/VAT on sales, trade *etc.*	1,733.60	2,081.49	2,534.80	3,016.47	3,839.29	(+) 27.28
2.	State excise	318.59	381.93	525.42	679.14	1,081.68	(+) 59.27
3.	Stamp duty and registration fees						
	Stamps-judicial	505.29	455.02	654.15	716.19	53.81	(+) 39.33
	Stamps – non-judicial					708.62	
	Registration fees					235.47	
4.	Taxes and duties on electricity	18.06	62.84	64.05	67.62	66.63	(-) 1.46
5.	Taxes on vehicles	302.44	181.38	273.21	297.74	345.13	(+) 15.92
6.	Taxes on goods and passengers - tax on entry of goods into local areas	613.38	783.01	937.87	1,279.41	1,613.16	(+) 26.09
7.	Land revenue	55.02	74.65	82.10	101.74	123.96	(+) 21.84
8.	Other taxes and duties on commodities and services	14.72	12.76	13.93	14.43	21.92	(+) 51.91
	Total	**3,561.10**	**4,033.08**	**5,085.53**	**6,172.74**	**8,089.67**	**(+) 31.05**

The Departments concerned reported the following reasons for variation in collection of tax revenue in 2009-10 as compared to the year 2008-09:

State Excise: The increase (59.27 *per cent*) was due to increase in the number of retail excise shops settled under the new excise policy.

Stamp duty and registration fees: The increase (39.33 *per cent*) was due to the revision of the minimum value register of the urban areas of the State with effect from April 2009.

The other Departments did not inform (December 2010) the reasons for variation, despite being requested (between May and August 2010).

1.1.3 The following table presents the details of non-tax revenue raised during the period 2005-06 to 2009-10.

(₹ in crore)

Sl. no.	Head of Revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	216.07	175.99	170.71	304.57	353.27	(+) 15.99
2.	Forestry and wildlife	8.89	6.35	6.64	6.15	6.78	(+) 10.24
3.	Non-ferrous mining and metallurgical industries	100.90	127.65	178.66	245.00	319.93	(+) 30.58
4.	Miscellaneous general services	11.77	20.88	3.02	385.82	770.28	(+) 99.65
5.	Major and Medium irrigation	10.82	10.95	9.67	10.64	14.80	(+) 39.10
6.	Medical and public health	15.10	17.52	21.07	17.25	14.08	(-) 18.38
7.	Fisheries	5.69	6.09	6.57	6.87	7.87	(+) 14.56
8.	Roads and bridges	12.05	16.75	17.95	26.40	30.02	(+) 13.71
9.	Police	6.00	10.53	23.47	9.44	11.89	(+) 25.95
10.	Other administrative services	34.21	20.28	12.00	8.09	9.42	(+) 16.44
11.	Other non-tax receipts	100.80	98.29	75.83	133.09	132.08	(-) 0.76
	Total	**522.30**	**511.28**	**525.59**	**1,153.32**	**1,670.42**	**(+) 44.84**

The reason for increase (30.58 *per cent*) under **'Non-ferrous mining and metallurgical industries'** as reported by the concerned Department was due to increase in the auction amount of sand *ghats*.

The other Departments did not inform (December 2010) the reasons for variation, despite being requested (between May and August 2010).

1.2 Response of the Departments/Government towards audit

1.2.1 Inaction on the part of senior officials to enforce accountability and protect the interest of the State Government

The PAG (Audit) Bihar conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to

the next higher authorities for taking prompt corrective action. The heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

A review of inspection reports issued upto December 2009 disclosed that 21,968 paragraphs involving ₹ 7,876.02 crore relating to 4,150 IRs remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years:

	June 2008	June 2009	June 2010
Number of outstanding IRs	3,564	3,855	4,150
Number of outstanding paragraphs	18,997	20,552	21,968
Amount involved (₹ in crore)	4,358.62	5,009.24	7,876.02

The Department-wise details of the IRs and paragraphs outstanding as on 30 June 2010 and the amounts involved are mentioned in the following table:

Sl. no.	Name of the Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance (Commercial taxes)	Taxes/VAT on sales, trade *etc.*	540	5,315	2,571.82
		Entry tax	143	288	116.70
		Electricity duty	21	25	16.74
		Entertainments tax, luxury tax, *etc.*	13	19	0.54
2.	Excise	State excise	376	1,948	805.13
3.	Revenue	Land revenue	1,505	6,518	773.55
4.	Transport	Taxes on motor vehicles	427	3,142	1,230.58
5.	Registration	Stamps and registration fees	414	1,152	183.79
6.	Mines and geology	Non-ferrous mining and metallurgical industries	298	1,938	850.57
7.	Environment and forest	Forestry and wild life	140	548	593.73
8.	Water resources	Water rates	217	941	689.51
9.	Cane	Sugar cane	56	134	43.36
Total			4,150	21,968	7,876.02

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 1,577 IRs issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

We recommend that the Government take suitable steps to install an effective procedure for prompt and appropriate response to audit paragraphs as well as initiate action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules and who fail to take action to recover loss/outstanding demand in a time bound manner.

1.2.2 Departmental audit committee meetings

The Government set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Taxes on sales, trade *etc.*/VAT	5	311	13.90
Land revenue	3	89	4.11
Total	**8**	**400**	**18.01**

As against 5,315 outstanding paragraphs with revenue impact of ₹ 2,571.82 crore in respect of taxes on sales, trade etc./VAT, only 311 paragraphs involving ₹ 13.90 crore (0.54 *per cent*) and in land revenue only 89 paragraphs involving ₹ 4.11 crore (0.53 *per cent*) against 6,518 outstanding paragraphs involving ₹ 773.55 crore could be settled through Departmental audit committee meetings. No such meetings could be held for the State excise and Transport Departments during the year 2009-10 despite being requested.

The Government may take suitable steps to hold regular Departmental audit committee meetings for the settlement of outstanding IRs/paragraphs.

1.2.3 Non-production of records to Audit for scrutiny

The programme of local audit of various tax/revenue receipts offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the concerned Department to enable it to keep the relevant records ready for audit scrutiny.

During 2009-10, 186 tax assessment records/other records relating to 41 offices pertaining to eight revenue heads were not made available to audit. In none of these cases the revenue involved could be ascertained. Year wise breakup of these cases is given in **Annexure-I.**

1.2.4 Response of the Departments to the draft audit paragraphs

The Department of Finance issued directions (August 1967) to all the Departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The PAG forwards the draft paragraphs to the Secretaries of the concerned Departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments is invariably indicated at the end of each paragraph included in the Audit Report.

Twenty four draft paragraphs and two reviews included in this Report for the year ended 31 March 2010 were forwarded to the Secretaries of the concerned Departments between May and September 2010 through demi-official letters. The Secretaries of the various Departments sent replies to the two reviews, 12 draft paragraphs and partial replies to five draft paragraphs while replies to seven draft paragraphs have not been received. These have been included in this Report without the response of the Government/Departments.

1.2.5 Follow-up on Audit Reports

The Departments of the Government are required to prepare detailed explanations (Departmental notes) on the audit paragraphs and send it to the Public Accounts Committee within three months of an Audit Report being presented to the State Legislature.

We reviewed the position and found that as of October 2010, 12 Departments had not furnished the Departmental notes in respect of 161 paragraphs included in the Audit Reports for the years between 1990-91 and 2008-09 for vetting. The delay ranged from one month to over 16 years as mentioned below:

Sl. no.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which Departmental notes were due	Number of paragraphs for which Departmental notes were due	Delay in months
1.	Finance	2003-04 to 2004-05	December 2005 to March 2006	March 2006 to June 2006	2	52 to 55
2.	Finance (Commercial taxes)	1993-94, 2000-01 to 2008-09	December 1995, December 2003 to July 2010	March 1996, March 2004 to October 2010	22	1 to 175
3.	State excise	1990-91 to 2008-09	March 1994 to July 2010	June 1994 to October 2010	48	1 to 196
4.	Revenue and land reforms	2005-06 to 2008-09	July 2007 to July 2010	October 2007 to October 2010	22	1 to 36

5.	Registration	1996-97, 2000-01, 2002-03 to 2006-07, 2008-09	July 1998, December 2003, December 2004 to March 2008, July 2010	October 1998, March 2004, March 2005 to June 2008, October 2010	9	1 to 144
6.	Transport	1996-97, 1998-99, 2000-01 to 2008-09	July 1998, July 2000, December 2003 to July 2010	October 1998, October 2000, March 2004 to October 2010	5	1 to 144
7.	Mines and geology	2000-01 to 2008-09	December 2003 to July 2010	March 2004 to October 2010	24	1 to 79
8.	Forest and environment	2000-01 to 2007-08	December 2003 to July 2009	March 2004 to October 2009	9	12 to 79
9.	Water resources	1994-95 to 1998-99, 2000-01, 2002-03 to 2008-09	July 1996 to July 2000, December 2003, December 2004 to July 2010	October 1996 to October 2000, March 2004, March 2005 to October 2010	15	1 to 168
10.	Home (Police)	1998-99 and 2005-06	July 2000 and July 2007	October 2001 and October 2007	2	36 to 120
11.	Urban development	1997-98	August 1999	November 1999	1	131
12.	Agriculture	2005-06	July 2007	October 2007	2	36
Total					**161**	

The delay in submission of Departmental notes is indicative of the fact that the heads of the offices/Departments did not take prompt action on the important issues highlighted in the Audit Reports that involved large sums of unrealised revenue, the recovery of some of which could be barred by limitation now.

1.2.6 Compliance with the earlier Audit Reports

During the years between 2004-05 and 2008-09, the Departments/Government accepted audit observations involving ₹ 1,253.37 crore of which an amount of ₹ 4.25 crore only was recovered as on 31 March 2010 as mentioned below:

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2004-05	176.92	56.63	0.67
2005-06	304.68	8.07	1.26
2006-07	206.42	61.40	0.82
2007-08	523.80	417.49	1.48
2008-09	838.92	709.78	0.02
Total	**2,050.74**	**1,253.37**	**4.25**

The concerned Departments did not inform (December 2010) the up-to-date position of recovery, despite being requested (between May and August 2010).

1.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Inspection Reports/Audit Reports in respect of **Mines and Geology Department** was evaluated. The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Department to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 1999-2000 to 2008-09.

1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on November 2010 are tabulated below:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1999-2000	282	1,671	23.25	7	40	174.26	15	80	49.61	274	1,631	147.90
2000-01	274	1,631	147.90	10	52	14.58	-	-	-	284	1,683	162.48
2001-02	284	1,683	162.48	15	66	32.63	-	157	88.00	299	1,592	107.11
2002-03	299	1,592	107.11	17	113	21.22	-	26	0.04	316	1,679	128.29
2003-04	316	1,679	128.29	17	93	87.54	-	-	-	333	1,772	215.83
2004-05	333	1,772	215.83	20	125	99.46	-	-	-	353	1,897	315.29
2005-06	353	1,897	315.29	16	80	36.20	-	-	-	369	1,977	351.49
2006-07	369	1,977	351.49	7	93	99.33	212	894	14.88	164	1,176	435.94
2007-08	164	1,176	435.94	34	77	51.48	-	3	0.003	198	1,250	487.42
2008-09	198	1,250	487.42	51	220	93.47	3	10	1.66	246	1,460	579.23

In view of heavy accumulation of pending IRs/paragraphs, the responsibility of disposal of pending IRs and paragraphs upto the year 1995-96 was left to the Department (August 2006) except in cases of outstanding draft paragraphs, reviews, cases pending in courts and cases of defalcation in which the final decision rests with the Public Accounts Committee/Hon'ble Courts.

1.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Report

1.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department are mentioned below:

(₹ in crore)

Year of AR	Number of paragraphs included in AR	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs
1999-2000	3	127.98	1 (Partially)	0.21
2000-01	2	9.57	Nil	Nil
2001-02	3	10.83	Nil	Nil
2002-03	5	21.16	2	5.40
2003-04	3	9.44	2	9.36
2004-05	2	2.69	Nil	Nil
2005-06	2	6.51	1	2.04
2006-07	1	38.32	1 (Partially)	26.21
2007-08	4	2.38	2	0.46
2008-09	2	2.00	2 (Partially)	1.31
Total	**27**	**230.88**	**11**	**44.99**

The above table shows that out of ₹ 230.88 crore involved in 27 paragraphs included in the Audit Reports for the years 1999-2000 to 2008-09, the Government/Department accepted ₹ 44.99 crore involved in 11 paragraphs against which no recovery could be effected.

The Government/Department may take effective steps for recovery of Government revenue.

1.3.2.2 Action taken on the recommendations accepted by the Departments/Government

The draft performance reviews conducted by the PAG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

Two reviews containing nine recommendations were featured in the Audit Reports 2001-02 and 2006-07 on receipts of Mines and Geology Department. We are yet to receive any reply regarding acceptance of the recommendations and action taken thereon (December 2010).

Year of AR	Name of the review	Number of recommendations	Details of the recommendations accepted	Status
2001-02	Mineral Receipts	4	Reply of the Government/Department awaited	-
2006-07	Receipts from mines and minerals	5	Reply of the Government/Department awaited	-

1.4 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration *i.e.* budget speech, White Paper on State finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years *etc.*

During the year 2009-10, the audit universe comprised of 1,012 auditable units, of which we planned and audited 271 units during the year 2009-10 which was 26.78 *per cent* of the total auditable units. The details are shown in **Annexure-II**.

Besides the compliance audit mentioned above, we also conducted two performance reviews to examine the efficacy of the tax administration of these receipts.

1.5 Results of audit

1.5.1 Position of local audit conducted during the year

We conducted test check of the records of 271 units of commercial taxes, State excise, motor vehicles, forest and other Departmental offices during the year 2009-10 and observed underassessment/short levy/loss of revenue of ₹ 2,399.68 crore in 2,092 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 1,784.41 crore involved in 1,892 cases of which 1,774 cases involving ₹ 1,732.70 crore were pointed out in audit during 2009-10 and the rest in the earlier years. The Departments collected ₹ 0.67 crore in 119 cases during 2009-10.

1.5.2 This Report

This report contains 24 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in the earlier reports) and two performance reviews on 'Levy and collection of State excise revenue' and 'Levy and collection of stamp duty

and registration fee' relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 977.82 crore. The Departments/Government have accepted audit observations involving ₹ 96.16 crore out of which ₹4.49 lakh has been recovered. The replies in the remaining cases have not been received (December 2010). These paragraphs/reviews are discussed in the succeeding chapters II to VI.

CHAPTER-II
COMMERCIAL TAXES

CHAPTER-II: COMMERCIAL TAXES

2.1 Tax administration

The collection of commercial taxes[1] in the State is administered by the Finance (Commercial Taxes) Department which is headed by the Commissioner of Commercial Taxes (CCT). In the exercise of his functions, the CCT is assisted by six Additional Commissioners and three Joint Commissioner of Commercial Taxes (JCCT) at the headquarters level. At the field level for administrative convenience, the State is divided into nine[2] administrative divisions, seven appeal divisions[3] and four audit divisions[4] each headed by a JCCT. The nine administrative divisions are further sub-divided into 50 circles each headed by a Deputy Commissioner Commercial Taxes (DCCT)/Assistant Commissioner Commercial Taxes (ACCT) assisted by Commercial Taxes Officers. The circle is the basic activity centre of the Department for actual tax collection.

2.2 Trend of receipts

2.2.1 Taxes on sales, trade *etc.*/VAT

The variation between Budget estimates (BEs) and actual receipts from taxes on sales, trade etc./VAT during the period 2005-06 to 2009-10 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual Sales tax/VAT receipts vis-a-vis total tax receipts
2005-06	2,356.31	1,733.60	(-) 622.71	(-) 26.43	3,561.10	48.68
2006-07	2,364.67	2,081.49	(-) 283.18	(-) 11.98	4,033.08	51.61
2007-08	2,879.93	2,534.80	(-) 345.13	(-) 11.98	5,085.53	49.84
2008-09	2,937.72	3,016.47	78.75	2.68	6,172.74	48.87
2009-10	3,948.03	3,839.29	(-) 108.74	(-) 2.75	8,089.67	47.46

The above table indicates that the percentage of actual sales tax/VAT receipts in comparison to the total tax receipts of the State consistently decreased from the year 2006-07 to 2009-10.

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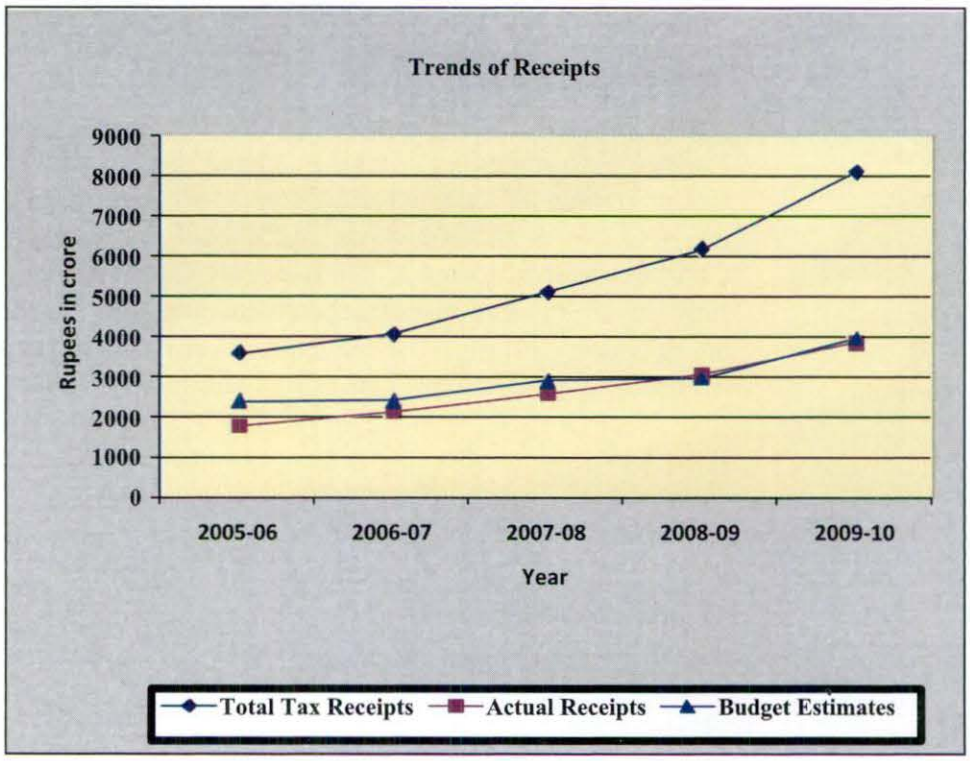
1 Commercial taxes include taxes on sales, trade etc./VAT, entry tax, electricity duty and entertainment tax.

2 Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

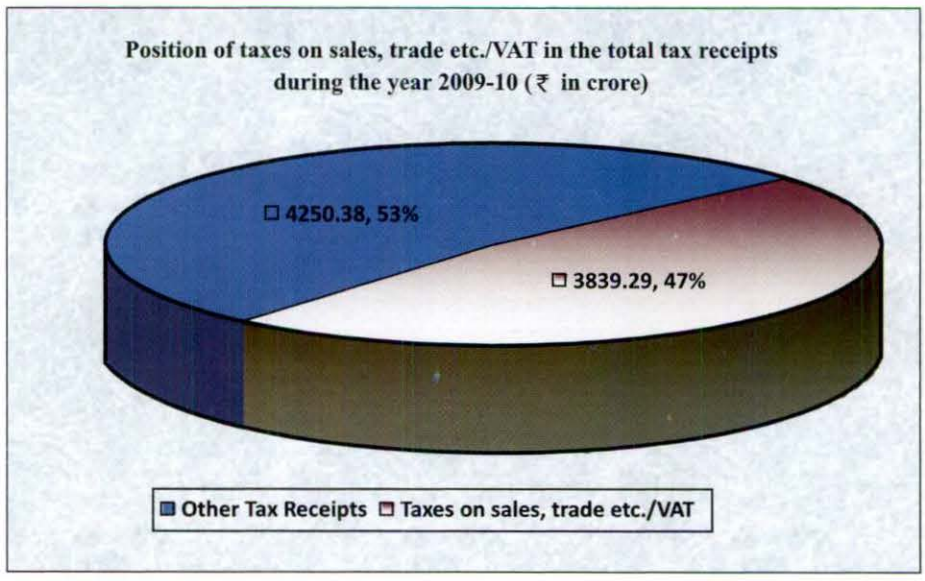
3 Bhagalpur, Central, Darbhanga, Magadh, Patna, Purnea and Tirhut.

4 Bhagalpur, Magadh, Patna and Tirhut.

The trend of receipts vis-á-vis the BEs and total tax receipts is given in the following graph:



The chart below depicts the contribution of taxes on sales, trade etc./VAT receipts to the total tax receipts (₹ 8,089.67 crore) of the State during 2009-10:



2.2.2 Entry tax

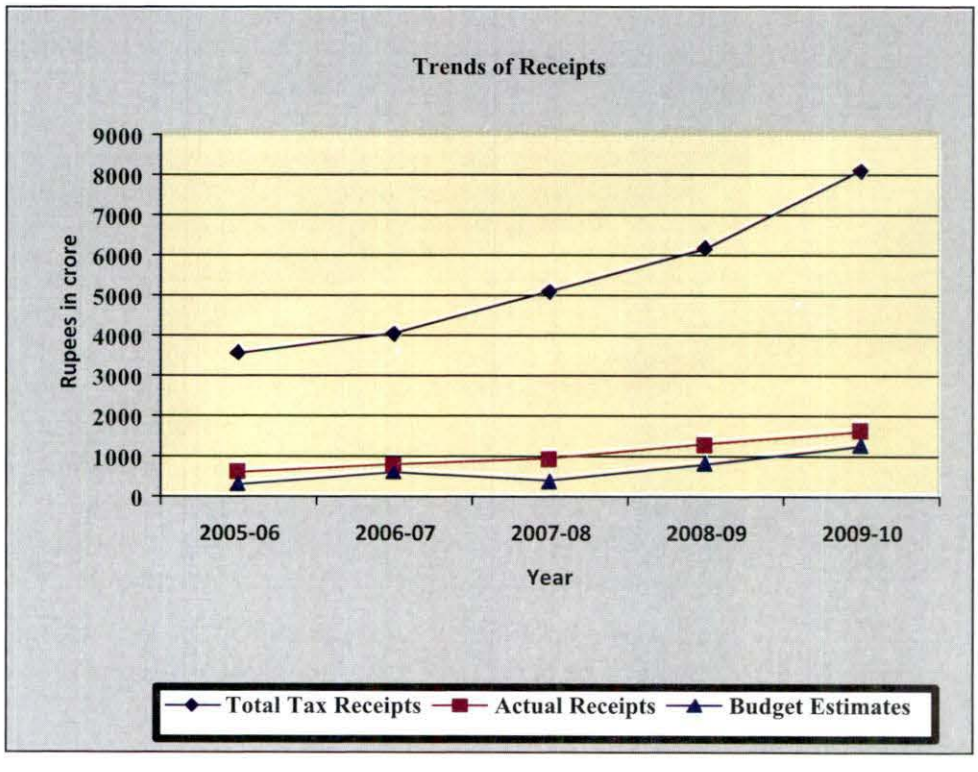
The variation between BEs and actual receipts from entry tax during the period 2005-06 to 2009-10 along with the total tax receipts during the same period is mentioned in the following table:

(₹ in crore)

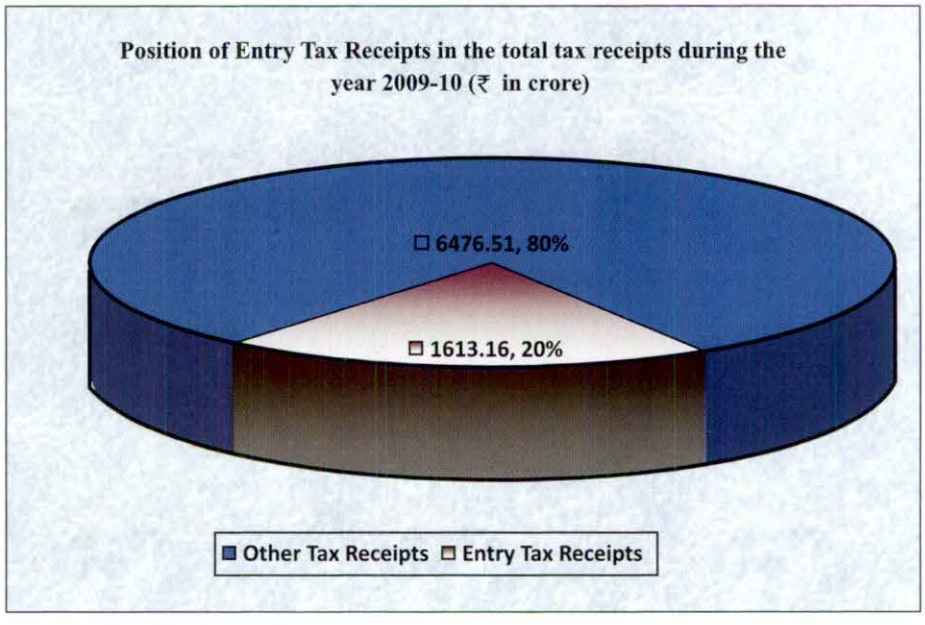
Year	Budget estimates	Actual receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual entry tax receipts vis-a-vis total tax receipts
2005-06	312.00	613.38	301.38	96.60	3,561.10	17.22
2006-07	603.64	783.01	179.37	29.71	4,033.08	19.41
2007-08	381.33	937.87	556.54	145.95	5,085.53	18.44
2008-09	825.00	1,279.41	454.41	55.08	6,172.74	20.73
2009-10	1,270.00	1,613.16	343.16	27.02	8,089.67	19.94

The above table indicates that there was no consistency in the actual receipts against BEs during 2005-06 to 2009-10. The percentage of actual entry tax receipts in comparison to the total tax receipts of the State declined in 2007-08 and 2009-10 over 2006-07 and 2008-09 respectively.

The trend of receipts vis-á-vis the BEs and total tax receipts is given in the graph below:



The following chart depicts the contribution of entry tax receipts to the total tax receipts (₹ 8,089.67 crore) of the State during 2009-10.



2.3 Analysis of arrears of revenue

The arrears of revenue in respect of commercial taxes as on 31 March 2010 amounted to ₹ 1,358.78 crore of which ₹ 330.19 crore was outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2005-06	715.05	215.82	916.01
2006-07	916.01	212.21	994.17
2007-08	994.17	196.01	963.83
2008-09	963.83	168.66	1,007.25
2009-10	1,007.25	112.15	1,358.78

The above table shows that the arrears of revenue in respect of commercial taxes sharply increased in 2009-10 in comparison to 2008-09, while the collection decreased consistently during the period 2006-07 to 2009-10.

The Government may take suitable steps to arrest this downward slide in collection of arrears of revenue against increasing trend of accumulation of arrears.

2.4 Assessee profile

As reported by the Department the total number of registered dealers in the State during 2009-10 was 1,76,788 of which 50,211 dealers were taxpayers.

The Department did not furnish (December 2010) any other information in respect of dealers, such as number of large tax payers, small dealers, number of dealers required to file returns, number of returns received and action taken by the Department against dealers who had failed to furnish returns etc., despite being requested between August and October 2010.

2.5 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade *etc.*/VAT during the year 2009-10 and the corresponding figures for the preceding four years as furnished by the Finance (Commercial Taxes) Department is mentioned in the following table:

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department	Net collection as per Finance Accounts	Percentage of column 3 to 8
1	2	3	4	5	6	7	8	9
Taxes on sales, trade *etc.*/ VAT	2005-06	1,664.13	69.92	0.89	17.36	1,716.70	1,733.60	95.99
	2006-07	2,002.62	81.25	2.81	11.96	2,071.92	2,081.49	96.21
	2007-08	2,537.11	39.86	2.24	38.00	2,538.97	2,534.80	100.09
	2008-09	3,049.18	54.22	1.04	38.92	3,065.52	3,016.47	101.08
	2009-10	3,793.15	50.25	1.40	19.86	3,823.54	3,839.29	98.80

Thus, the percentage of tax collected before regular assessment consistently increased over the period 2005-06 to 2008-09. This, however, decreased by 2.28 *per cent* during 2009-10 over the previous year.

2.6 Impact of audit

Revenue impact

During the period 2004-05 to 2008-09, we have, through our inspection reports, pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation *etc.*, with revenue implication of ₹ 1,216.89 crore in 2,288 cases in respect of taxes on sales, trade *etc.*/VAT. Of these, the Department/Government had accepted audit observations in 271 cases involving ₹ 644.13 crore. The recovery, however, was just ₹ 1.48 crore as shown in the following table:

(₹ in crore)

Year	No. of units audited	Objected		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	33	576	142.82	25	10.82	1	0.01
2005-06	48	460	30.32	58	12.29	54	1.25
2006-07	40	365	62.82	76	2.12	Nil	Nil
2007-08	36	479	315.60	70	2.64	-	0.14
2008-09	41	408	665.33	42	616.26	15	0.08
Total	**198**	**2,288**	**1,216.89**	**271**	**644.13**	**70**	**1.48**

This negligible recovery of ₹ 1.48 crore (0.23 *per cent*) against accepted cases involving ₹ 644.13 crore indicates lack of promptness on the part of the Government/Department in recovering the Government dues.

We recommend that the Government take appropriate steps to recover the amount involved, at least in accepted cases.

2.7 Working of internal audit wing

The internal audit wing called Finance (Audit) works under the Finance Department. The internal audit of the different offices of the Government is conducted on the basis of requisitions received from the administrative Departments. Generally an audit team of Finance (Audit) comprises of three members, one being the head of the team. Taking into consideration the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. In Finance (Commercial Taxes) Department, there were four audit divisions responsible for ascertaining the correctness of accounts maintained by the dealers selected by the CCT.

The Department did not furnish information regarding the number of offices due for audit, audit conducted, number of observations issued and the amounts involved, to us.

2.8 Results of audit

In 2009-10, we test checked the records of 36 units relating to commercial taxes and found underassessment of taxes and other irregularities involving ₹ 1,263.56 crore in 882 cases which fall under the following categories:

(₹ in crore)

Sl. no.	Categories	No. of cases	Amount
	A : Taxes on Sales, trade *etc.*/VAT		
1.	Non/short levy of tax	144	66.91
2.	Irregular allowance of exemption from tax	149	587.09
3.	Non-levy of penalty	107	56.39
4.	Irregular allowance of concessional rate of tax	45	7.63
5.	Application of incorrect rates of tax	84	123.04
6.	Short levy due to incorrect determination of turnover	201	317.86
7.	Non-levy of penalty for excess collection of tax/mistake in computation	04	10.28
8.	Non/short levy of additional tax and surcharge	06	0.21
9.	Other cases	91	27.12
	Total	**831**	**1,196.53**
	B : Entry Tax		
1.	Non/short levy of entry tax	28	9.29
2.	Application of incorrect rate of entry tax	09	8.65
3.	Other cases	14	49.09
	Total	**51**	**67.03**
	Grand total	**882**	**1,263.56**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 920.97 crore in 806 cases, of which 754 cases involving ₹ 901.22 crore were pointed out during 2009-10 and the rest in the earlier years. An amount of ₹ 52.21 lakh was realised in 110 cases during the year 2009-10.

A few illustrative cases involving ₹ 841.96 crore are mentioned in the following paragraphs.

2.9 Audit observations

Our scrutiny of the records of the Commercial Taxes Department revealed several cases of non-compliance of the provisions of the relevant Act/Rules and Departmental orders as mentioned in the succeeding paragraphs of this chapter. These cases are illustrative and are based on test checks carried out by us. Such omissions on the part of the Departmental officers are pointed out by us each year, but not only do the irregularities persist, they also remain undetected till we conduct audit. There is need for the Government to improve the internal control system and the internal audit.

A : Taxes on Sales, trade *etc.*/VAT

2.10 Suppression of turnover

Ten[5] Commercial Taxes Circles

Under Section 31 (2) of the Bihar Value Added Tax (BVAT) Act, 2005, if the Assessing Authority (AA) is satisfied that any turnover liable to tax under the Act has been underassessed/escaped assessment, he shall assess or reassess the tax payable within four years and shall impose, besides tax and interest, penalty equivalent to three times the tax payable on escaped turnover.

We observed that the Government/Department did not prescribe a mechanism for cross verification of the turnover as disclosed in the returns with other records of the dealer like utilisation statements of road permits, declaration forms as well as Tax Audit Report (TAR) or information of sales and purchases obtained from the records of other dealers while scrutinising the returns.

2.10.1 Between March 2009 and March 2010, we observed that 16 dealers (12 self assessed, three scrutinised and one assessed) purchased/sold goods of ₹ 1,035.06 crore during the period 2005-06 to 2007-08 as shown in their purchase/sale statements, utilisation statements of road permits/declaration forms and TAR. They, however, accounted for ₹ 953.32 crore only in their returns thereby suppressing purchases/sales of goods worth ₹ 81.74 crore. As the Department had not issued any instruction for cross checking the information, the AAs could not detect the suppression in cases where the audit findings were based on the self assessed/scrutinised returns and in the one remaining case (Sitamarhi) the AA could not detect the suppression despite

[5] Barh, Gaya, Hajipur, Madhepura, Patliputra, Patna Special, Patna West, Shahabad, Sitamarhi and Teghra.

the assessment being done in October 2008. This resulted in underassessment of tax of ₹ 62.22 crore including penalty of ₹ 46.67 crore.

After we pointed this out, the Government/Department raised demand of ₹ 3.03 crore in 11 cases including one case of Patna West circle where the AA did not levy penalty citing that section 33 of the BVAT Act (assigned for assessment on the basis of CAG's audit) does not provide for levy of penalty. The reply is not as per the rule because section 33 read with section 31 provides for reassessment by the AA including levy of penalty. We await the report on the status of recovery in the accepted cases and replies in the remaining cases (December 2010).

2.10.2 We observed in March 2010 from the self assessed returns of a dealer of petroleum products registered in Patna Special circle that the dealer actually made purchase of goods of ₹ 19,426.14 crore during 2007-08 as per the annual return filed under the entry tax but accounted for ₹ 18,740.92 crore only in his VAT returns/TAR. The dealer had thus suppressed purchase of goods of ₹ 685.22 crore. Due to absence of the aforesaid provision, the AA could not detect the suppression of turnover which resulted in underassessment of tax of ₹ 548.18 crore including penalty of ₹ 411.14 crore.

After we pointed this out, the Government/Department in August 2010 accepted the fact of short accounting of purchase value in VAT returns, but stated that there was no difference in terms of quantity and there was no relation between the values of receipts and value of sales and any change in the value of receipts in TAR would only impact the residual profit/loss which is meaningless and therefore it can be concluded that no sale has escaped taxation and that there has been no under reporting of tax liability. The reply is not correct because the audit observation relates to suppression of purchase and the assessee as well as the AA had stated that the receipt value reported under entry tax was correct and the error in reporting of receipt in quarterly returns filed under VAT occurred primarily in the second and fourth quarter due to time lag. Thus, it is clear that an erroneous valuation process was adopted in arriving at the purchase value while filing the quarterly VAT return leading to suppression/under reporting of purchase value under VAT. Further, under section 31 (2) of BVAT Act, tax and penalty on the concealed purchases was also leviable.

2.11 Incorrect allowance of Input Tax Credit

Patliputra and Patna Special Commercial Taxes Circles

Section 16 of the BVAT Act, 2005 deals with Input Tax Credit (ITC). Under this Section, when a registered dealer purchases any input within the State of Bihar from another registered dealer after paying him the tax, he is eligible to claim credit of input tax in the manner prescribed, if the goods are sold within the State or in the course of interstate trade and commerce. Further, Section 31 of the Act provides for imposition of penalty equivalent to three times of the tax payable for excess/incorrect claim of ITC. Tax paid under Sections 4 and 14 only are eligible for ITC claimed under Section 16 and any additional tax paid under Section 3AA is not allowable for ITC.

2.11.1 We observed in March 2010 from the self assessed returns of two dealers of Patna Special circle that they availed of ITC of ₹ 50.78 crore on the purchase value of goods of ₹ 481.63 crore during 2007-08. We cross checked the purchase value with the sales statement annexed to the TAR of the selling dealer and found that the selling dealer had made sales of ₹ 196.04 crore only to the purchasing dealers and realised tax of ₹ 25.05 crore thereon. Thus, the purchasing dealers were entitled to ITC of ₹ 25.05 crore only. This resulted in excess claim of ITC of ₹ 25.73 crore. The penalty for this excess claim works out to ₹ 77.18 crore.

2.11.2 We observed in March 2010 from the self assessed return of a dealer of Patna Special Circle that he availed of ITC of ₹ 20.82 crore on the purchase of goods valued at ₹154.69 crore in his annual return during 2006-07. However, as per the purchase figures shown in the annual return, the dealer was entitled for ITC of ₹ 15.26 crore only on the same purchase of goods valued at ₹ 154.69 crore. Thus, the dealer claimed excess ITC of ₹ 5.56 crore. The penalty for this excess claim works out to ₹ 16.70 crore.

2.11.3 We observed in January 2010 from the self assessed return of a dealer of Patliputra circle, for the period 2005-06 to 2007-08, that the dealer who was eligible for ITC of ₹ 3.62 crore claimed ITC of ₹ 6.62 crore which also included the additional tax paid by him under Section 3AA which was not admissible for ITC. Thus, the dealer claimed excess ITC of ₹ three crore. The penalty for this excess claim works out to ₹ nine crore.

Irregular claim of ITC in all the above cases resulted in excess allowance of the ITC of ₹ 137.17 crore including leviable penalty of ₹ 102.88 crore.

After we pointed this out, the Government/Department accepted the audit observation of Patliputra Circle and raised demand of ₹ 12 crore. Further, in January 2011, the AA Patna Special circle stated that hearing in these cases has not been completed yet. We await the report on recovery in the accepted cases and further development in the remaining cases (December 2010).

2.12 Application of incorrect rate of tax

Seven[6] Commercial Taxes Circles

Under the provision of the BVAT Act, 2005, interest and penalty at prescribed rates are leviable if the dealer failed to disclose full and correct particulars of sale so as to reduce the amount of tax payable.

We observed between June 2009 and March 2010 that 11 dealers (five assessed and six self assessed) assessed their tax at the lower rate of four *per cent* on the sale of various goods valued at ₹ 75.76 crore instead of the correct rate of 12.5 *per cent* during 2005-06 to 2007-08. Such application of incorrect rate remained undetected by the AAs resulting in short levy of tax of ₹ 28.51 crore including interest of ₹ 2.75 crore and leviable penalty of ₹ 19.32 crore (**Annexure-III**).

After we pointed this out, the Government/Department accepted the audit observation in 10 cases and raised demands for ₹ 10.79 crore. We await the report on recovery in the accepted cases and reply in respect of the remaining case (December 2010).

2.13 Short calculation of reverse credit

Teghra Commercial Taxes Circle

Under Rule 15 and 16 of the BVAT Rules, 2005, a manufacturing dealer shall incur reverse credit when he makes interstate stock transfer of the goods which were manufactured by him from inputs other than those specified in Schedule-I. The amount of ITC for which a dealer is entitled will be arrived at after deduction of the reverse credit from the amount of input tax paid on the purchases.

We observed in January 2010 from the self assessed returns that a manufacturing dealer of calcined petroleum coke made interstate stock transfer of taxable goods valued at ₹ 72.10 crore during the period 2005-06 to 2007-08. The inputs for these goods were also purchased from within the State after paying tax thereon in the State, for which ITC was availed of by the dealer. Though the dealer was required to calculate the reverse credit and deduct the same from the total amount of ITC, the reverse credit of ₹ 77.58 lakh was calculated short by the dealer. The AA while scrutinising the return failed to detect the omission. The audit observation based on self assessment by the dealer revealed excess allowance of ITC of ₹ 3.10 crore including leviable penalty of ₹ 2.33 crore.

After we pointed this out, the Government/Department accepted the audit observation, but raised a demand of ₹ 1.89 crore only, instead of ₹ 3.10 crore. On examination of the reply we noticed that the AA had erred in calculation of reverse credit. We await further replies (December 2010).

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[6] Bettiah, Danapur, Patliputra, Patna Central, Patna South, Patna Special and Raxaul.

2.14 Incorrect allowance of deductions

Five[7] Commercial Taxes Circles

Under Section 35 of the BVAT Act, 2005 and Rule 18 of the BVAT Rules, 2005, a works contractor is liable for deduction on the items of labour and any other charges such as amount paid to a sub-contractor on account of labour and services, charges for planning, designing and architect fees, charges for obtaining machinery and tools used on hire, cost of consumables, cost of establishment to the extent it is relatable to supply of labour and services, other similar expenses relatable to supply of labour and services, profit earned by the contractor to the extent it is relatable to supply of labour and services and goods or transactions exempted under Section 6 or Section 7 of the BVAT Act.

We observed between October 2009 and February 2010 from the self assessed returns of six dealers (works contractors) that they availed of deductions of ₹ 27.73 crore during 2005-08 on items which were not eligible for deduction under the Act. This resulted in short levy of tax of ₹ 1.85 crore calculated on the apportioned value of materials of ₹ 15.96 crore.

After we pointed this out, the Government/ Department accepted the audit observation in respect of three[8] circles and raised a demand of ₹ 1.02 crore in three cases. We await the report on recovery in the accepted cases and replies in the remaining cases (December 2010).

2.15 Non-detection of under assessed tax

Hajipur Commercial Taxes Circle

Under Section 31(2) of the BVAT Act, 2005, the prescribed authority shall, in a case where the dealer has concealed, omitted or failed to disclose full and correct particulars of such sale or purchase or ITC, direct that the dealer shall, besides the amount of interest, pay by way of penalty a sum equal to three times the amount of tax which is or may be assessed on the turnover of sale or purchase which escaped assessment.

We observed in October 2009 from the self assessed returns that a dealer having gross turnover (GTO) of ₹ 19.54 crore and taxable turnover of ₹ 12.97 crore during 2006-07, declared his tax liability as ₹ 86.78 lakh only, instead of the correct amount of tax of ₹ 110.87 lakh. This incorrect assessment of tax liability remained undetected by the AA resulting in short recovery of tax of ₹ 24.09 lakh. Further, the dealer was also liable to pay penalty of ₹ 72.26 lakh besides interest of ₹ 13 lakh calculated at the rate of 1.5 *per cent* per month upto March 2010. The total impact of the above case works out to ₹ 1.09 crore.

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7 Begusarai, Forbesganj, Hajipur, Patliputra and Patna South.

8 Hajipur, Patliputra and Patna South.

After we pointed this out, the Government/Department accepted the audit observation and raised demand for ₹ 29.52 lakh. The reply, however, does not explain the reason for non-raising of demand for the differential amount of ₹ 79.73 lakh. We await the report on recovery (December 2010).

2.16 Short levy of tax due to under assessment of Central Sales Tax

Patna West Commercial Taxes Circle

Under Section 6 (A) of the CST Act, 1956, if any dealer claiming exemption on account of interstate stock transfer does not produce the required declaration, the said transaction will be treated as sale. Section 8 (2) of the CST Act further provides that the rate of tax on interstate sale of goods (other than declared goods) will be 10 *per cent* or at the rate applicable in the State, whichever is higher. It has been judicially held in the cases of DCST Vs Aysha Hosiery Factory (1992) 85 of STC 106 SC and Sidval Refrigeration Vs State of Haryana (1993) 89 STC 97 P&H. that while levying the State rate, any other levies such as surcharge and additional tax are also leviable.

We observed between July and August 2009, that a dealer did not furnish any declaration to substantiate the claim of interstate stock transfer of television valued at ₹ 19.09 crore during 2003-04 and 2004-05. The AA while finalising the assessment in April 2009 rejected the claim of the dealer and levied tax at the rate of 10 *per cent* instead of the State rate of tax of 12 *per cent,* besides additional tax and surcharge. This resulted in short levy of tax of ₹ 84.62 lakh.

After we pointed this out, the Government/Department accepted the audit observation and raised demand for ₹ 84.62 lakh. We await the report on recovery (December 2010).

2.17 Non-levy of tax and penalty on closing stock after closure of business

Patliputra Commercial Taxes Circle

Under the provision of Section 3 (5) of the BVAT Act, 2005 a registered dealer shall, within a period of twelve consecutive months, pay tax on the stock of the goods remaining with him on the date on which he closes or discontinues his business or on a later date, provided that the Commissioner may extend the period. Further, Section 31 (2) (a) and (b) provides that in case a dealer has concealed, omitted or failed to disclose full and correct particulars of sale or purchase, then the AA shall direct the dealer to pay, besides the tax payable, interest thereon and penalty equal to three times the amount of tax payable on such concealment.

We observed between December 2009 and January 2010 from the self assessed returns of a dealer engaged in construction business that he had closed his business after 2006-07 and applied for the cancellation of his registration in May 2007 stating the stock as 'Nil'. But the Annexure to the dealer's TAR for the period 2006-07 showed closing stock of goods of ₹ 1.18 crore as on 31 March 2007, thereby indicating that the declaration of 'Nil' stock in the application for cancellation of registration was false. But this fact was not detected by the AA resulting in non-realisation of tax to the tune of ₹ 12.88 lakh. Further, the dealer was also liable for payment of penalty of ₹ 38.64 lakh along with interest of ₹ 6.96 lakh resulting in undetected revenue dues of ₹ 58.48 lakh.

After we pointed this out, the Government/Department accepted the audit observation and raised demand of ₹ 12.88 lakh. We await the report on recovery (December 2010).

2.18 Non-levy of surcharge

Patna Special Commercial Taxes Circle

Notification issued under Section 3A of the BVAT Act, 2005 provides for levy of surcharge on the sale of High Speed Diesel and Light Diesel Oil. Further, Section 8(2) of the CST Act, 1956 prescribes that the tax rate on the interstate sales of goods (other than declared goods) to unregistered dealers shall be at the same rate as applicable under the sales tax law of that State. In addition, any other levy such as surcharge and additional tax applicable under the sales tax law of the State should also be levied.

We observed between February and March 2010 from the self assessed return of a dealer that he made interstate sale of High Speed Diesel and Light Diesel Oil of ₹ 15.58 crore to unregistered dealers during

2007-08 on which tax of ₹ 3.12 crore at the rate of 20 *per cent* was admitted by the dealer. But surcharge of ₹ 31.15 lakh, at the rate of 10 *per cent* on the tax, though leviable, was not levied.

The matter was reported to the Government/Department in May 2010; we are yet to receive their reply (December 2010).

2.19 Incorrect adjustment of entry tax towards payment of VAT

Danapur Commercial Taxes Circle

Under Section 4 (A) of the Bihar Tax on Entry of Goods (BTEG) Act, 1993, tax paid under the BTEG Act shall be adjusted against the liability under the BVAT Act provided that the said reduction in tax shall be available to the manufacturer, if the imported scheduled goods are used or consumed in the manufacture of goods for resale. In case only a part of the goods manufactured out of the imported scheduled goods is sold within the State of Bihar or in the course of interstate trade and commerce or in the course of export out of the territory of India, the claim for the reduction in tax liability shall stand proportionately reduced.

We observed in October 2009 from the self assessed returns of a manufacturer that during 2007-08 he paid entry tax of ₹ 1.77 crore on the import of scheduled goods valued at ₹ 40.68 crore and claimed an entry tax adjustment of ₹ 1.71 crore towards his VAT liability. We further observed that this adjustment included goods worth ₹ 9.83 crore that were not sold, but instead the dealer had made interstate stock transfer of goods for which no entry tax adjustment against VAT was allowable. The entry tax adjustment against VAT had to be proportionately reduced by ₹ 25.79 lakh but ₹ 6.04 lakh only was reduced by the dealer. This short deduction resulted in excess entry tax adjustment against VAT payable to the tune of ₹ 19.75 lakh which remained undetected by the AA.

After we pointed this out to the Government and to the AA concerned, the AA stated that for the previous assessment year of the same dealer, the appellate authority had quashed the demand on the ground that the assessment was not made under section 33 of BVAT Act and cited a judgement of Hon'ble Patna High Court. The reply is not as per rule because the AA had the opportunity of assessment under section 33 in the present case and the aforesaid judgement pertaining to the year 2003 related to a trading concern in Bihar and not to a manufacturer and was also decided before the insertion of the proviso for manufacturers. We await further reply in this regard (December 2010).

2.20 Incorrect allowance of concessional rate of tax

Forbesganj and Hajipur Commercial Taxes Circles

Under Section 8 (5) of the CST Act, 1956, the Government of Bihar issued a notification in October 2006 prescribing the rate of tax on the interstate sale of goods manufactured by small and medium industries at one *per cent*. Further, the Micro, Small and Medium Industries (Regulation and Development) Act, 2006 notified by the Government of India laid down the classification of industries on the basis of the investment in plant and machinery.

We observed between September 2009 and February 2010 from the self-assessed returns of four dealers that they were not falling under the criteria of either small or medium industries as per the prescribed parameters[9] of investment in plant and machinery during 2006-07 and 2007-08, but they availed of the benefit of concessional rate of tax at the rate of one *per cent* on the interstate sales of ₹ 4.21 crore, which remained undetected by the AAs. This incorrect allowance of concessional rate of tax resulted in short levy of tax of ₹ 9.04 lakh.

After we pointed this out, the Government/Department accepted the audit observation in respect of Hajipur circle and raised demand for ₹ 3.59 lakh in two cases. We await the report on recovery in accepted cases and replies in the remaining cases (December 2010).

[9] Micro enterprises : investment in plant and machinery not exceeding ₹ 25 lakh.
Small enterprises : more than ₹ 25 lakh but not more than ₹ five crore.
Medium : more than ₹ five crore but not more than ₹ 10 crore.

B. Entry Tax

2.21 Short levy of entry tax due to suppression of import value

Five[10] Commercial Taxes Circles

Under the provision of Bihar Tax on Entry of Goods (BTEG) Act, 1993, read with BVAT Act, 2005, if the prescribed authority is satisfied that in respect of any assessment, any sale or purchase of goods liable to tax under the Act, has been underassessed or has escaped assessment, the prescribed authority shall assess or reassess the tax payable by such dealer within four years. In case of wilful omission by the dealer to disclose full and correct particulars of such sale or purchase or input tax credit, the prescribed authority shall impose, besides the amount of interest payable, penalty equal to three times the amount of tax which escaped assessment. The penalty imposed shall be in addition to the amount of tax on the escaped turnover.

We cross checked the utilisation of road permits, declaration forms, purchase statements, trading and manufacturing accounts *etc.* with the returns filed by five dealers (self assessed) and observed between May 2009 and January 2010 that the dealers suppressed import/purchase of scheduled goods of ₹ 238.39 crore during 2006-07 and 2007-08. The AAs either did not scrutinise the returns or in scrutiny failed to detect the suppression which resulted in short levy of entry tax of ₹ 56.58 crore including leviable penalty and interest till the date of audit as mentioned below:

(₹ in lakh)

Sl. No.	Name of circle No. of dealer	Period	Commodity Rate *(per cent)*	Actual purchase Purchase accounted for	Suppression	Entry Tax Penalty	Period of interest Amount of interest leviable @ 1.5 *per cent* per month	Total
1	Bhagalpur 1	2007-08	Electrical goods 8	8,565.16 278.04	8,287.12	662.97 1,988.91	14 months 139.22	2,791.10
2	Danapur 1	2007-08	Electrical goods 8	20.62 Nil	20.62	1.65 4.95	18 months 0.45	7.05
3	Gaya 1	2007-08	Cement 12	368.63 304.93	63.70	7.64 22.93	16 months 1.83	32.40
4	Muzaffarpur West 1	2007-08	Chassis of motor vehicles and lubricants 8	300.32 Nil	300.32	24.02 72.08	13 months 4.69	100.79

[10] Bhagalpur, Danapur, Gaya, Muzaffarpur West and Patliputra.

5	Patliputra 1	2006-07	Telecom goods 4	51,997.44 36,830.08	15,167.36	606.70 1,820.08	33 months 300.31	2,727.09
Total				**61,252.17** **37,413.05**	**23,839.12**	**1,302.98** **3,908.95**	**446.50**	**5,658.43**

After we pointed this out, the Government/Department accepted the audit observations in July 2010 and raised demand for ₹ 31.23 crore in four cases of four[11] circles. We await the report on recovery in the accepted cases and the reply in respect of Danapur circle (December 2010).

2.22 Application of incorrect rate of tax

Four[12] Commercial Taxes Circles

Under the provision of the BTEG Act, 1993, there shall be levied and collected a tax on entry of scheduled goods into a local area at such rate not exceeding 20 *per cent* of the import value of such goods as may be specified by the State Government in a notification published in the Official Gazette subject to such conditions as may be prescribed, provided different rates for different scheduled goods and different local areas may be specified by the State Government. Further, interest at the rate of 1.5 *per cent* per month is also leviable on the amount underassessed.

We observed between May and December 2009 that nine dealers (self assessed) imported scheduled goods of ₹15.61crore during 2006-07 and 2007-08 and admitted entry tax at rates lower than the prescribed rates. The AAs either did not scrutinise the returns filed by the dealers or in respect of certain scrutinised returns, levied entry tax at incorrect rates. This resulted in short levy of entry tax of ₹ 1.23 crore including interest of ₹24.26 lakh as mentioned below:

(₹ in lakh)

Sl. No.	Name of circle No. of dealer	Name of commodity	Year	Import value	Rate of tax Leviable Levied (in *per cent*)	Amount short levied	Period of interest Amount of interest at the rare of 1.5 *per cent* per month	Total
1	Bhagalpur 3	Tobacco	2006-07 and 2007-08	203.97	8 5	6.12	13 to 25 months 1.40	7.52
2	Hajipur 2	Tobacco product	2007-08	370.49	16 5	40.75	17 months 10.39	51.14
		Electrical goods	2007-08	268.19	8 4	10.73	17 months 2.74	13.47

[11] Bhagalpur, Gaya, Muzaffarpur West and Patliputra.
[12] Bhagalpur, Hajipur, Muzaffarpur West and Patliputra.

3	Muzaffarpur West 3	Tobacco product	2007-08	171.28	16 5	18.84	13 months 3.68	22.52
		Electrical goods	2007-08	349.06	8 4	13.96	13 months 2.72	16.68
4	Patliputra 1	Electrical goods	2007-08	198.27	8 4	7.93	28 months 3.33	11.26
Total				**1,561.26**		**98.33**	**24.26**	**122.59**

After we pointed this out, the Government/Department accepted the audit observations between September and November 2010 and raised demand of ₹ 1.21 crore in eight cases relating to all the four circles. The Government/ Department also reported recovery of ₹ 4.49 lakh in one case of Bhagalpur circle. Further, in another case of Bhagalpur circle, the Government/Department replied (October 2010) that before coming into force of the notification no. 38 dated 1 April 2008, there was no rate of entry tax notified for scheduled goods during the period from 6 November 2001 to 31 March 2008. Hence, the rate specified for tobacco (*i.e.,* five *per cent*) was applicable in terms of S.O.-92 dated 25 July 2001. The reply is not correct because as per Gazette notification dated 15 April 2008 (Amendment and Validation Act, 2008), the Government validated all the previous notifications. As such the rate of entry tax on tobacco at eight *per cent* was applicable during the year 2007-08 as per S.O.-159 dated 22 August 2003 and thus the dealer was liable to pay the entry tax at the rate of eight *per cent*. We await a report on recovery in the accepted cases and further developments in the other case (December 2010).

CHAPTER-III

STATE EXCISE

CHAPTER-III: STATE EXCISE

3.1 Trend of receipts

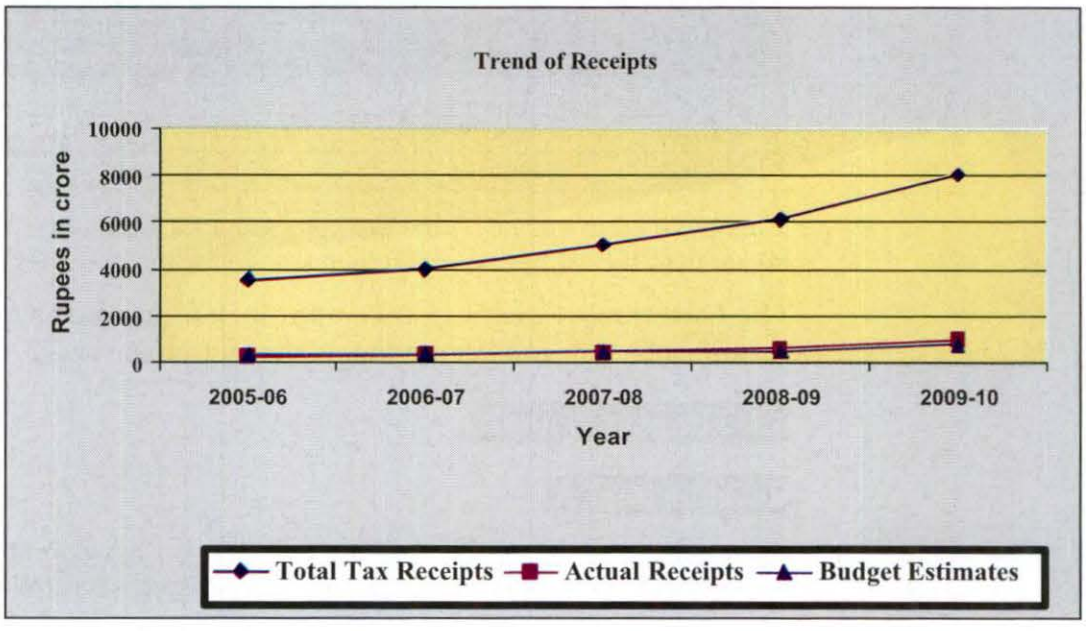
The variation between budget estimates and actual receipts from State excise during the period 2005-06 to 2009-10 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

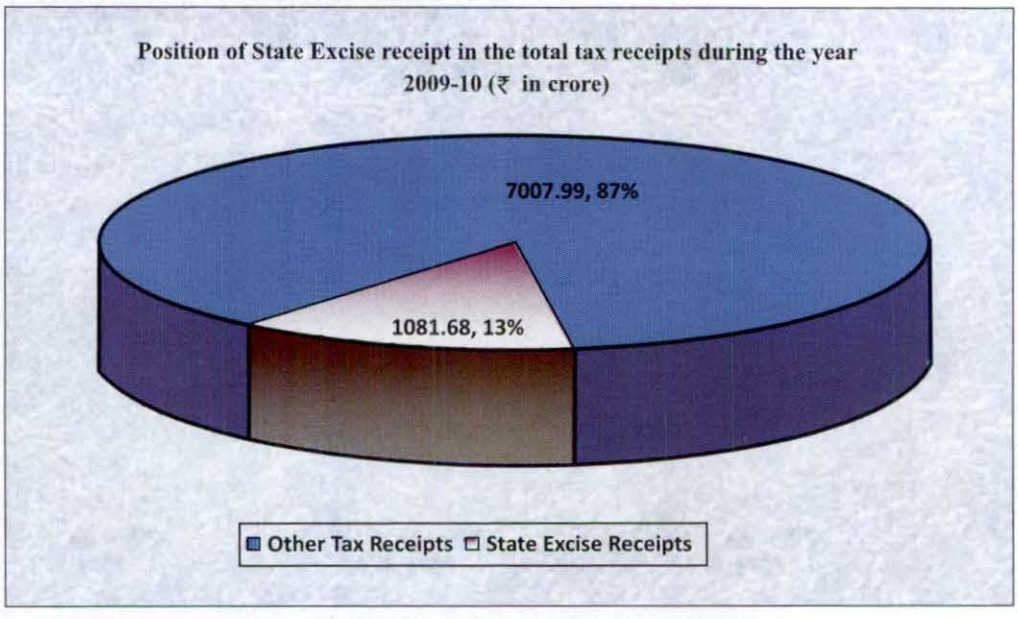
Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2005-06	335.00	318.59	(-) 16.41	4.90	3,561.10	8.95
2006-07	400.00	381.93	(-) 18.07	4.52	4,033.08	9.47
2007-08	500.00	525.42	25.42	5.08	5,085.53	10.33
2008-09	537.69	679.14	141.45	26.31	6,172.74	11.00
2009-10	850.00	1,081.68	231.68	27.26	8,089.67	13.37

The above table indicates that the percentage of receipts from State excise when compared with the total receipts of the State increased consistently during the period.

The trend of receipts vis-á-vis the estimated receipts of State excise and total tax receipts is given in the graph below:



Further, the chart below depicts the contribution of State excise receipts to the total tax receipts (₹ 8,089.67 crore) of the State during 2009-10:



3.2 Cost of collection

The gross collection of State excise receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2007-08	525.42	22.14	4.21	3.30
2008-09	679.14	24.15	3.56	3.27
2009-10	1,081.68	44.02	4.07	3.66

The above table indicates that the percentage of expenditure on collection was higher than the all India average percentage for the preceding year.

The Government needs to take appropriate measures to bring down the cost of collection and keep it below the all India average.

3.3 Impact of audit

Revenue impact

During the period from 2004-05 to 2008-09, we have pointed out through our inspection reports, non/short levy, underassessment/loss of revenue etc., with revenue implication of ₹ 734.16 crore in 6507 cases. Of these, the Department/ Government had accepted audit observations in 394 cases involving ₹ 90.07 crore and had since recovered ₹ 57 lakh. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Objected		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	29	182	43.99	6	8.38	3	0.34
2005-06	42	2,659	149.90	83	1.08	Nil	Nil
2006-07	30	3,404	167.09	258	48.15	-	0.15
2007-08	32	149	149.60	4	0.47	Nil	Nil
2008-09	32	113	223.58	43	31.99	11	0.08
Total	**165**	**6,507**	**734.16**	**394**	**90.07**	**14**	**0.57**

This low recovery of ₹ 57 lakh (0.63 *per cent*) against the accepted cases involving ₹ 90.07 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

We recommend that the Government take appropriate steps to recover the amount involved, at least in accepted cases.

3.4 Working of internal audit wing

There is an internal audit wing called Finance (Audit) which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the administrative Department.

An audit team of Finance (Audit) comprises of three members, one being the head of the team. In consideration of the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. The Department did not furnish further information to us regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved in the cases.

3.5 Results of audit

During 2009-10 our test check of the records of 39 units relating to State excise revenue revealed underassessment of tax and other irregularities involving ₹ 451.60 crore in 175 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	**Levy and collection of State excise revenue (A review)**	1	105.68
2.	Non/delayed settlement of excise shops	106	241.58
3.	Non-realisation of license fee	23	10.40
4.	Loss due to non/short lifting of MGQ	4	0.41
5.	Other cases	41	93.53
	Total	**175**	**451.60**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 305.42 crore in 152 cases, of which 140 cases involving ₹ 300.21 crore were pointed out during 2009-10 and the rest in earlier years.

Audit findings of the review on **'Levy and collection of State excise revenue'** with financial impact of ₹ 105.68 crore are mentioned in the following paragraphs.

3.6 Levy and Collection of State Excise Revenue

Highlights

Due to non/delayed settlement of excise shops coupled with non-operation of shops by the Department/through BSBCL, the Government sustained a loss of ₹ 134.29 crore in the shape of licence fee.

(Paragraph 3.6.9.1 and 3.6.9.2)

Due to absence of a mechanism of periodic review of shop-wise lifting of liquor against allotted MGQ, short lifting of liquor by the licensees remained unnoticed leading to a loss of Government revenue of ₹ 94.61 crore.

(Paragraph 3.6.10)

Due to delayed institution of certificate proceedings for recovery of arrears, there was loss of revenue of ₹ 3.14 crore in the shape of interest.

(Paragraph 3.6.12.2)

The internal audit was weak as evidenced by the low quantum of departmental inspections, non-maintenance of registers and lack of internal audit.

(Paragraph 3.6.13)

3.6.1 Introduction

Entry 8 of list II of the Seventh Schedule of the Constitution of India empowers the State Government to levy and collect excise revenue. In Bihar, the production of potable liquor is primarily derived from molasses, which is a by-product of sugar factories producing sugar from sugarcane. The control of distribution, supply, storage and price of molasses produced by the factories in the State is regulated by the Bihar Molasses (Control) Act, 1947 and Rules framed thereunder, while the levy and collection of excise revenue is governed by the Bihar Excise (BE) Act, 1915 and Rules made thereunder.

State excise revenue is one of the most important sources of tax revenue, which constituted 11.08 *per cent* of the total revenue raised by the State Government during 2009-10. This includes revenue derived or derivable from any duty, fee, tax, payment (other than a fine imposed by a Criminal Court) or confiscation imposed or ordered under the BE Act or any other law for the time being in force relating to liquor or intoxicating drugs.

3.6.2 Organisational set up

The assessment, levy and collection of excise revenue is administered by the Secretary, Department of Registration, Excise and Prohibition at the Government level and by the Commissioner of Excise (CE) at the apex level of the Department of Excise and Prohibition. The CE is also the ex-officio Controller of Molasses for the administration and execution of Bihar Molasses Control Act and Rules. The CE is assisted by one Joint Commissioner of Excise (JCE), one Deputy Commissioner of Excise (DCE) and one Assistant Commissioner of Excise (ACE) at the headquarters level. Further, there is one

DCE at each of the four[1] divisional headquarters. At the district level, the Collector of the district is incharge of the excise administration, assisted by an ACE or by a Superintendent of Excise (SE).

For supply of all types of liquor to retailers of excise shops in the State, Bihar State Beverage Corporation Limited (BSBCL) headed by a Managing Director was formed in October 2006, to function as an exclusive wholesale depot.

3.6.3 Audit objectives

We conducted the review to ascertain whether:

- the provisions of the BE Act and Rules made thereunder and Departmental instructions were adequate and appropriate to safeguard the interest of Government revenue and were being implemented effectively;
- the excise revenue was properly assessed, collected in time and deposited immediately on realisation into the proper head of Government account; and
- a system of internal control mechanism appropriate to the nature and volume of functions existed within the Department and was functioning effectively.

3.6.4 Scope and methodology of audit

For the purpose of the review, we test checked the records of the Commissioner of Excise-cum Controller of Molasses, in 13[2] out of 38 District Excise Offices and one[3] out of three distilleries for the period from 2004-05 to 2008-09 during November 2009 to May 2010.

The selection of 11 district excise offices was based on statistical sampling through population proportionate sampling with replacement and simple random sampling with replacement method. Two[4] district excise offices were selected on the basis of high unsettled shops and one distillery was selected on the basis of highest revenue collection.

3.6.5 Audit criteria

We referred to the following Acts and Rules in course of the review:

1. The Bihar Excise Act, 1915
2. The Bihar Excise (Settlement of Licences for Retail sale of Country/ Spiced Country Liquor) Rules, 2004
3. The Bihar Excise (Settlement of Licences for Retail sale of Country/Spiced Country Liquor, Foreign Liquor, Beer and Composite Liquor Shop) Rules, 2007
4. The Bihar Financial Rules, Volume- I

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1 Bhagalpur-cum-Munger, Darbhanga-cum-Kosi-cum-Purnea, Patna-cum-Magadh and Tirhut-cum-Saran.

2 Aurangabad, Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gaya, Gopalganj, Muzaffarpur, Nalanda, Patna, Saran, Siwan and West Champaran.

3 United Sprit Limited, Hathidah.

4 Gopalganj and Saran.

5. The Bihar Treasury Code, Volume-I
6. The Bihar Budget Manual
7. The Bihar and Orissa Public Demands Recovery Act, 1914

3.6.6 Acknowledgement

We acknowledge the cooperation of the Department of Excise and Prohibition in providing necessary information and records to audit. An entry conference was held in February 2010 to explain the objectives of the review, the audit criteria and to elicit areas of Departmental concern, if any. The entry conference was attended by the Secretary to the Government, the Commissioner of Excise and the Managing Director of the BSBCL. The findings of the review were forwarded to the Government in June 2010 for their response. An exit conference was held in September 2010 with the Secretary to the Government, in which the results of audit and recommendations were discussed. The Managing Director of the BSBCL also participated in the exit conference. The replies of the Government have been appropriately included under the respective paragraphs.

3.6.7 Trend of revenue

3.6.7.1 Budget formulation

According to the provisions of the Bihar Budget Procedures, the estimates of revenue and receipts should indicate the amount expected to be realised within the year. The arrears and current demands should be shown separately and reasons given, if full realisation cannot be expected and should be based on the estimates furnished by the Department.

The Bihar Budget Procedure provides that accuracy in the budgeting must start from the lowest stage of estimating itself. All estimating officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as necessary.

The revenue target should be fixed in such a way that it should constitute a valid benchmark for monitoring and for assessing performance.

A comparison of the estimates proposed by the Department, BEs and targets fixed by the Finance Department as well as revenue collection appearing in the Finance Accounts for the year 2004-05 to 2008-09 are as mentioned in the following table:

(₹ in crore)

Year	Estimate proposed by Department	Budget estimate	Target fixed by Finance Department	Revenue Collection as per Finance Accounts	Variation between Revenue collection and Budget Estimate (5-3)	Percentage variation between Revenue collection and Budget Estimate
1	2	3	4	5	6	7
2004-05	330.00	290.00	330.00	272.47	(-) 17.53	6.04
2005-06	335.00	335.00	335.00	318.59	(-) 16.41	4.90
2006-07	400.00	400.00	400.00	381.93	(-) 18.07	4.52
2007-08	480.00	500.00	700.00	525.42	25.42	5.08
2008-09	700.00	537.69	750.00	679.14	141.45	26.31

- We observed that the estimates were not proposed by the Department after obtaining the requisite data from the field offices.

The Government replied that a detailed exercise for preparation of budget estimates is undertaken by the Department and district excise officials in consultation with BSBCL in the month of February and March every year. The reply is not correct as the Department furnished the budget proposals to the Finance Department in the months of November and December of the preceding year which indicated that the budget proposals were framed without any field inputs.

Further, we noticed that the entire budget process as reflected in the above table was done without taking excise revenue arrear into consideration in violation of the Bihar Budget Procedure. The Government issued (October 2010) instructions to the district officers to include revenue arrears in the budget estimates.

- In the year 2007-08, against the BEs of ₹ 500 crore the target fixed by the Finance Department was ₹ 700 crore and revenue collection as reflected in Finance Accounts was ₹ 525 .42 crore. During 2008-09, though the estimate proposed by the Department was ₹ 700 crore, the Finance Department fixed the BEs at ₹ 537.69 crore and the revenue collection target at ₹ 750 crore. Against this the actual revenue collection as reflected in the Finance Accounts was ₹ 679.14 crore. The above figures reveal unrealistic budget estimation and fixation of target by the Finance Department. After this was pointed out, the Finance Department replied (October 2010) that the budget estimates were prepared on the basis of actual receipts of the previous years. This reply is not correct because the estimates proposed by the Department should have been taken into consideration while preparing the budget estimates for the year 2008-09.

3.6.7.2 Inflated depiction of achievement

Article 284 of the Constitution of India provides that all moneys (other than Government revenue) shall be credited into the Public Accounts of the State. Further, Article 266 directs that no money shall be appropriated out of the Consolidated Fund of the State without legislative approval.

In 13 test checked excise districts, we noticed that security deposit of ₹ 55.27 crore relating to the period from 2004-05 to 2008-09 was credited under the revenue receipt head "0039- State Excise" instead of security deposit head '8443 -Civil Deposit'.

The matter was reported to the Government through paragraph 3.7 of Audit Report (Revenue Receipts) for the year ended 31 March 2007. The Finance Department issued (May 2008) instructions to the Secretary-cum-Commissioner of the Department of Excise and Prohibition to comply with the audit observation. The Department of Excise and Prohibition circulated (May 2008) the instruction of Finance Department to all district excise offices. However, we noted that the instructions were not followed by the ACEs/SEs of the test checked districts.

Credit of security deposit into the revenue receipts head resulted in inflated achievement of the revenue collection figure. Further, security deposit was refunded to the licensees from the expenditure head '2039-State Excise' without allotment, thereby violating the budgetary control mechanism.

The Government stated (October 2010) that the irregular practice of refunding security deposit from the expenditure head without allotment was on the advice of the Finance Department. We do not agree with the reply because the security deposit was required to be refunded after obtaining the budget allotment.

3.6.7.3 Reconciliation of revenue figures

As per provisions of the Bihar Financial Rules, the controlling officer is required to ensure timely reconciliation of revenue figures between the Departmental figures and those appearing in the books of the Accountant General (A&E).

The amount of revenue collection as furnished by the Department and the figures shown in the Finance Accounts for the period 2004-05 to 2008-09 is given below:

(₹ in crore)

Year	Revenue collection		Variation between Departmental figure and Finance Accounts (3-2)
	As per Finance Accounts	As furnished by Department	
1	2	3	4
2004-05	272.47	272.53	0.06
2005-06	318.59	319.70	1.11
2006-07	381.93	383.87	1.94
2007-08	525.42	535.56	10.14
2008-09	679.14	749.15	70.01

Thus, during the period 2004-09, there was variation of ₹ 83.26 crore in total receipts as appearing in the books of the Accountant General (A&E) and those furnished by the Department to us. This indicates that timely reconciliation of the figures as required under the existing rules was not done.

The Government replied (October 2010) that a report from all districts has been called for and the discrepancy of ₹ 70.01 crore between the Finance Accounts and the Departmental revenue figure during 2008-09 appeared to be due to special privileges fee deposited by the BSBCL. The reply, however, does not explain the reason for difference of the balance amount of ₹ 13.25 crore.

We observed that in 11[5] test checked excise districts during 2004-05 to 2008-09, the amount of revenue reported through revenue statements was ₹ 1,214.15 crore as against ₹ 1,263.86 crore reflected in the treasury schedules. Thus, a sum of ₹ 49.71 crore was not reconciled. This discrepancy indicates deficient accounting and reporting mechanism.

We undertook an independent exercise in Siwan excise district for the months of July 2008 and March 2009 to find out the reasons for difference in the revenue figure of Revenue Statements and Treasury Schedules. We observed that the revenue statement was prepared on the basis of data available with the district excise office before preparation of the treasury schedule. The figure of excise duty mentioned in the revenue statement was derived on the basis of consumption of liquor in the district, even though its duty was paid in other districts, whereas the district treasury schedule showed excise duty deposited through challans in the concerned district only. Further, the amount of excise revenue forming part of the closing balance was included in the revenue figure of the revenue statement, though it was not mentioned in the treasury schedule as the amount was not deposited in the same month. We observed that the difference was not reconciled by the district excise office.

The Government should ensure adherence to the provisions of the Budget manual in preparation of the BEs as well as abide by the correct provisions with regard to crediting the amount of the security deposit into the proper head of account and its refund from the relevant head and not from the expenditure head. The Government may also take effective steps for ensuring timely reconciliation of the Departmental revenue figures with those of the Finance Accounts.

Audit Findings

The Bihar Excise (Settlement of Licences for Retail sale of Country/Spiced Country Liquor) Rules, 2004 (Bihar Excise Rules 2004) was replaced with the Bihar Excise (Settlement of Licences for Retail sale of Country/Spiced Country Liquor, Foreign Liquor, Beer and Composite Liquor Shop) Rules, 2007 (Bihar Excise Rules 2007) in July 2007. Hence, our audit comments are based on the provisions of the relevant Rules as existing during the period of review.

[5] Aurangabad, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Muzaffarpur, Nalanda, Patna, Saran and Siwan.

In our review of "Levy and Collection of State Excise Revenue" we found a number of deficiencies as discussed in the following paragraphs.

Levy of excise revenue

3.6.8 Settlement of excise shops

Upto June 2007, the licences for retail vend of excise shops were settled annually by public auction. With effect from July 2007, the settlement of licences for retail excise shops was to be made through lottery system.

The position of sanctioned excise shops and their settlement during 2004-05 to 2008-09 in the State was as under:

Year	No. of sanctioned shops	No. of settled shops	No. of unsettled shops	Percentage of unsettled shops
2004-05	3,436	3,075	361	10.5
2005-06	3,439	2,922	517	15
2006-07	3,436	3,235	201	5.8
2007-08	6,184	3,448	2,736	44.2
2008-09	5,718	3,988	1,730	30.25

(Source: Administrative Report of the Department of Registration, Excise and Prohibition for the year 2009-10)

We observed the following:

- After introduction of the Bihar Excise Rules, 2007, the percentage of unsettled shops jumped from 5.8 *per cent* in 2006-07 to 44.2 *per cent* in 2007-08 and 30.25 *per cent* in 2008-09. It may also be seen from the above table that while the number of sanctioned excise shops increased by 2,748 in 2007-08 over 2006-07, the number of settled excise shops increased by 213 only, leaving 2,736 number of shops unsettled.

The Government attributed (October 2010) this to rumours spread by the old monopoly cartels among the bidders of the shops, regarding discontinuance of the new excise policy, resulting in disappointing settlement. However, the percentage of unsettled shops reduced to 19 *per cent* in 2009-10 and to about five *per cent* in 2010-11.

- Settlement of maximum retail excise shops is a pre-requisite for the control of illicit trade in liquor and for optimum realisation of State excise revenue. The Department instructed (February 2008) the field offices to settle excise shops in groups for settlement of maximum number of shops. High revenue potential shops were required to be clubbed with low revenue potential shops while forming groups.

We observed in three[6] district excise offices that during 2008-09, 47 out of 266 groups were formed by clubbing unsettled shops of 2007-08. Those groups were formed by clubbing only low potential shops instead of clubbing the low revenue potential shops with the high revenue potential shops, thus defeating the very purpose of allotting shops in groups and maximising the revenue potential. Consequently, such groups remained unsettled in 2008-09. The circumstances under which such groups were formed were not on record.

[6] Bhagalpur, Saran and West Champaran.

The Government replied (October 2010) that clubbing is a complicated exercise and sometimes clubbing a high potential shop with other low potential shops may be counterproductive as this may prevent the settlement of even the high potential shops. We do not agree with the reply because formation of groups was required to be done in accordance with the departmental instruction of February 2008.

The Government may take effective measures for maximum settlement of excise shops in order to ensure supply of liquor through authorised shops and to check illegal trade of liquor.

3.6.9 Operation of excise shops

3.6.9.1 The Bihar Excise Rules, 2004 did not have any provision regarding operation of unsettled shops. As per the departmental instruction issued in April 2005, in case of excise shops remaining unsettled, the supply of CS and SCS in the areas concerned of 10[7] districts were to be operated by the Department through its own management, so that the consumers of liquor may not fall into the trap of illegal suppliers of liquor. No such instructions were issued for the remaining districts and unsettled IMFL shops in all districts.

- In four[8] excise districts we noticed that 49 CS, 26 SCS and nine IMFL shops put to auction, remained unsettled in the absence of interested bidders during 2004-05 to 2007-08 (April to June 2007).
- Further, we noticed that in 10[9] excise districts, 305 CS, 210 SCS and 138 IMFL shops were settled after delays ranging from four to 326 days.

These CS and SCS shops were also not operated departmentally during the period of non-settlement, except in four[10] districts. Thus, due to non/delayed settlement of shops, the Government lost revenue of ₹ 11.33 crore (due to non-settlement: ₹ 1.52 crore and delayed settlement: ₹ 10.72 crore after adjusting revenue of ₹ 90.72 lakh collected through departmental operation of shops in four excise districts) worked out on the basis of reserve fee of unsettled shops.

The Government stated (October 2010) that there was no statutory provision for the operation of unsettled shops by the Department. The fact remains that the Department did not take action in accordance with its own instructions of April 2005.

3.6.9.2 As per the Bihar Excise Rules 2007 issued vide notification of June 2007, if any retail shop is not settled through lottery, the BSBCL with the approval of the CE will establish and run such shops.

- We observed in 13 selected excise districts that 310 CS, 257 IMFL and 495 composite liquor shops remained unsettled during 2007-08 (July 2007 to March 2008) and 2008-09, due to non-availability of willing applicants.

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7 Arwal, Aurangabad, Bhojpur, Gaya, Jehanabad, Nawada, Purnea, Rohtas, Saran and West Champaran.

8 Aurangabad, Darbhanga, Saran and West Champaran.

9 Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gaya, Muzaffarpur, Patna, Saran, Siwan and West Champaran.

10 Aurangabad, Bhojpur, Gaya and West Champaran.

- Further, we noticed that during 2007-08 (July 2007 to March 2008) and 2008-09, 116 CS, 83 IMFL and 145 composite shops were settled after expiry of time ranging between four to 309 days.

The excise shops which were settled after delays as well as the shops which remained unsettled were required to be operated through BSBCL. But the BSBCL expressed (December 2007) its inability to operate unsettled shops due to lack of resources. Thus, the Government was deprived of revenue of ₹ 122.96 crore (due to non-settlement: ₹ 113.32 crore and delayed settlement: ₹ 9.64 crore) worked out on the basis of licence fee of unsettled shops.

The Government stated (October 2010) that the BSBCL expressed its inability to run the unsettled shops. The fact however remains that the Government did not evolve any alternative mechanism to run the unsettled excise shops even after refusal of the BSBCL to operate such shops during 2007-08 and 2008-09. Consequently, the notification issued in June 2007 remained ineffective.

As per the Bihar Excise Rules and condition 6(a) of the sale notification, excise shops are settled for the whole of the excise year (beginning from 1st April and ending on 31st March of next calendar year). Further, the Bihar Excise Rules provide that on violation of the provisions of the Rules, conditions of licence or conditions of sale notification or general conditions applicable to vend licences by the licensees in any manner which causes loss of revenue to the State, in addition to the total amount of loss, an equal amount shall be imposed as penalty under Section 42 of the BE Act.

3.6.9.3 In six[11] districts, we observed that licenses for 42 CS, 30 SCS, 28 IMFL and 22 Composite Liquor Shops settled for the excise year 2006-07, 2007-08 (July 2007 to March 2008) and 2008-09 were cancelled between August 2006 and February 2009 due to non-payment of licence fees. These shops were neither resettled nor operated through the Department/BSBCL after cancellation, which resulted in loss of revenue of ₹ 10.72 crore including penalty of ₹ 4.53 crore. The district excise officers did not initiate any action against the defaulting licensees to recover the loss of revenue to Government as per the provisions of the Act.

The Government directed (October 2010) filing of cases for recovery in all cases of default.

The Government may consider evolving a mechanism to operate the unsettled retail liquor shops to minimise the risk of supply of illicit liquor and to maintain the yield of revenue.

[11] Bhojpur, Darbhanga, East Champaran, Patna, Saran and Siwan.

3.6.10 Lifting of liquor by retail licensees

As per the provisions of the Bihar Excise Rules, 2004 and the Bihar Excise Rules, 2007 as well as the conditions of sale notification, the annual Minimum Guaranteed Quantity (MGQ) of liquor for the whole excise year shall be divided in twelve equal installments and the licensee shall have to lift one part thereof every month. Further, the BE (Amendment) Act (effective from January 2007) provides that in case of a breach of any of the conditions of the licence which cause loss of revenue to the Government, in addition to the total amount of the revenue involved, an equal amount shall be imposed as penalty.

The MGQ of liquor of a district as determined by the CE is distributed among the excise shops of that district by the Licensing Authority. The licence fee of each excise shop is fixed on the basis of annual MGQ of that shop.

The Government resolution (June 2007) provides for exact determination of MGQ of liquor on the basis of population. However, no detailed guidelines for fixing MGQ as envisaged in the resolution were issued by the Department. Though the MGQ of the excise shops was proposed by the district excise offices, the basis of determination of MGQ of excise shops was not found in the records of the district excise offices.

3.6.10.1 Country Spirit and Spiced Country Spirit

As per notification issued by the Board of Revenue in November 2004 (effective from January 2005) under the provisions of the Bihar Excise Rules 2004, the rate of issuance fee of CS and SCS for retail vends was fixed at ₹ 2.50 per LPL up to the fixed MGQ.

During test check of records of 11[12] districts we noticed that the retail licensees of excise shops did not lift the allotted MGQ of CS and SCS during 2005-06 to 2007-08 (April to June 2007) resulting in loss of revenue of ₹ 2.93 crore including penalty of ₹ 17.37 lakh for the period April 2007 to June 2007 as detailed in the following table:

[12] Aurangabad, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Muzaffarpur, Patna, Saran, Siwan and West Champaran.

Period	Annual Quota (LPL)		Annual Lifting (LPL)		Short lifting (LPL)		Loss of revenue (Amount in ₹)
	CS	SCS	CS	SCS	CS	SCS	
2005-06	1,35,34,258	30,79,600	89,03,468.98	10,38,216.22	46,30,789.02	20,41,383.78	1,66,80,432
2006-07	90,32,663	19,48,894	64,32,587.18	8,74,400.76	26,00,075.82	10,74,493.24	91,86,423
2007-08 (April to June 2007)	16,79,577	5,09,669.22	13,44,384.26	1,50,102.98	3,35,192.74	3,59,566.24	17,36,897
Total	**2,42,46,498**	**55,38,163.22**	**1,66,80,440.42**	**20,62,719.96**	**75,66,057.58**	**34,75,443.26**	**2,76,03,752**

3.6.10.2 India Made Foreign Liquor and Beer

In 11[13] excise districts we observed that the retail licensees of excise shops lifted 70.06 lakh LPL of IMFL and 49.25 lakh BL of beer only against their allotted MGQ of 125.11 lakh LPL of IMFL and 135.26 lakh BL of beer. Thus the licensees did not lift 55.05 lakh LPL of IMFL and 86.01 lakh BL of beer, worked out on the basis of MGQ fixed for the respective shops. This resulted in loss of revenue of ₹ 91.68 crore including penalty of ₹ 23.43 crore and after adjusting security deposit of ₹ 1.12 crore imposed by three[14] SEs.

We also noticed that though the provision of lifting of MGQ of liquor was made in the Bihar Excise Rules, yet modalities for periodical review of lifting of liquor by the licensees of excise shops, reports/returns to be furnished by the district excise officers and monitoring by higher officers have not been prescribed. Consequently, the Department/Government was not in a position to know the loss of revenue due to short lifting of MGQ of liquor at appropriate times.

The Government replied (October 2010) that after introduction of the BE Rules, 2007, the State MGQ in totality was being lifted approximately and the position was improving year to year. The Government further stated that report from all district excise offices has been called for and if necessary, action for realisation of revenue would be initiated.

The Government may consider framing suitable internal control mechanisms to obtain regular feedback on shop-wise lifting of liquor against MGQ and to initiate action as per Rules in case of short lifting.

[13] Aurangabad, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Muzaffarpur, Patna, Saran, Siwan and West Champaran.

[14] Bhagalpur, Muzaffarpur and Siwan.

3.6.11 Licence fee

Under the Bihar Financial Rules, it is the duty of the controlling officer to ensure that the Government dues are correctly and promptly assessed, collected and remitted into the treasury.

The Bihar Excise Rules, 2007 and the conditions of sale notification provides that after the acceptance of settlement by the licensing authority, one twelfth portion of annual licence fee shall be paid by the settlee as advance licence fee, which will be adjusted in the last month of the excise year.

The monthly installment of licence fee specified in the licence and determined by the Government shall be deposited by the licensee in the Government treasury of the district by the first day of the month, which in any event must be deposited by 20th of the month and if the day is a holiday, on the next working day, failing which the licence shall be cancelled and all deposited security amount shall be forfeited and the shop shall be settled to the next bidder.

The BE Act/Rules did not provide for imposition of interest on delay in the payment of licence fee.

3.6.11.1 During scrutiny of records of ACE, Bhojpur we observed that during 2007-08 (1 July 2007 to 31 March 2008) seven licensees did not deposit advance licence fee amounting to ₹ 7.51 lakh after the settlement of shops. Issue of licence without deposit of advance licence fee was irregular. No action for cancellation of licences, forfeiture of security deposits or realisation of arrears was taken by the ACE against the defaulting licensees. This dereliction of duty on the part of the ACE deprived the Government of excise revenue.

The Government assured (October 2010) that suitable action would be taken after examination of the matter.

3.6.11.2 The BE Act provides for maintaining a register of non-payment, late payment etc of licence fees in excise form no. 132.

- We observed that none of the test checked district excise offices maintained this register to watch the delay in payment of licence fee. We further noticed that during 2008-09, 244 licensees in 10[15] districts deposited monthly licence fee amounting to ₹ 6.18 crore after delays ranging between three to 140 days after the grace period of 20 days. No action was taken against the defaulting licensees.
- We observed from the records of the ACE, Bhojpur that 13 licensees did not deposit the licence fee amounting to ₹ 27.47 lakh during 2007-08 (1 July 2007 to 31 March 2008). In five cases, licences were cancelled at the end of the excise year, in six cases licences were cancelled after three to four months of default and in two cases, no action was taken as per the conditions of the sale notification. Non-adherence to the Departmental

[15] Aurangabad, Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gopalganj, Muzaffarpur, Patna, Saran and West Champaran.

rules by the field officers resulted in accrual of arrears indicating lack of control over compliance issues.

The Government stated (October 2010) that a report from all district excise offices has been asked for and if necessary, action against erring officers would be taken.

3.6.12 Recovery of arrears of revenue

The BE Act provides that dues may be recovered from the person primarily liable to pay the same or from his surety (if any), by distress and sale of his movable property or by the process prescribed for the recovery of arrears of revenue.

As per schedule-I under Section 3(6) of the Public Demands Recovery (PDR) Act, 1914, the amount due to the Government is required to be paid within the prescribed period. In case of default, the recovery is to be made as arrear of demand and accordingly the dues remaining unpaid and declared as arrear must be recovered by filing certificate case by the Requiring Officer (RO) to the Certificate Officer (CO) in terms of section 4 of the PDR Act. As per the instructions of the Board of Revenue under the PDR Act, the RO and the CO are jointly responsible for the speedy disposal of the certificate cases.

3.6.12.1 The BE Act does not specify the period after which revenue recovery proceedings is to be initiated.

We observed that out of the total outstanding revenue arrears of ₹ 30.41 crore[16] as on 31 March 2009 (as furnished by the Department), a sum of ₹ 24.89 crore only was covered under certificate proceedings.

We observed in 13 selected excise districts that total outstanding arrear demand relating to the period 1970-71 to 2008-09 was ₹ 11.22 crore, against which certificate cases for recovery were initiated for ₹ 5.91 crore only. No action has been initiated for filing certificate cases for the remaining cases.

The consolidated figure showing age wise/year wise outstanding arrear revenue was not available with the Department. We observed that in the nine test checked district excise offices most of the arrears were outstanding for long periods of time as detailed in the following table:

16 Except the arrear of Banka, Kaimur, Lakhisarai and Munger.

(₹ in lakh)

Sl. No.	District	Arrear of more than 20 years	Arrear of more than 15 years	Arrear of more than 10 years	Arrear of more than 5 years	Arrear up to 5 years	Total arrears
1.	Saran	2.80	54.05	22.35	18.86	1.67	99.74
2.	West Champaran	0.12	3.29	14.08	46.64	5.42	69.55
3.	Nalanda	7.41	4.41	5.75	0.65	0.02	18.25
4.	Muzaffarpur	-	18.53	15.68	15.07	24.20	73.49
5.	Patna	40.89	71.23	158.50	55.45	0.43	326.49
6.	Gopalganj	0.72	2.45	9.09	2.90	16.65	31.81
7.	Bhagalpur	-	0.28	0.28	3.01	-	3.57
8.	East Champaran	23.90	25.74	25.07	17.81	1.51	94.03
9.	Bhojpur	0.65	16.95	30.78	11.47	25.76	85.61
	Total	**76.49**	**196.93**	**281.58**	**171.86**	**75.66**	**802.54**

Though the PDR Act has placed joint responsibility on RO and CO for revenue recovery proceedings and speedy disposal of certificate cases, we observed that the concerned ACEs/SEs did not take effective measures for disposal of certificate cases. Non-realisation of arrears caused blocking of Government revenue.

The Government replied (October 2010) that the report from all district excise offices has been called for and if necessary, action against erring officers would be taken.

3.6.12.2 Loss of interest due to delay in filing certificate case

Under the PDR Act, 1914, interest upon public demand to which the certificate relates, shall be charged at the rate of 12 *per cent* per annum from the date of signing of the certificate up to the date of realisation. Any delay in the institution of certificate proceedings would result in loss of revenue in the shape of interest.

We observed that in 12[17] excise districts, arrear demands of ₹ 4.12 crore relating to the period 1976-77 to 2004-05 were outstanding. Against this, the Department instituted certificate cases after delays ranging from one to 23 years. Thus, due to delayed institution of certificate proceedings, there was a loss of revenue of ₹ 3.14 crore in the shape of interest.

The Department may consider prescribing time limits for instituting certificate cases for timely recovery of revenue arrears.

[17] Aurangabad, Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gaya, Muzaffarpur, Nalanda, Patna, Saran, Siwan and West Champaran.

3.6.13 Internal Control Mechanism

3.6.13.1 Internal audit

Internal audit is one of the most vital tools of the internal control mechanism and evaluates the efficiency and effectiveness of the system in place. It also independently appraises the activities of the Department.

The audit wing of the Finance Department works as the internal auditor for all Departments of the State Government including the Department of Excise and Prohibition. The internal audit of departments was being conducted on the basis of requisitions received from the Administrative Department for its subordinate offices. We, however, noticed that internal audit of the test checked offices was never conducted during the period 2004-05 to 2008-09. This indicated that the Department had no means of ascertaining the areas of malfunctioning in the system and thus could not take timely and appropriate remedial action.

The Government stated (October 2010) that the Finance Department would be requested to take up internal audit of the Department's records and accounts.

The Government may ensure that internal audit of the Department is carried out at regular intervals so that the irregularities/omissions are detected timely and rectified.

3.6.13.2 Departmental inspections

As per the provisions of the BE Act, the Deputy Commissioner of Excise (DCE) is required to inspect all excise offices once in a year and the ACE/SE is required to inspect his office twice in a year.

The following is the status of inspections conducted in 13 test checked district excise offices during the period 2004-05 to 2008-09:

Inspecting officer	No of inspections due	No of inspections conducted	Shortfall
DCE	65	3	62
ACE/SE	130	5	125

From the above table it may be seen that the DCEs conducted only five *per cent* and ACEs/SEs conducted four *per cent* of the required inspections in the test checked districts.

It was further seen that the selected district excise offices had no data to indicate that sufficient inspection/raids had been conducted by the excise officials to check the supply of illicit liquor in the areas that were not covered by any licensed shops.

Thus the internal control mechanism remained weak due to negligible number of inspections. As a result, the higher authorities were deprived of information about the functioning of the subordinate officers.

The Government assured (October 2010) to conduct the required inspections.

3.6.13.3 Maintenance of registers

The BE Act provides for maintenance of forms and registers to ensure effective control over the timely realisation of excise revenue.

Our scrutiny of records of the test checked districts revealed that the following important registers were not being maintained as per the provisions of the Act:

- **Challan Register (Excise Form No. 106)**

With a view to ensuring uniformity in maintaining an abstract of all the Challan Registers in the District Excise Office, one separate volume in Excise Form No. 106 was required to be maintained in the 'Abstract Challan Register'.

We noticed that this Abstract Challan Register was not being maintained in eight[18] excise districts during the period 2004-05 to 2008-09 and in Bhagalpur during 2008-09. Further, it was not authenticated by the ACE/SE during 2004-05 to 2008-09 in Gaya and Bhagalpur. Non-maintenance of the Abstract Challan Register made it difficult for the departmental officers to determine the actual revenue remitted into the treasury.

- **Register of misconduct of excise vendors (Excise Form No 73)**

The orders inflicting punishment on excise vendors for malpractices should be noted in the register.

We observed that this register was not being maintained in Aurangabad for the period 2004-05 to 2007-08, in Gopalganj and East Champaran for 2004-05 to 2008-09, in Bhojpur during 2005-06 to 2007-08 and in Bhagalpur during 2008-09.

Thus the amount of fines/penalties imposed for misconduct could not be ascertained.

- **Register of memorandum of demand, collection etc. (Excise Form No 67)**

A memorandum of demand, collection and balance of licence fees as well as duty was required to be prepared at the end of each month.

We observed that the register was not maintained for the year 2008-09 in East Champaran. In nine[19] excise districts, the registers were not closed during 2004-05 to 2008-09. It was not verified by the ACE in Gaya. Thus, the demand, collection and balance position in these district excise offices was not easily available.

- **Arrear register**

The arrear register contains details such as the amount of arrears, the name of the licensee against whom the arrears are outstanding and the period to which it pertains.

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18 Aurangabad, East Champaran, Gopalganj, Muzaffarpur, Nalanda, Patna, Saran and Siwan.

19 Aurangabad, Bhojpur, Gopalganj, Muzaffarpur, Nalanda, Patna, Saran, Siwan and West Champaran,

We observed that in Saran, West Champaran, Bhojpur and Gaya during the period 2004-05 to 2008-09, in Gopalganj during 2007-08 to 2008-09 and in Siwan during 2005-06 to 2008-09 arrear registers were not maintained. Consequently the details of arrears were not available in these district excise offices.

- **Certificate case register**

The certificate case register contains details of licensees against whom certificate cases were instituted, the period to which the arrears pertain, the case number, the date of institution of the certificate case and the amount covered by the certificate case.

Since this register was not authenticated by ACE/SE in Gaya, Bhojpur and Saran, the entries in the register were not reliable.

- **Register 89**

This register shows the month wise issue of permit of liquor against the allotted quota.

We observed that this register was not being maintained in five[20] excise districts during 2007-08 and 2008-09. In Nalanda, the annual quota was not mentioned and not attested by the SE. In Saran, the names of the licensees were not mentioned in some cases. As a result, the quantity of liquor for which permits were issued was not easily available.

- **Register of Security deposits of excise vendors (Excise form no 103 A)**

Security deposits taken from licensees in the form of cash, demand draft, fixed deposit, bank guarantee, NSC etc. are entered in Security Deposit Register.

We observed that in the office of the SE, Muzaffarpur (2004-05 to 2008-09) and the SE, Aurangabad (2005-06 to 2006-07), the security deposit registers were not maintained. Further, the SE, Nalanda did not maintain this register in the proper format. As a result, the details of security deposit and refund position were not easily available.

In absence of these registers, we could not exercise the prescribed checks as required under the Rules nor verify the correctness of the data.

The Government stated (October 2010) that instructions would be issued to subordinate officers to meticulously maintain all prescribed registers and records.

[20] Bhojpur, East Champaran, Muzaffarpur, Patna and West Champaran.

3.6.14 Conclusion

The review on levy and collection of State Excise revenue revealed deficiencies in the formulation of the BEs. The Government had no control over the operation of non-settled excise shops resulting in revenue loss. Absence of a mechanism for the periodic review of shop-wise lifting of liquor led to leakage of excise revenue and non-realisation of penalty. No time frame was prescribed for sending revenue arrear cases to Certificate Officers resulting in accumulation of substantial revenue arrears not covered by certificate cases. Due to the non-conducting of inspections by the internal audit wing, the Department could not detect the weaknesses in its functioning.

3.6.15 Summary of recommendations

The Government may:

- ensure adherence to the provisions of the budget manual in preparation of BEs;
- evolve effective mechanisms for the operation of non-settled excise shops;
- frame suitable internal control feedback mechanism regarding the shop wise lifting of liquor against MGQ and take timely action as per Rules in case of short lifting of liquor;
- ensure effective control over timely collection of revenue including incorporating provisions to ensure levy of interest on delayed deposit of licence fees; and
- ensure that internal audit of the Department is carried out at regular intervals.

CHAPTER-IV

TAXES ON MOTOR VEHICLES

CHAPTER-IV: TAXES ON MOTOR VEHICLES

4.1 Tax administration

The collection of motor vehicles taxes in the State is administered by the Transport Department, which is headed by the State Transport Commissioner (STC). In performance of his duties, he is assisted by two Joint State Transport Commissioners at the headquarters. The State is divided into nine regions and 38 districts which are controlled by the Secretaries of the Regional Transport Authorities and the District Transport Officers (DTOs) respectively. They are assisted by motor vehicle inspectors for the collection of revenue.

4.2 Trend of receipts

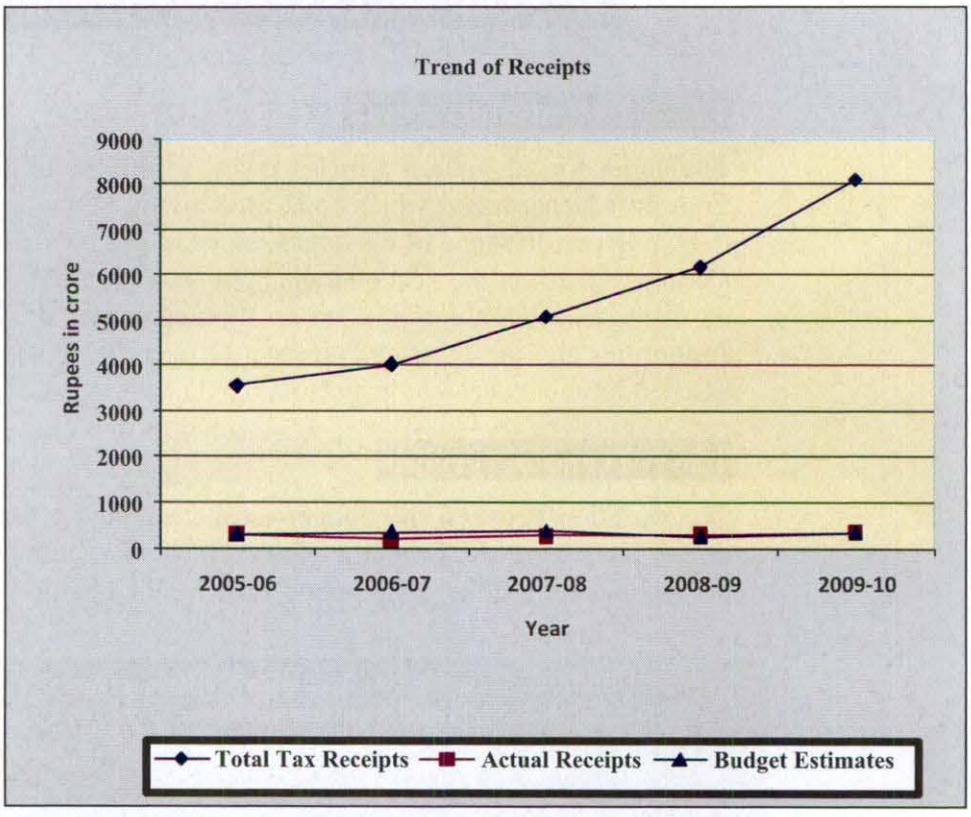
The variation between the budget estimates and the actual receipts from the motor vehicles taxes during the period 2005-06 to 2009-10 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

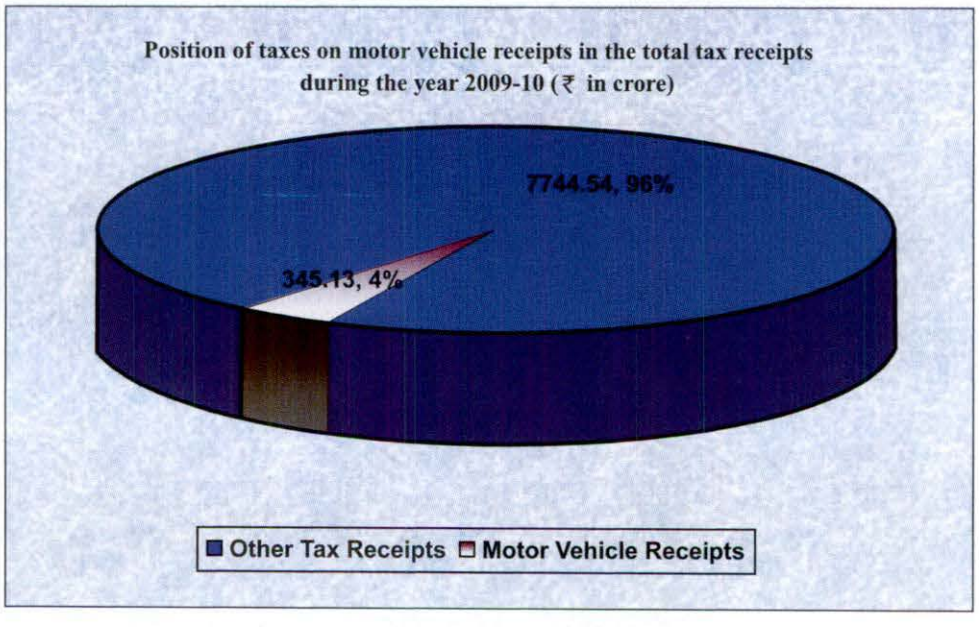
Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2005-06	310.00	302.44	(-) 7.56	(-) 2.44	3,561.10	8.49
2006-07	350.00	181.38	(-) 168.62	(-) 48.18	4,033.08	4.50
2007-08	375.00	273.21	(-) 101.79	(-) 27.14	5,085.53	5.37
2008-09	256.60	297.74	(+) 41.14	(+) 16.03	6,172.74	4.82
2009-10	355.00	345.13	(-) 9.87	(-) 2.78	8,089.67	4.27

The above table indicates that the percentage of receipts from taxes on motor vehicles against the total receipts of the State decreased during 2006-07, 2008-09 and 2009-10 over previous years.

The trend of receipts vis-á-vis the estimated receipts of taxes on motor vehicles and total tax receipts is given in the following graph:



The chart below depicts the contribution of motor vehicles receipts to the total tax receipts (₹ 8,089.67 crore) of the State during 2009-10:



4.3 Cost of collection

The gross collection of motor vehicles tax receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2009-10 along with the all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2007-08	273.21	5.96	2.18	2.47
2008-09	297.74	6.95	2.33	2.58
2009-10	345.13	10.41	3.02	2.93

The above table indicates that during the year 2009-10, the percentage of expenditure on collection was more than the all India average percentage for the year 2008-09.

The Government needs to take appropriate measures to keep the percentage of expenditure on collection below the all India average percentage in the coming years.

4.4 Impact of audit

Revenue impact

During the period from 2004-05 to 2008-09, we through our inspection reports had pointed out non/short levy, underassessment/loss of revenue etc., with revenue implication of ₹ 653.99 crore in 918 cases. Of these, the Department/ Government had accepted audit observations in 577 cases involving ₹ 308 crore and had since recovered ₹1.52 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Objected		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	28	274	116.67	9	26.54	4	0.17
2005-06	42	53	198.42	27	13.99	1	0.01 lakh
2006-07	47	172	41.63	116	28.49	Nil	Nil
2007-08	47	201	141.29	215	142.94	5	0.37
2008-09	46	218	155.98	210	96.04	4	0.98
Total	**210**	**918**	**653.99**	**577**	**308.00**	14	1.52

This low recovery of ₹ 1.52 crore (0.49 *per cent*) against the accepted cases involving ₹ 308 crore indicates lack of promptness on the part of the Government/ Department in realising the Government dues.

We recommend that the Government take appropriate steps to recover the amount involved, at least in accepted cases.

4.5 Working of internal audit wing

There is an internal audit wing called Finance (Audit) which works under the Finance Department and internal audit of the different offices of the Government is conducted on the basis of requisitions received from the Administrative Department.

An audit team of Finance (Audit) comprises of three members, one being the head of the team. In consideration of the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. The Department did not furnish further information regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved to us.

4.6 Results of audit

In 2009-10 our test check of the records of 38 units relating to motor vehicles taxes revealed underassessment of tax and other irregularities involving ₹ 253.13 crore in 310 cases which fall under the following categories:

(₹ in crore)

Sl.No.	Categories	No. of cases	Amount
1.	Non/short levy of taxes	52	39.77
2.	Irregular issue of certificate of fitness	12	7.26
3.	Non/short realisation of trade tax	28	2.87
4.	Non-realisation of tax from vehicles involved in surrender	16	2.02
5.	Other cases	202	201.21
	Total	**310**	**253.13**

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 201.23 crore in 295 cases, of which 286 cases involving ₹ 199.67 crore were pointed out during 2009-10 and the rest in earlier years.

A few illustrative cases involving ₹ 20.96 crore are mentioned in the following paragraphs.

4.7 Audit observations

Our scrutiny of the records of the state transport offices revealed several cases of non-compliance of the provisions of the Act, Rules and orders of the Department as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions on the part of the Departmental authorities each year, but not only do the irregularities persist, these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that such omissions can be prevented.

4.8 Non-realisation of motor vehicle taxes

Twenty six[1] District Transport Offices

Under section 5 and 9 of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, motor vehicles tax is to be paid to the Taxing Officer in whose jurisdiction the vehicle is registered on due date. The vehicle owner can pay the tax to the new Taxing Officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous Taxing Officer. Further, the Taxing Officer may exempt the vehicle owner from payment of tax, if he is satisfied that the prescribed conditions have been fulfilled by the vehicle owner. DTOs are required to issue demand notice to ensure timely realisation of tax and in case of non-response to the demand notice, certificate proceedings are to be initiated as per the instructions issued by the Department from time to time. Further, under rule 4 (1) of BMVT Rules 1994, the due date for payment of tax shall be the date of expiry of the period for which the tax had been last paid for vehicles other than personalised vehicles. Non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due as provided under section 23 *ibid* read with rule 4 (2) of the Rules.

While scrutinising taxation registers between June 2009 and March 2010, we observed that though owners of 751 transport vehicles did not pay tax of ₹ 6.51 crore pertaining to the period between July 2002 and June 2009 within the due dates, yet the DTOs did not initiate action towards realisation of dues from the defaulting vehicle owners. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. This resulted in non-realisation of tax of ₹ 19.52 crore including penalty of ₹ 13.01 crore.

[1] Araria, Aurangabad, Begusarai, Bettiah, Bhabua, Buxar, Darbhanga, Gaya, Gopalganj, Jehanabad, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhepura, Madhubani, Motihari, Muzaffarpur, Nalanda, Patna, Purnea, Saharsa, Samastipur, Sitamarhi, Siwan and Vaishali.

After we pointed this out, 23[2] DTOs stated between June 2009 and March 2010 that the demand notices would be issued while three[3] DTOs stated that action would be taken for recovery of dues.

The cases were reported to the Government between November 2009 and April 2010; we are yet to receive their reply (December 2010).

4.9 Non/short realisation of trade tax from the dealers of motor vehicles

Four[4] District Transport Offices

Under section 6 of the BMVT Act, 1994 and the Rules framed thereunder, tax at an annual rate as prescribed shall be paid by a manufacturer or a dealer in respect of motor vehicles which are in his possession in course of his business as a manufacturer/dealer. Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due as provided under section 23 *ibid* read with rule 4(2) of the BMVT Rules, 1994. Further, the STC instructed all DTOs to initiate legal action for realisation of tax and renewal of trade certificate.

We observed between January and March 2010 that in case of 10 dealers of motor vehicles, trade tax at the prescribed rate was either not deposited or deposited short in respect of 34,413 vehicles (8,320 two wheelers and 26,093 three/four wheelers) possessed by them between the period 2004-05 to 2008-09. The DTOs also did not take action against the defaulting traders. This resulted in non/short realisation of trade tax of ₹ 73.66 lakh including penalty of ₹ 49.11 lakh.

After we pointed this out, three[5] DTOs stated between January and March 2010 that demand notices would be issued while DTO Begusarai stated that action for recovery would be taken as per rules.

The cases were reported to the Government between March and April 2010; we are yet to receive their reply (December 2010).

2 Araria, Aurangabad, Bettiah, Bhabua, Buxar, Darbhanga, Gaya, Gopalganj, Jehanabad, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhepura, Madhubani, Motihari, Muzaffarpur, Nalanda, Patna, Purnea, Samastipur, Sitamarhi and Siwan.

3 Begusarai, Saharsa and Vaishali.

4 Begusarai, Muzaffarpur, Patna and Purnea.

5 Muzaffarpur, Patna and Purnea.

4.10 Irregular issue of certificate of fitness

Three[6] District Transport Offices

Under rules 73 of the CMV Rules, 1989, a Certificate of Fitness (CF) for a transport vehicle cannot be granted unless the vehicle owner obtains a tax clearance certificate in such form as may be prescribed by the State Government. As held by the Hon'ble Patna High Court[#], tax token, being an evidence of payment of tax, is required to be produced for obtaining CF. Further, according to the instructions issued by the STC, Bihar on 13 April 1994, the Motor Vehicle Inspectors (MVIs)are prohibited from granting/renewing the CF to transport vehicles against which tax has not been paid and disciplinary action is required to be taken against the erring MVIs besides forfeiture of such CFs by the Enforcement wing.

We observed during cross verification of the entries in CF registers with those in the taxation registers of DTOs between October 2009 and March 2010 that CFs were issued to 14 transport vehicles without ensuring up-to-date payment of tax. Further, we observed that the Enforcement wing never pointed out these cases to the Department. This was highly irregular as plying of these vehicles without proper inspection could compromise public safety and property. The omission not only violated the rules and the STC's order but also resulted in non-realisation of tax of ₹ 54.76 lakh including penalty of ₹ 36.51 lakh pertaining to the period between April 2004 and June 2009.

After we pointed this out, the concerned DTOs stated between October 2009 and March 2010 that the matter would be referred to the MVIs concerned for compliance.

The cases were reported to the Government between March and April 2010; we are yet to receive their replies (December 2010).

6 Motihari, Muzaffarpur and Purnea.

Patna Zila Truck Association Vs. State of Bihar 1993 (1) PLJR 211.

4.11 Irregular issue of transport vehicle driving licence

Four[7] District Transport Offices

Under section 9 of the Motor Vehicles Act, 1988, the licensing authority shall grant driving licence to an applicant to drive such class of vehicle who is holding a learner's licence of that class and has passed the competency test for driving the vehicle. Further, as per section 7(1) of the Act *ibid* read with rule 10 of the CMV Rules, 1989, no person shall be granted a learner's licence to drive a transport vehicle unless he has held a driving licence to drive a light motor vehicle for at least one year.

We observed between November 2009 and March 2010 from professional driving licence registers that 7,498 professional driving licences were granted during 2008-09 to applicants who were not holding licences to drive light motor vehicles. This omission not only violated the provisions of the Act and Rules resulting in loss of Government revenue of ₹ 15.75 lakh on account of fee recoverable for grant of driving licences, but also involved road safety issues.

After we pointed this out, the DTO Patna stated that amount would be realised at the time of renewal, the DTO Purnea stated that notice would be issued while the DTOs Gaya and Muzaffarpur stated that action would be taken as per directions.

The cases were reported to the Government in March and April 2010; we are yet to receive their reply (December 2010).

[7] Gaya, Muzaffarpur, Patna and Purnea.

CHAPTER-V
OTHER TAX RECEIPTS

CHAPTER-V: OTHER TAX RECEIPTS

5.1 Results of audit

Our test check of the records of the following receipts, conducted during the year 2009-10, revealed underassessment of tax, fee, duty and loss of revenue *etc.* of ₹54.73 crore in 411 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
A. Stamp duty and registration fees			
1.	**Levy and collection of Stamp duty and Registration fee (A review)**	01	1.48
2.	Blocking of Government revenue due to non-disposal of referred cases	26	1.77
3.	Blocking of Government revenue due to non-disposal of impound cases	11	0.57
4.	Short levy due to misclassification of documents	09	0.89
5.	Short realisation of stamp duty and registration fees due to late receipt of revised rates	18	1.05
6.	Other cases	27	1.12
	Total	**92**	**6.88**
B. Land revenue			
1.	Non/short levy of cess and/or interest on arrears of cess	37	13.27
2.	Non-settlement of vested lands	33	8.85
3.	Non-settlement of *sairats*	08	0.05
4.	Other cases	241	25.68
	Total	**319**	**47.85**
	Grand total	**411**	**54.73**

During the year 2009-10, the concerned departments accepted underassessment and other deficiencies *etc.* involving ₹ 50.83 crore in 371 cases out of which 357 cases involving ₹ 50.02 crore were pointed out during the year 2009-10 and the rest during the earlier years. The Departments concerned have also reported recovery of ₹ 15.44 lakh in nine cases.

Audit findings of a review on the **'Levy and collection of Stamp duty and Registration fee'** with financial impact of ₹ 1.48 crore is mentioned in the following paragraphs.

Stamp Duty and Registration Fees

5.2 Levy and Collection of Stamp Duty and Registration Fee

Highlights

Lack of co-ordination between the Registration Department and other public offices resulted in non-levy of stamp duty and registration fee of ₹ 1.42 crore in the test checked districts during 2004-05 to 2008-09.

(Paragraph 5.2.8)

Due to pendency in the disposal of referred cases and non-pursuance of the execution of deeds, the deficit stamp duty from finalised, referred and impounded cases could not be realised, leading to consequential blocking of Government revenue of ₹ 8.57 crore.

(Paragraph 5.2.10)

The internal audit was weak as evidenced by the low quantum of departmental inspections and absence of internal audit.

(Paragraph 5.2.12)

5.2.1 Introduction

Receipts from stamp duty and registration fee in the State are regulated under the Indian Stamp (IS) Act, 1899, Bihar Stamp Rules, 1991 and Bihar Stamp (Prevention of Under-Valuation of Instruments) Rules, 1995 as amended from time to time. The stamp duty is paid by the executors of the instrument[1] on or after the first day of July, 1899 either on impressed stamp paper or by fixing stamps or by remitting stamp duty directly in the Government account under the head '0030 - Stamps and Registration fees" through challan.

The Registration Act, 1908 consolidated the enactments relating to registration of documents. The levy of registration fee is governed by Sections 78 to 80 read with Sections 17 and 18 of the Registration Act and the Registration (Bihar Amendment) Act as amended from time to time. The State Government was required to prepare a table of fees payable for registration of documents, searching of registers, making or granting copies of reasons, entries or documents etc. The fees shall be calculated on *ad valorem* scale according to the value of the right, title and interest expressed in the documents.

5.2.2 Organisational set up

The levy and collection of stamp duty, registration fee, penalties and other dues under the Acts and Rules is administered by the Registration Department headed by the Inspector General, Registration (IGR). The Department functions under the administrative control of the Secretary of Registration Department who is the chief revenue controlling authority. The IGR is assisted by a Joint Secretary, two Deputy Inspector General (DIGs) and four Assistant Inspector General (AIGs) at the Headquarters level. Further, there are nine Inspector of Registration Office (IROs) at the divisional level. Thirty eight

[1] "Instrument" includes every document by which any right or liability is, or purports to be, created, transferred, limited, extended, extinguished or recorded.

District Registrars (DRs), 38 District Sub Registrars (DSRs) and 72 Sub Registrars (SRs) at the district/primary units are responsible for levy and collection of stamp duty and registration fee.

5.2.3 Audit objectives

We conducted the review to ascertain whether:

- the Acts/Rules and departmental instructions pertaining to levy and collection of stamp duty and registration fee are consistent, and adequate to ensure collection of revenue;
- the provisions of the IS Act, Registration Act and rules made thereunder were being implemented effectively; and
- the internal control mechanism of the Department was effective and sufficient controls were in place to safeguard the collection of duty and fees on instruments.

5.2.4 Audit criteria

We referred to the following Acts and Rules during the review:

- The Indian Stamp Act, 1899
- The Registration Act, 1908
- The Bihar Stamp Rules, 1991
- The Bihar Stamp (Prevention of Under-Valuation of Instruments) Rules, 1995
- The Bihar Registration Manual
- The Bihar Budget Procedures
- The Bihar Financial Rules
- Orders and notifications issued by the Government from time to time.
- Departmental instructions, circulars and executive orders, made from time to time.

5.2.5 Scope of audit and methodology

For the purpose of the review we test checked the records in the office of IG (Registration), three[2] out of nine IROs and 11[3] out of 38 offices of DSRs for the period from 2004-05 to 2008-09. Information in respect of instruments was also obtained from public offices[4] of the test checked districts to verify the proper realisation of duty and fee.

The selection of 10 districts was based on simple random sampling with replacement and population proportionate sampling with replacement method

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2 Bhagalpur, Muzaffarpur, Patna.

3 Bhagalpur, East Champaran, Gaya, Gopalganj, Jamui, Madhubani, Muzaffarpur, Nalanda, Patna, Purnea and Siwan.

4 Bihar Rajya Pul Nirman Nigam, Bihar State Electricity Board, District Fisheries offices, District *Nazarat*, General Insurance Company, Municipalities/*Nagar parishad* and Superintendent of Police offices of the concerned districts.

on the basis of revenue collected in the year 2008-09 and Patna district was selected on the basis of highest revenue potential. Samples were drawn on the basis of cumulative total of revenue and random numbers.

5.2.6 Acknowledgement

We acknowledge the co-operation of the Registration Department in providing necessary information and records for audit. An entry conference was held with the Secretary, Registration Department in March 2010 wherein the scope of audit, methodology and audit objectives including sampling technique adopted were explained to the Department. An exit conference was held in September 2010 with the Secretary to the Government and the views of the Government were incorporated in the review report.

Audit findings

The review on the assessment and levy of stamp duty and registration fee revealed a number of deficiencies as mentioned in the succeeding paragraphs:

5.2.7 Trend of revenue

Formulation of Budget

Under the provisions of Rule-54 of the Bihar Budget Procedures, the estimates of revenue and receipts should show the amounts expected to be realised within the year. The arrear and current demands should be shown separately and reasons given, if full realisation cannot be expected and should be based on the estimates furnished by the Department.

Further, the Bihar Budget Procedures provide that accuracy in the budgeting must start upward from the lowest stage of estimating. The rule for all estimating officers should be to provide in the budget for everything that can be foreseen and to provide only as much as necessary.

A comparison of the budget estimates (BEs)/revised BEs, actual realisation of revenue as per the Finance Accounts and those furnished by the Department in respect of stamp duty and registration fee for the years 2004-05 to 2008-09 were as given in the following table:

(₹ in crore)

Year	Budget Estimates	Revised Budget Estimate	Revenue collection		Variation between Departmental figure and Finance Accounts (5-4)	Variation between revenue collection as per Finance Accounts and Budget Estimates	
			As per Finance Accounts	As furnished by the Department		Amount (4-2)	Percentage
1	2	3	4	5	6	7	8
2004-05	500.00	500.00	429.14	487.80	(+) 58.66	(-) 70.86	(-) 14.17
2005-06	600.00	550.00	505.29	586.80	(+) 81.51	(-) 94.71	(-) 15.79
2006-07	700.00	700.00	455.02	559.13	(+) 104.11	(-) 244.98	(-) 35.00
2007-08	720.00	550.00	654.15	717.06	(+) 62.91	(-) 65.85	(-) 9.15
2008-09	581.02	700.00	716.19	755.29	(+) 39.10	(+) 135.17	(+) 23.26

(Source: Information furnished by the Department)

As per the provisions of the Bihar Financial Rules, the controlling officer is required to ensure timely reconciliation between the departmental figures of revenue and those appearing in the Finance Accounts.

Our scrutiny of records revealed the following discrepancies:

- During the period 2004-09, there was variation of ₹ 346.29 crore in total receipts as appearing in the Finance Accounts under the head "0030 - Stamps and Registration fees" and those furnished by the Department to audit. This indicates that timely reconciliation of the figures as required under the existing rules was not done.

The Department replied (October 2010) that the main reason for difference in the two sets of figures was due to non-reconciliation as follows:

(a) The Finance Accounts figures are based on treasury figures whereas the figures furnished by the Department are based on actual collection.

(b) The refund of stamp duty and registration fee to the executants and the refund of additional stamp duty to local bodies and authorities were deducted from the total collection while preparing the budget. The reply is not correct as we reviewed the records of the Deputy Collectors (stamps) of six test checked districts[5] (Annexure-IV) where the Collectors ordered to refund the value of unused stamp amounting to ₹ 96.05 lakh after deducting 10 *per cent*. The refunded value of unused stamp under the orders of the Collector remained outside the budget proposal of the Department as the Department did not prescribe any report/return to be submitted by the Deputy Collector (Stamps) in respect of refunds of stamps. While preparing the revenue budget, the Department did not consider the amount of refund made during the year for unused stamps as well as refund of additional stamp duty to the local bodies resulting in inflated budget proposal by the Department.

- In absence of any proposal from the Registration Department, the Finance Department revised the revenue receipt budget for the year

[5] Bhagalpur, Gaya, Gopalganj, Muzaffarpur, Nalanda and Siwan.

2005-06 from ₹ 600 crore to ₹ 550 crore, for 2007-08 from ₹ 720 crore to ₹ 550 crore and for 2008-09 from ₹ 581.02 crore to ₹700 crore.

- We observed substantial variation ranging between (-) 35 *per cent* and 23.26 *per cent* in the actual realisation against the budget estimates which was due to non-consideration of the departmental figures by the Finance Department.

The Department accepted the audit observation and stated (October 2010) that action would be taken to reconcile the figures of the Finance Department from the actual deposit in Government Account under the head "0030 Stamps and Registration fees". The Department would consider issuing a direction to all Collectors to report all refunds of stamp duty and registration fee, so that this may be taken into account while preparing the budget.

The Department further added that the audit observations shall be communicated to the Finance Department and effective steps after consultation with the Finance Department would be taken for ensuring timely reconciliation of the Department's revenue figures with those of the Finance Department.

The Finance Department should prepare budget estimates in co-ordination with the Registration Department. The Government should ensure adherence to the provisions of the budget manual while preparing the BEs. The Government may also take effective steps for ensuring timely reconciliation of the departmental revenue figures with those of the Finance Accounts.

A: Levy

5.2.8 Lack of inter departmental co-ordination

Under the provisions of section 3 of the IS Act, the State Government levies stamp duty vide item no. 35 of Schedule 1A and registration fee as per section 17 of the Indian Registration Act on lease instruments. Further, section 73 of the IS Act provides that every public officer having in his custody any registers, books, records, papers, documents or proceedings, the inspection whereof may tend to secure any duty, or to prove or lead to the discovery of any fraud or omission in relation to any duty, shall at all reasonable time permit any person authorised in writing by the Collector to inspect for such purpose the registers, books, papers, documents and proceedings. The Chief Secretary to the State Government has also issued directives in August 2002 to Secretaries of all Departments, Heads of the Departments, Chairman, Bihar State Electricity Board, Commissioners, Managing Directors of all Corporations, District Magistrates, Sub Divisional Officers, Circle Officers and Block Development Officers to levy stamp duty on all lease documents (*Hat, Bazar, Ghat, Jalkar*, bus stand and *Mela* ground) and get them registered where the lease period relates to more than one year.

We noticed that no system to watch the compliance of the instructions of the Chief Secretary was framed. Further, the Registration Department had not fixed any norm or target for the inspection of public offices by the Collector (DR). Besides, reports/ returns were also not prescribed by the Department to monitor the inspections conducted by the DR as per provisions of section 73 of the IS Act.

Our scrutiny of records of public offices in the test checked districts revealed that in the absence of any prescribed report/return to be submitted by them, the Department was unaware of the extent to which stamp duty and registration fee on the instruments presented in the public offices was to be levied or had been levied. Some of the discrepancies we noticed are discussed in the following paragraphs:

5.2.8.1 Non-levy of stamp duty and registration fee due to misclassification of instruments

As per section 33 and 38 (2) of IS Act, any instrument produced before any Public Officer, which is chargeable with duty in his opinion and if it appears to him that such instruments are not duly stamped, can impound the same and send it in original to the Collector for adjudication of the appropriate stamp duty.

While scrutinising the records of Municipal Corporations/*Nagar Parishads* in nine[6] test checked districts, we observed that nine[7] mobile tower companies had applied for No Objection Certificate for erection of mobile towers in their jurisdiction and entered into agreements with the land/building owners for five to twenty years on ₹ 100 stamp paper. On perusal of the instruments, we noticed that these agreements came under the category of lease[8] documents for lease period of more than one year which attracted stamp duty and registration fee. But the Executive Officer of the Municipal Corporation/*Nagar Parishad* failed to comply with the provisions of the IS Act for adjudicating the appropriate stamp duty by the Collector which resulted in non-levy of stamp duty and registration fee amounting to ₹ 33.83 lakh.

The Department stated (October 2010) that the matter is being examined and if necessary the stamp duty shall be realised. The Department further said that registration fee becomes chargeable only when a document is registered under the Registration Act and issued instructions to the Collectors for implementation of the provision of Section 73 of the IS Act as suggested by us. We await further replies (December 2010).

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6 Gaya, Gopalganj, Madhubani, Motihari, Muzaffarpur, Nalanda, Patna, Purnea and Siwan.

7 Dish Net Wireless Ltd., Bharti Tele Venture Ltd., Tower Vision India Pvt. Ltd, Bharti Infratel Ltd, Idea Cellular Infrastructure Service Ltd., Tata Tele Services Ltd., Essar Telecom Infrastructure Pvt. Ltd., Wireless T. T. Info Service Ltd. and Aditya Birla Telecom Ltd.

8 "*Lease*" means a lease of immovable property and also includes -
(a) a *patta*;
(b) a *quabuliyat* (The word *'quabiuliyat'* or *'kabuliyat,'*) is an undertaking to cultivate or occupy, and an agreement to lease or other undertaking in writing, not being a counterpart of lease, to cultivate, occupy, or pay or deliver rent for, immovable property;
(c) any instrument by which tolls of any description are let;
(d) any writing on an application for a lease intended to signify that the application is granted.

5.2.8.2 Non-levy of stamp duty on *Jalkars*

As per section 7 (xii) (f) of the *Bihar Jalkar Management Act 2006*, the District Fisheries Officer was required to cancel the fishing order in cases where the agreements were not registered.

In nine[9] District Fisheries offices, we noticed that *Jalkars*[10] were settled to different lessees in 149 circles on yearly basis for the period 2004-05 to 2008-09 but stamp duty at the rate of three *per cent* and registration fee at the rate of four *per cent* (up to 2006-07) were not levied on the lessees. Non-levy of stamp duty amounting to ₹ 17.44 lakh and registration fee of ₹ 10.73 lakh resulted in loss of Government revenue of ₹ 28.17 lakh. The District Fisheries Officer also did not initiate any action to adhere to the above provision of the Act.

The Department accepted the audit observation and stated (October 2010) that the matter would be examined and stamp duty would be realised. We await further replies (December 2010).

5.2.8.3 Non-levy of stamp duty on settled *sairats*

In nine[11] test checked districts we scrutinised *Sairat*[12] registers and files of the Municipal Corporations/*Nagar Parishads* and found that stamp duty at the rate of three *per cent* was not levied during the period from 2004-05 to 2008-09 which led to loss of Government revenue of ₹ 31.26 lakh on 110 settled *sairats* for one year. Thus the administrator of the Municipal Corporations/*Nagar Parishads* failed to comply with the instructions of the CS to levy stamp duty on lease documents.

The Department stated (October 2010) that the matter would be examined and stamp duty would be realised. We await further reply (December 2010).

5.2.8.4 Non-levy of stamp duty on bridge toll plazas

During scrutiny of records of the Bihar *Rajya Pul Nirman Nigam*, Patna we observed that stamp duty at the rate of three *per cent* was not levied during the period from 2004-05 to 2008-09 on all *bandobasti*[13] of bridge toll plazas which were settled on a yearly basis. Failure on the part of the administrator of the Bihar *Rajya Pul Nirman Nigam*, Patna to comply with the instructions of the Chief Secretary to levy stamp duty on the lease documents resulted in loss of revenue amounting to ₹ 48.99 lakh as detailed below:

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9 Bhagalpur, Gaya, Gopalganj, Jamui, Madhubani, Muzaffarpur, Nalanda, Patna and Siwan.

10 *Jalkar* – *Jalkar* means tank, *Pokhar*, *Ahar*, river, water course channel, '*Chaur*', '*Dhav*', reservoir Lake, Ox-bow lake etc. under the Department of Animal Husbandry and Fisheries, Bihar, in which *Makhana*, *Singhara* and fish is reared.

11 Gaya, Gopalganj, Jamui, Madhubani, Motihari, Muzaffarpur, Nalanda, Purnea and Siwan.

12 *Sairat* means the income derived by leasing out fisheries, *hats*, *Melas*, Toddy *Mahals* and ferry rights.

13 Settlement of lease.

(₹ in lakh)

Sl. No.	Year	No. of districts in which bridges were settled	Bid amount	Stamp duty at the rate of three *per cent*
1	2004-05	12	157.32	4.72
2	2005-06	14	139.69	4.19
3	2006-07	23	475.68	14.27
4	2007-08	14	457.46	13.72
5	2008-09	14	403.11	12.09
Total		**77**	**1633.26**	**48.99**

The Department accepted the audit observation and stated (October 2010) that the matter would be examined and stamp duty realised. We await further reply (December 2010).

The Government may consider fixing norms for periodical inspection of all public offices and prescribing periodic reports/returns to be submitted for monitoring the levy of stamp duty and registration fee through a compliance framework for implementation of the Chief Secretary's instruction.

5.2.9 Short levy of stamp duty on *sairat*

Under the provisions of section 3 of the IS Act, the State Government levied stamp duty vide item no. 35 of Schedule 1A on lease instruments.

While reviewing the *sairat* registers and statement of settled *sairats* in two districts[14], we observed that 20 *sairats* were found to have been settled, but the stamp duty was short levied as shown below:

(Amount in ₹)

Name of units	Stamp duty leviable	Stamp duty levied	Difference (short levy of stamp duty)
Nagar Parishad, Nalanda	4,51,251	58,395	3,92,856
Nagar Parishad, Gopalganj	4,680	3,219	1,461
Total	**4,55,931**	**61,614**	**3,94,317**

Thus stamp duty amounting to ₹ 3.94 lakh was short levied.

The Department stated (October 2010) that the matter would be examined and stamp duty would be realised. We await further replies (December 2010).

[14] Nalanda : 7 and Gopalganj : 13

B. Collection

5.2.10 Absence of provisions for time limit in the Acts and Rules

Under section 33 (1) of the IS Act, every person in charge of a public office, before whom any instrument is produced shall, if it appears to him that such instrument is not duly stamped, impound the same and as per section 38(2) of the said Act, shall send it in original to the Collector. The stamp duty payable shall be realised by the Collector together with a penalty of ₹ five or an amount not exceeding ten times the amount of proper duty and return it to the impounding officer.

Further, section 48 of the IS Act provides that all duties, penalties and other sums required to be paid under the Act may be recovered by the Collector by distress and sale of the movable property of the person from whom the same are due, or by any other process for the time being in force, for recovery of arrears of land revenue.

We noticed that the Rules do not prescribe any time frame for initiation of revenue recovery certificate. Also, there is no provision in the Act/Rules for production of proof of permanent residential address of the executants at the time of presenting the documents and its verification in DSR/SR offices. Further, there is no provision in the Rules to enforce the execution of sale deed by the parties and to recover stamp duty and registration fee finalised by the Collector. No time limit has been fixed in the Acts/Rules or instructions of the Department for sending the cases by the DSR/SR to the Collector/IRO for necessary action.

5.2.10.1 Non-disposal of impounded cases

Under sections 38(2) and 40 of the IS Act, when any instrument sent in original to the Collector after impounding the same, if he is of the opinion that such instrument is chargeable with duty and is not duly stamped, the stamp duty payable shall be realised by the Collector together with a penalty of ₹ five or an amount not exceeding ten times of the amount of proper duty and return it to the impounding officer. Further, Section 48 of the IS Act provides that all duties, penalties and other sums required to be paid may be recovered by the Collector by distress and sale of movable property of the person from whom the same are due, or by any other process for the time being in force. This action may be initiated after issuing notices to the person concerned and instituting cases against them under the Public Demands Recovery (PDR) Act.

During test check of records along with the registers of impounded cases, we observed that 16 impounded cases by three[15] DSRs during 2006-09 were sent to the Collectors for adjudication. All these cases were pending disposal till the date of audit due to the absence of provisions of time frame in the Acts/Rules. Non-disposal of impounded cases resulted in blocking of Government revenue amounting to ₹ 4.71 lakh.

The Department stated (October 2010) that at the instance of audit, instructions had been issued (September 2010) for fixing the time limit of one month for disposal of referred and impounded cases.

5.2.10.2 Non-realisation of revenue in finalised and impounded cases

We cross checked the registers of impounded cases and statements made available by two DSRs and one Deputy Collector (Stamp)[16] for the period 2004-05 to 2008-09 and found that 81 cases impounded by the DSRs for adjudication of stamp duty were finalised by the Collectors. The Collectors adjudicated those cases and imposed stamp duty and penalties amounting to ₹ 7.51 lakh. Notices were issued/being issued to the executants. Further action was not initiated against the executants for realisation of stamp duty and penalty as per provisions of the Act.

Thus, due to lack of provision of a time limit in the Rules or in Departmental instructions for issue of Revenue Recovery Certificate (RRC) in established demands, no case was instituted under RRC.

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15 Bhagalpur (9 cases - ₹ 3.84 lakh), Gaya (4 cases - ₹ 36,840) and Gopalganj (3 cases - ₹ 49,960).

16 Gopalganj (25 cases - ₹ 4.11 lakh), Motihari (54cases - ₹ 2.79 lakh) and Deputy Collector (Stamp) Bhagalpur (2 cases - ₹ 60,859).

5.2.10.3 Delay in execution of referred cases

Under section 47(A) of IS Act, 1899, where the registering authority has reason to believe that the market value of the property has not been rightly set forth in the instrument, he may refer the same to the Collector for determining its market value. Further, the Commissioner cum Secretary and Inspector General of Registration Department, Government of Bihar instructed on 20 May 2006 all Collectors to transfer the cases referred under section 47(A) to the IRO concerned for speedy disposal within 90 days.

During scrutiny of records of nine[17] test checked districts, we observed that 616 cases involving a sum of ₹ 1.67 crore presented between October 1997 and March 2009 were referred (between December 2002 and March 2009) by the DSR/SR to the Collector/IRO for determination of market value of the properties as required under section 47 (A) of IS Act, after delays ranging from one to 3,233 days. This resulted in non-execution of referred cases. The delay in referring cases and their timely disposal also caused hardship to the executant public.

5.2.10.4 Non-realisation of deficit stamp duty from finalised referred cases

During cross verification of the registers of referred cases and statements made available by three[18] IROs and five[19] DSRs for the period 2004-05 to 2008-09 we observed that out of the cases referred to DR/IRO for valuation of land/property under section 47 (A) of IS Act, 1565 cases were finalised by the Collectors/IROs and sent back between November 2004 and February 2008 to the DSR/SR for execution of deeds which remained pending with them. This resulted in non-realisation of Government revenue amounting to ₹ 5.24 crore based on the statement furnished by the IROs/DSRs.

The Department stated (October 2010) that instructions had been issued for speedy disposal of referred and impounded cases. We await further reply (December 2010).

5.2.10.5 Non-finalisation of referred cases

While reviewing the Register of referred cases and statements made available by two IROs (Muzaffarpur and Patna) and 10[20] DSRs for the period 2004-05 to 2008-09, we observed that out of 3,968 cases referred to Collectors/IROs, 1,034 cases pertaining to the period 2004-05 to 2008-09 for determination of market value of property were pending for disposal till the date of audit which caused blocking of Government revenue of ₹ 3.21 crore. Be[illegible]

17 Bhagalpur, Gaya, Gopalganj, Motihari, Muzaffarpur, Nalanda, Patna, Purnea and Siwan.

18 Bhagalpur, Muzaffarpur and Patna.

19 Gaya, Gopalganj, Madhubani, Muzaffarpur and Siwan.

20 Bhagalpur, Gaya, Gopalganj, Jamui, Motihari, Muzaffarpur, Nalanda, Patna, Purnea and Siwan.

pertaining to the period 1991-92 to 2003-04 involving realisable amount of ₹ 4.29 crore transferred from Collectors to IROs after issue of the order of May 2006 were also pending for disposal.

The Department stated (October 2010) that the Government had issued instructions for speedy disposal of cases and as a remedial measure, had empowered the IROs to function as Collectors for the purpose of section 47(A) of IS Act.

The Government may take appropriate steps for the speedy disposal of referred cases. The Government may also consider prescribing a time limit for sending the cases for determination of market value and disposal of impounded cases and also for instituting RRCs after the demands have been established.

5.2.11 Non-fixing of incidental expenses

Section 44(2)(iii) of the Bihar Regional Development Authority Act, 1981 and Section 136(2) and (4) of the Bihar and Orissa Municipal Act, 1922, provide that the Registration Department shall collect additional amount of duty equivalent to five *per cent* (upto December 2005) for Bihar Regional Development Authority and two *per cent* for Municipal body/ Notified Area Committee on the value of instruments of sale, gift and usufructuary mortgage of immovable property and all collections resulting from such increase shall be paid to the authority/body after deducting incidental expenses (if any) as may be prescribed by rules made by the State Government.

Scrutiny of records revealed that the Registration Department was utilised for collection and making payment for and on behalf of aforesaid local bodies/ authorities. But in absence of any incidental expenses fixed by the Government/Department, the total amount collected by them had been paid to the bodies/ authorities without deducting the incidental expenses.

Similarly, no incidental expenses were either fixed or realised by the Registration Department on the scanning charges of instruments presented for registration and collected by the Societies for Computerisation of Registration (SCORE) which is registered under the Societies Registration Act, 1807, although offices of the Registration Department were being utilised for collection of scanning charges.

The Department, while accepting the audit observations, replied (October 2010) that it is a policy matter and would be considered.

The Government may consider prescribing the rate of incidental expenses for collection of revenue on behalf of a body or authority as fixed for Land Revenue Department. For SCORE the collection charges should be fixed on the basis of utilisation of departmental manpower and infrastructure.

5.2.12 Internal control mechanism

5.2.12.1 Internal audit

The internal audit wing of a Department is a vital component of its internal control mechanism and enables the Department to assure itself that the prescribed systems are functioning appropriately.

We noted that there is no separate internal audit wing in the Registration Department. The Finance Department (Audit Cell) works as the Internal Audit Department of the Registration Department. The scope and extent of internal audit was not made available to us by the Department. Not a single office of the Registration Department was audited during the period 2004-05 to 2008-09, except the office of the DSR Gaya in which only the expenditure aspect was covered.

The Department stated (October 2010) that it is considering developing an internal audit system to strengthen its inspection and IROs are to be empowered to conduct internal audit/inspection.

5.2.12.2 Inadequate inspection

Inspection is an important tool of internal control in the hands of the administration for ascertaining that rules and procedures prescribed for the Department are being followed and are sufficient to safeguard proper collection and prevent leakage of revenue. The Bihar Registration Manual provides for inspection of registration offices by the DSRs, DRs, IROs and IG Registration. The DSR will ordinarily inspect each SR office in the district twice a year and his own office once a year. The DR/IRO should inspect every office under his jurisdiction including the district office at least once in a year. The IGR is required to inspect 50 *per cent* of the offices of the DSRs and as many offices as he conveniently can.

As per the norms laid down by the Bihar Registration Manual, 2105 offices were required to be inspected by the inspecting authorities during 2004-05 to 2008-09. The number of inspections conducted during 2004-05 to 2006-07 was not furnished to us. However, as per the data furnished pertaining to the period 2007-08 and 2008-09, we observed that only 127 offices (15 *per cent*) were inspected by the inspecting authorities against 842 offices required to be inspected as detailed in the following table:

Year	No. of offices required to be inspected	No. of offices inspected	Shortfall	Percentage of inspection
2004-05	421	Not furnished	-	-
2005-06	421	Not furnished	-	-
2006-07	421	Not furnished	-	-
2007-08	421	53	368	13
2008-09	421	74	347	18

The details of inspections conducted by the inspecting authorities during 2008 and 2009 were as shown below:

Name of inspecting officers	Year					
	2008			2009		
	No. of offices required to be inspected	No. of offices inspected (in *per cent*)	Shortfall	No. of offices required to be inspected	No. of offices inspected (in *per cent*)	Shortfall
IGR	19	1 (5)	18	19	4 (21)	15
IRO	110	37 (33)	73	110	63 (57)	47
DR	110	Not furnished	110	110	Not furnished	110
DSR	182	15 (8)	167	182	7 (4)	175
Total	**421**	**53 (13)**	**368**	**421**	**74 (18)**	**347**

The Department stated (October 2010) that it is considering establishing an internal audit system to strengthen its inspection and IROs will be empowered to conduct internal audit/inspections.

The Government may ensure periodical inspection of all IRO/DSR/SR/Public offices and their internal audit at regular intervals.

5.2.13 Improper exemption of fee under Article 'O'

As per Article 'O' of the table of fee under the Indian Registration Act, when a document remains unclaimed for more than one month after completion of registration, a fee of ₹ five shall be charged for every month or part thereof beyond the first month after such completion. The amount of fee shall not exceed ₹ 100 in any case. The District Registrar is not empowered to waive 'O' fee except in cases of hardship.

From scrutiny of the Fee Book, Delivery Register and Exemption of 'O' Fee Register and files of DSR, Gopalganj, we observed that 8,167 documents relating to the period from 16 July 2003 to 19 July 2004 were pending for delivery to the persons concerned. The District Registrar, Gopalganj ordered on 21 September 2004 to deliver 5,783 documents without charging 'O' fee of ₹ 2.10 lakh.

The Department stated (October 2010) that the exemption had been given to remove the hardship of the registrant public which was caused due to delay in

signing by the then District Sub Registrar on the final endorsement of the deeds. The Department further added that the District Registrar-cum-Collector had rightly in exercise of power conferred under the note to Article 'O' and 'P', waived 'O' fee only for a month with effect from the date of order. We do not agree because the remission granted did not belong to the category of hardship. Besides, action taken against the erring officer has also not been furnished.

5.2.14 Conclusion

The review indicated that the systems established by the Department for assessment, levy and collection of stamp duty and registration fee were deficient. Lack of provisions in the Acts/Rules constrained the Department in effecting timely recovery from defaulters.

The Department failed to co-ordinate with other bodies/Departments to collect timely information on the number of documents to be registered leading to substantial loss of stamp duty and registration fee. Moreover, the Department failed to follow various provisions of the Acts/rules resulting in significant amount of non/short assessment and realisation of stamp duty and registration fee.

5.2.15 Summary of recommendations

The Government/Department may consider implementing the recommendations noted under the respective paragraphs with special attention to the following to rectify the system and compliance deficiencies:

- strictly follow the budgetary procedures under provisions of Rule 54 of the Bihar Budget Procedures in preparation of budget estimates;
- ensure that the internal control mechanism is strengthened and its effectiveness is periodically reviewed;
- fix the norms for periodical inspection of all public offices and prescribe reports/returns to be submitted by them and their periodicity of submission;
- prescribe a time frame for instituting revenue recovery certificates and follow up action thereof;
- prescribe a time limit for sending the referred/impounded cases and its finalisation; and
- prescribe the rate of incidental expenses for collection of revenue on behalf of a body/authority/SCORE.

CHAPTER-VI
NON-TAX RECEIPTS

CHAPTER-VI: NON-TAX RECEIPTS

6.1 Results of audit

We test checked the records of the receipts from water rates, mines and minerals, forest *etc.*, during the year 2009-10 and detected loss/non-recovery of revenue *etc.* and other deficiencies of ₹ 376.66 crore in 314 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
A.	**Mines and Minerals**		
1.	Non-initiation of certificate proceedings	21	58.14
2.	Non-levy of penalty for illegal removal of brick earth	30	9.74
3.	Non/short realisation of royalty and cess	16	1.93
4.	Non/short levy of auction money due to non/irregular settlement of sand *ghats*	08	1.41
5.	Non-levy of stamp duty and registration fees	02	1.68
6.	Non-levy of penalty against works contractors for illegal procurement of minerals	10	19.75
7.	Non/short levy of dead rent/surface rent	03	2.78
8.	Other cases	85	135.02
	Total	**175**	**230.45**
B.	**Water Rates**		
1.	Loss of revenue due to non-assessment of target of irrigation	15	13.84
2.	Loss of revenue due to non-raising of demand of water rates	15	5.96
3.	Delay in assessment of water rates	14	91.21
4.	Loss of revenue due to non-settlement of *chat land*	06	1.70
5.	Other cases	40	25.92
	Total	**90**	**138.63**
C.	**Forest Receipts**		
1.	Non-eviction of encroached forest land	04	0.35
2.	Blocking of revenue due to non-disposal of collected/ unclaimed timber	09	0.52
3.	Other cases	36	6.71
	Total	**49**	**7.58**
	Grand total	**314**	**376.66**

During the year 2009-10, the concerned Departments accepted underassessment and other deficiencies *etc.* involving ₹ 305.96 crore in 268 cases, of which 237 cases involving ₹ 281.58 crore were pointed out during the year 2009-10 and the rest during the earlier years.

A few illustrative cases involving tax effect of ₹ 7.73 crore are mentioned in the following paragraphs.

6.2 Audit observations

Our scrutiny of the records of the District Mining Officers/Executive Engineers revealed several cases of non-compliance of the provisions of the Act/Rules and Departmental orders as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the Departmental officers are pointed out by us each year, but not only do the irregularities persist, these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system and the internal audit.

A. MINES AND MINERALS

6.3 Non-levy of penalty against the works contractors for illegal procurement of minerals

Fourteen[1] District Mining Offices

Under rule 40 (10) of the Bihar Minor Mineral Concession (BMMC) Rules, 1972 the works contractors shall purchase the mineral from lessees/permit holders and authorised dealers only. The Works Department shall not accept any bill which the works contractors submit to recover the cost of minerals used by them in completion of the work unless the same is accompanied by an affidavit in the prescribed form 'M' and the particulars in form 'N' under the BMMC Rules describing the names and the addresses of the lessee/permit holder/dealers from whom the minerals were purchased. The Department also notified (January 2006) that no payment of bills shall be made without the production of form 'M' and 'N' by the works contractors. It shall be the duty of the officer who receives the said bill to send a photocopy of the forms to the concerned District Mining Officer (DMO)/Assistant Mining Officer (AMO). If verification of the forms reveals that the minerals were not purchased from any bonafide lessee, it shall be presumed that the concerned mineral was obtained by illegal mining and in that event action should be taken against the works contractor. Rule 40(8) of BMMC Rules prescribes that the penalty for such illegal mining includes recovery of the price of the mineral, rent, royalty or taxes as the case may be.

We observed between June 2009 and February 2010 that the Works Departments did not send the particulars of the mineral used by the works contractors to the concerned DMOs for verification. Instead, the Works Departments deducted during 2008-09 royalty of ₹ 23.92 crore from the bills of the works contractors against use of minerals and released the balance payment to the contractors.

Further, the DMOs on receipt of information about the deduction of royalty by the Works Departments through district treasury receipt schedules and details of royalty deduction by the concerned works divisions, did not initiate any follow up action to call for the copies of the form

[1] Banka, Begusarai, Bettiah, Bhagalpur, Gopalganj, Jamui, Khagaria, Lakhisarai, Motihari, Munger, Muzaffarpur, Nawada, Patna and Sheikhpura.

'M' and 'N' from the concerned Works Departments to ascertain the genuineness of mining activities.

After we pointed this out, the Government/Department replied that there is no provision under rule 40 (10) of BMMC Rules, to levy any other penalty by the mining offices if royalty is paid by works contractors. The Government/ Department further stated that it is not practicable to levy penalty for minerals used in construction works in the interest of infrastructure development. We do not agree with the contention of the Department as it is not in conformity with the BMMC Rules and the Department's order of January 2006.

6.4 Operation of brick kilns

6.4.1 Non/short realisation of royalty

Under the provisions of Rule 26 (A) and 28 of the BMMC Rules and notification issued (March 2001) thereunder, brick kiln owners are required to pay the consolidated amount of royalty in two equal installments at the prescribed rates based on category of brick kiln areas after obtaining permit. Further, BMMC Rules and instructions issued in October 1987 provide that if the brick kiln owner fails to make payment of consolidated amount of royalty in the manner so prescribed, the competent officer shall stop such business and initiate certificate proceedings for realisation of outstanding royalty/arrear amount under rule 37 of the BMMC Rules.

We observed between June and August 2009 that in five[2] district mining offices, 230[3] brick kilns were operated in brick season[4] 2008-09, out of which 208 brick kilns owners did not pay due royalty of ₹ 1.07 crore while the other 22 owners made partial payment of royalty of ₹ 7.13 lakh against a total amount of ₹ 11.80 lakh. The concerned DMOs neither stopped their business nor initiated certificate proceedings for realisation of royalty. This resulted in non/short realisation of royalty of ₹ 1.12 crore. Besides, simple interest at the rate of 24 *per cent* per annum on the royalty payable is also leviable under the rules.

After we pointed this out, the Government/Department while accepting the audit observation stated in September 2010 that the certificate cases have been filed for payment of royalty. Further developments are awaited (December 2010).

[2] Arwal, Aurangabad, Gaya, Jehanabad and Muzaffarpur.
[3] Category-II: 19 and Category-III: 211.
[4] Brick season starts from the month of October every year to March of the subsequent year.

6.4.2 Non-levy of penalty for illegal removal of brick earth

Rule 40 (8) of BMMC Rules prescribes that the penalty for any illegal mining includes recovery of the price of the mineral, rent, royalty or taxes as the case may be, for the period during which the land was occupied by such person without any lawful authority. Further, Rule 40(1) *ibid* prescribes initiation of criminal proceedings attracting punishment of simple imprisonment that may extend to six months or with fine which may extend to rupees five thousand or both. Besides, as per rule 43 (A) of the BMMC Rules, Government may charge simple interest at the rate of 24 *per cent* per annum on any rent, royalty, fee or other sum due to the Government.

We observed between June 2009 and February 2010 that in 17[5] district mining offices, 514[6] brick kilns were operated in brick season 2008-09 without paying the consolidated amount of royalty and without valid permit. There is nothing on record about the action taken to stop the business or levy penalty. Thus, taking the minimum price of mineral equivalent to royalty, there was non-levy of penalty of ₹ 2.67 crore. Besides, interest on the royalty payable is also leviable under the rules.

After we pointed this out, the Government/Department stated in September 2010 that action was being taken by the Departmental officers and certificate cases have been initiated for realisation of Government money. The Government/ Department further added that no specific provision for imposition of penalty lies under BMMC Rules. We do not agree as the mining was done without valid permit and as such these cases were to be treated as illegal excavation and penalty levied under the Rules. We await further developments in the matter (December 2010).

6.4.3 Illegal operation of moving brick kiln

As per Government of India, Ministry of Forest and Environment Notification (December 2001) circulated by State Government (June 2005), operation of moving brick kiln[$] has been prohibited. In case any moving brick kiln is operated, it should be closed and penalty should be imposed and legal action should also be taken.

We observed in December 2009 from inspection reports of the Mining Inspector of district mining office, Sheikhpura that seven moving brick kilns (category-III) were in operation during 2008-09. Neither was any penal action initiated for closing the operation of these moving brick kiln nor was any

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5 Begusarai, Bhagalpur, Bhojpur, Gaya, Gopalganj, Jamui, Khagaria, Lakhisarai, Madhepura, Motihari, Muzaffarpur, Nawada, Patna, Rohtas, Saharsa, Sheikhpura and Supaul.

6 Category-I: 08, II: 33 and III : 473.

$ Moving brick kiln – Other than fixed brick kiln and temporary structures where bricks are manufactured without having chimney.

demand for royalty and minimum penalty equivalent to royalty in terms of Rules *ibid* raised against the defaulting brick kiln owners. This resulted in non-raising of demand of ₹ seven lakh (₹ 3.50 lakh as royalty and ₹ 3.50 lakh as penalty). Besides, interest amounting to ₹ 70,756 is also leviable.

After we pointed this out, the Government/Department while accepting the audit observation stated in September 2010 that FIRs were lodged against all the defaulters and certificate cases were also instituted against them. We await further developments in the matter (December 2010).

6.5 Non-levy of penalty for illegal use of ordinary earth

District Mining Office, Banka

Ordinary earth used for filling or leveling purpose in construction of embankments, roads, railways and buildings is a minor mineral. In this regard the Government of Bihar vide Gazette notification (April 2006) fixed the rate of royalty of ordinary earth as ₹ 15 per cubic metre. Under rule 27 and 28 of the BMMC Rules, any quarrying activities require sanction of the competent authority on payment of requisite fee.

Rule 40(8) prescribes the penalty for illegal mining which includes recovery of the price of the mineral, rent, royalty or taxes as the case may be. Further, rule 40(1) *ibid* prescribes initiation of criminal proceedings attracting punishment of simple imprisonment that may extend to six months or with fine which may extend to rupees five thousand or both.

We observed in September 2009 that a sum of ₹ 36.64 lakh was deducted as royalty from the bills of six works contractors during the year 2008-09 for use of mineral in earth work in Rural Works Division, Banka. We further observed that the works contractors who removed the minor mineral had not applied for quarrying permit for the same. Thus, the contractors removed the earth illegally for which they were liable to pay minimum penalty equivalent to the amount of royalty i.e. ₹ 36.64 lakh in terms of the rules. But the concerned DMO neither levied penalty of ₹ 36.64 lakh nor initiated any action as per rules.

After we pointed this out, the Government/Department while accepting the audit observation stated in September 2010 that DMO, Banka was instructed to send the report after taking suitable action. Further development is awaited (December 2010).

6.6 Short realisation of royalty

DMO, Munger

Under rule 9 (A) of the BMMC Rules, the Government may by notification in the official gazette direct that any mineral contracts be leased out or settled by public auction/tender in the manner prescribed under rule 52 *ibid*. The period of quarrying lease shall not be less than five years and the settlee shall pay the royalty in advance in five equal installments before 31st January of each year. Further, if the extracted and dispatched quantity of stone is in excess of annual installment, the settlee shall pay the royalty of the excess quantity extracted.

We observed in July 2009 that three stone quarries were auctioned at ₹ 2.89 crore in March 2008. The settlees had to pay royalty of ₹ 57.81 lakh (one fifth of the auction amount) before January 2009 as the first installment for extraction and dispatch of stone. The settlees extracted 42,56,350 cubic feet of stone valued at ₹ 76.19 lakh (at the rate of ₹ 1.79 per cubic feet) but paid only ₹ 60.18 lakh (March 2009). No demands were, however, raised for realisation of ₹ 16.01 lakh as royalty of the excess quantity of stone dispatched. This resulted in short realisation of royalty of ₹ 16.01 lakh.

After we pointed this out, the Government/Department while accepting the audit observation stated in September 2010 that the differential amount is being realised. We await further developments (December 2010).

6.7 Non-realisation of auction money and non-levy of interest

DMO, Sheikhpura

Under rule 7 of the Bihar Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2003, grant of stockist license for stone mineral used for crusher shall strictly be on the basis of public auction/tender to the highest bidder/ tenderer. In case of auction, the auction amount shall be deposited on yearly basis in equal installments within seven years and shall be deposited before 31st December. In case of default in payment of any installment till the prescribed date, simple interest at the rate of 24 *per cent* shall be charged up to six months and after that action for cancellation of license shall be taken.

We observed in December 2009 that eight stockist licensees[7] deposited a sum of ₹ 6.73 lakh against the due amount of ₹ 12.42 lakh on account of installments of auction amount for the years 2006, 2007 and 2008 with delays ranging between 45 to 732 days. The Mines Development Officer neither levied interest against the bidder nor was any action taken to cancel the

[7] Stockist licensee is a person who has been granted a license to stock stone for use in the crusher within/beyond the leasehold area.

licence as per the rules. This resulted in non-realisation of auction amount of ₹ 5.69 lakh and non-levy of interest of ₹ 1.77 lakh.

After we pointed this out, the Government/Department while accepting the audit observation stated in September 2010 that the Mining Officer has been directed to ensure action as per rules and send a report. We await further developments (December 2010).

B: WATER RATES

6.8 Non-raising of demand due to non-preparation of *Khatiani*

Five[8] irrigation divisions

Under the Bihar Irrigation Act, 1997 and the rules framed thereunder, preparation of the Statement of Land irrigated (*Sudkar*), cultivator wise measurement (*Khesra*) and Demand Statement (*Khatiani*) are required to be completed yearly, by 30 November for *Kharif*, 30 April for *Rabi* and 15 June for hot weather crops by the Irrigation Department for recovery of water rates from the beneficiaries to whom water is supplied for irrigation purpose. Thereafter, this *khatiani* is required to be executed by the division itself for recovery in the light of restructuring of the Department in June 2005 in which all existing 17 revenue divisions were substituted and the functions of these divisions were merged with 17 irrigation divisions for recovery.

We observed between July and October 2009 that *Khatiani* for 1,00,144.25 hectare of *Kharif* crop and 44,848.28 hectare of *Rabi* crop irrigated during the years 2007-08 and 2008-09 were not prepared by these divisions. This resulted in non-raising of demand and collection of water rates of ₹ 2.51 crore.

After we pointed this out, EE Tirhut Canal Division No-2, Bettiah accepted the audit observation. EE, Tirhut Canal Division, Muzaffarpur stated that due to flood and consequent loss of crop, *khatiani* could not be prepared. The EEs of the remaining three divisions stated that shortage of staff was the reason for non-preparation of *khatiani*. We do not agree with the above explanations since neither the occurrence of floods nor the shortage of staff can be a valid reason for failure to collect revenue due to the Government.

The matter was reported to the Government in April 2010; we await their reply (December 2010).

[8] Tirhut Canal Division no. 1, Bettiah; Tirhut Canal Division no. 2, Bettiah; Water ways Division, Jehanabad; Sone Canal Division, Khagaul and Tirhut Canal Division, Muzaffarpur.

6.9 Illegal retention of Government revenue by *Krishak Samities*

Three[9] irrigation divisions

Under rule 3.4.1 to 3.4.14 of Bihar Irrigation, Flood Management and Drainage Rules, 2003, framed under Bihar Irrigation Act 1997, the EE, Water Resources Department based on a Memorandum of Understandings (MOU) entered into an agreement with the Water User's Association (*Samities*) to transfer the management (operation, maintenance and development of Canal System), assessment and collection of water rate for a fixed period. Under the MOU, the *Samities* were required to prepare the Demand Statement (*parcha*) as per approved rate of water charges and collect it from the water users. Thereafter, the *Samities* were required to deposit the Government share (30 *per cent*) into Government account and the balance amount (70 *per cent*) to be kept with the *Samities* to be utilised on development, maintenance and operation of the canal.

Rule 3.6.9 (b) *ibid* also required the associations to deposit the aforesaid Government share of water charges every year before 31 March (*kharif*) and before 30 June (*rabi*) in the Government account through bank drafts. Rule 3.6.10 *ibid* further required that in case the Government's share of water charges is not deposited by the *Samities* within the stipulated time, the supply of water shall be stopped in the next season and action shall be initiated for realisation of dues as per the rules.

We observed between July 2008 and October 2009 that the management of the Canal System for irrigable area was transferred to 16[10] *Krishak Samities* relating to the period 2007-08 and 2008-09 as per the MOUs. The water rate recoverable from water users during 2007-08 and 2008-09 was arrived at ₹ 3.09 crore (*Kharif* : ₹ 2.08 crore, *Rabi*: ₹ 1.01 crore) calculated on the basis of area of irrigated land at the rate of ₹ 88 and ₹ 75 per acre for *kharif* and *rabi* crops respectively against which the Government share (30 *per cent*) amounting to ₹ 92.70 lakh was required to be deposited into the Government account by the *Samities*. The *Samities*, however, deposited only ₹ 16.92 lakh, out of which a sum of ₹ 1.29 lakh relating to the period 2007-08 to 2008-09 was deposited in the year 2009-10 and 2010-11 by two *Krishak Samities* (Koilwar and Sakla) as reported by the concerned divisions in June 2010 leaving an unrealised balance of ₹ 75.78 lakh.

Though Para 7 of Form 7 of the MOU required the *Samities* to submit a copy of its Annual Financial Balance Sheet to the EE, no such Balance Sheet was available with the Division. Consequently, neither was the EE able to ascertain the correctness or appropriateness of expenditure of the balance 70 *per cent* retained by the *Samities* for the purpose of repair, maintenance and

[9] Sone Canal Division, Ara, Ganga Pump Canal Division, Chausa, Buxar and Sone Canal Division, Khagual, Patna.

[10] Ara : 3, Buxar : 5 and Khagaul : 8.

development of canal system, nor were the records of the *Samities* inspected by the concerned EEs.

It was further observed that under Sone Canal Division, Khagaul, though the MOU with the *Samities* signed in November 2002 for a period of five years had expired in November 2007, no further extension of the MOU was entered into and these *Samities* were illegally collecting water rate from the water users. However, in the other two divisions the MOUs were signed in December 2005 and were in force during audit scrutiny.

After we pointed this out, the EEs concerned stated that correspondence was being made and directions were being issued to the *Samities* for deposit of the amount. Further report is awaited (December 2010).

We reported the matter to the Government in April 2010; their reply is awaited (December 2010).

(PREMAN DINARAJ)
Principal Accountant General (Audit),
Bihar

Patna
The 20 MAY 2011

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The 9 JUN 2011

ANNEXURE

ANNEXURE-I

(Refer: Paragraph 1.2.3)

Non-production of records to Audit for scrutiny

Sl. no.	Revenue head	Name of offices	Year in which it was to be audited	Number of assessment cases/records not audited
1	Taxes/VAT on sales, trade etc.	Deputy Commissioner Comercial Taxes, Patna West and central circle	2008-09	55
2	State excise	Superintendent of Excise, Sitamarhi	2009-10	03
3	Forestry and wildlife	District Forest Officer, Araria	2008-09	02
		District Forest Officer, Saharsa	2008-09	02
4	Stamp duty and registration fees	District Sub-registrar, Gopalganj	2007-08	01
		District Sub-registrar, Bihpur (Bhagalpur)	2008-09	01
5	Non-ferrous mining and metallurgical industries	Mining Inspector, Jehanabad	2009-10	04
		Mines Development Officer, Aurangabad	2009-10	03
		Mines Development Officer, Sheikhpura	2009-10	07
		Mining Inspector, Supaul	2009-10	02
		Mining Inspector, Madhepura	2009-10	02
		Assistant Director of Mines, Kosi circle, Saharsa	2009-10	02
		Mines Development Officer, Bettiah	2009-10	05
6	Transport	District Transport Officer, Purnea	2008-09	03
		District Transport Officer, Begusarai	2008-09	01
		District Transport Officer, Lakhisarai	2009-10	05
		District Transport Officer, Muzaffarpur	2008-09	07
		District Transport Officer, Gopalganj	2009-10	03
		District Transport Officer, Khagaria	2009-10	05
		District Transport Officer, Patna	2008-09	01
		District Transport Officer, Saharsa	2009-10	01
		District Transport Officer, Araria	2009-10	01
		District Transport Officer, Chapra	2009-10	03
		District Transport Officer, Kishanganj	2009-10	07
		District Transport Officer, Bettiah	2009-10	03
7	Irrigation	Sone Canal Division, Ara	2009-10	02
		Tirhut Canal Division No.1, Bettiah	2009-10	04
		Tirhut Canal Division No.2, Bettiah	2009-10	03
		Tirhut Canal Division No.1, Muzaffarpur	2009-10	03
		Sone Canal Division, Khagaul	2009-10	05
		Irrigation Receipt Division No.2, Jamui	2009-10	03
		Irrigation Division No.2, Jhajha	2009-10	06
8	Land Revenue	Circle Officer, Manigachhi	2006-07	04
		Circle Officer, Singhwara	2006-07	04
		Circle Officer, Keoti	2006-07	03
		Circle Officer, Motihari	2008-09	04
		Circle Officer, Patna Sadar	2009-10	03
		Circle Officer, Jamalpur	2007-08	02
		Circle Officer, Guthni	2004-05	05
		Circle Officer, Tarapur	2004-05	03
		Additional Collector, Land Revenue, Patna	2005-06	03
Total		**No. of offices - 41**		**186**

ANNEXURE-II

(Refer: Paragraph 1.4)

Audit Planning

Sl. No.	Head of revenue	Total No. of units due for audit	Nos. of units planned and audited
1	Commercial taxes	48	36
2	Motor vehicle taxes	48	38
3	State Excise	49	39
4	Stamp duty and registration fees	138	31
5	Land revenue	611	61
6	Mines and minerals	48	33
7	Irrigation	32	14
8	Forest and environment	38	19
Total		**1012**	**271**

ANNEXURE-III

(Refer: Paragraph 2.12)

Application of incorrect rate of tax

(Amount in ₹)

Sl. No.	Name of Circles	Name of dealers TIN	Year	Name of commodity sold	Sale value	Rate leviable/ levied (In *per cent*)	Short levy	Interest	Penalty	Total
1.	Bettiah	M/s Mahabir Construction 10260696085	2006-07	Stone chips etc	30,52,150.00	12.5 4	2,59,432.00	97,287.00	7,78,296.00	11,35,015.00
		M/s Narayani Nirman 10260708016	2006-07	Stone chips etc	1,35,29,576.00	12.5 4	11,50,013.96	4,31,255.00	34,50,041.88	50,31,310.84
2.	Danapur	M/s Aqua Softech pvt ltd. 10041343098	2008-09	Packaged Drinking Water	30,94,593.00	12.5 4	2,63,040.40	74,966.40	7,89,121.20	11,27,128.00
3.	Patliputra	M/s U.P. State Bridge Corporation Ltd. 1005114032	2006-07 2007-08	Stone chips etc.	4,11,66,863.25	12.5 4	34,99,183.38	15,68,068.86	1,04,97,550.14	1,55,64,802.38
		M/s Chankya Technos 10050326074	2007-08	Stone chips etc.	18,73,610.50	12.5 4	1,59,256.89	50,165.64	4,77,770.67	6,87,193.20
4.	Patna Central	M/s S.B.Industries 10150051095	2008-09	Packaged drinking water	1,25,98,155.02	12.5 4	10,70,843.15	88,243.53	32,12,529.45	43,71,616.13
5.	Patna South	M/s United Telelink Pvt Ltd. 10123146011	2005-06	Mobile Phone	12,40,60,642.02	12.5 4	1,05,45,154.57	71,17,979.33	3,16,35,463.71	4,92,98,597.61
		M/s Genesis Enterprises 10120689098	2005-06	Submersible Pump etc.	2,77,22,793.96	12.5 4	23,56,437.48	16,25,941.76	70,69,312.44	1,10,51,691.68
		M/s Linkwell Telesystems Pvt Ltd. 10122317049	2005-06 to 2008-09	PCO Billing Machine	10,63,04,031.52	12.5 4	90,35,842.67	40,63,452.50	2,71,07,528.01	4,02,06,823.18
6.	Patna Special	M/s Patliputra Equipments Pvt. Ltd. 10010651037	2007-08	Excavator etc.	40,40,47,302.87	12.5 4	3,43,44,020.74	1,18,48,687.15	10,30,32,062.22	14,92,24,770.11
7.	Raxaul	M/s Perfect International Export and Import 10320438094	2007-08	Stone chips etc	2,01,62,002.12	12.5 4	17,13,770.18	5,39,837.55	51,41,310.54	73,94,918.27
Total					**75,76,11,720.26**		**6,43,96,995.42**	**2,75,05,884.72**	**19,31,90,986.26**	**28,50,93,866.40**

ANNEXURE-IV

(Refer: Paragraph 5.2.7)

Refund of stamps to the executants by the Deputy Collector (Stamps)

(₹ in lakh)

Sl. No.	Districts	Years					
		2004-05	2005-06	2006-07	2007-08	2008-09	Total
1	Bhagalpur	3.04	0.64	5.13	8.36	0.42	17.59
2	Gaya	2.59	2.60	1.43	0.19	0.08	6.89
3	Gopalganj	0.79	3.94	2.35	0.55	1.35	8.98
4	Muzaffarpur	14.73	16.67	7.64	2.25	1.57	42.86
5	Nalanda	-	8.44	0.87	1.66	3.86	14.83
6	Siwan	1.24	1.00	1.69	0.47	0.50	4.90
Total		**22.39**	**33.29**	**19.11**	**13.48**	**7.78**	**96.05**

Glossary of abbreviation

Abbreviation	Details of abbreviation
AA	Assessing Authority
ACCT	Assistant Commissioner Commercial Taxes
ACE	Assistant Commissioner of Excise
AIG	Assistant Inspector General
AMO	Assistant Mining Officer
AR	Audit Report
BE Act	Bihar Excise Act
BEs	Budget Estimates
BL	Bulk Liter
BMMC	Bihar Minor Mineral Concession
BMVT	Bihar Motor Vehicles Taxation
BSBCL	Bihar State Beverage Corporation Limited
BTEG	Bihar Tax on Entry of Goods
BVAT	Bihar Value Added Tax
CCT	Commissioner of Commercial Taxes
CE	Commissioner of Excise
CF	Certificate of Fitness
CMV	Central Motor Vehicle
CO	Certificate Officer
CS	Country Spirit/liquor
CST	Central Sales Tax
DCCT	Deputy Commissioner Commercial Taxes
DCE	Deputy Commissioner of Excise
DFO	Divisional Forest Officer
DIG	Deputy Inspector General
DL	Driving Licence
DMO	District Mining Officer
DR	District Registrar
DSR	District Sub Registrar
DTO	District Transport Officer
EE	Executive Engineer
ET	Entry Tax
GTO	Gross Turnover
IGR	Inspector General, Registration
IMFL	India Made Foreign Liquor
IRO	Inspector of Registration Office
IRs	Inspection Reports
IS Act	Indian Stamp Act
ITC	Input Tax Credit
JCCT	Joint Commissioner of Commercial Taxes
JCE	Joint Commissioner of Excise
LPL	London Proof Liter
MDO	Mines Development Officer
MGQ	Minimum Guaranteed Quantity
MI	Mining Inspector
MO	Mining Officer
MOU	Memorandum of Understanding
MVI	Motor Vehicle Inspector
MVT	Taxes on Motor Vehicles
NOC	No Objection Certificate
PAG	Principal Accountant General
PDR	Public Demands Recovery
RO	Requiring Officer

RRC	Revenue Recovery Certificate
SCS	Spiced Country Spirit/Liquor
SE	Superintendent of Excise
SR	Sub Registrar
STC	State Transport Commissioner
TAR	Tax Audit Report
TIN	Taxpayer Identification Number
VAT	Value Added Tax