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**Report of the
Comptroller and Auditor General of India
on
Revenue Sector**

for the year ended 31 March 2015



झारखण्ड सरकार

Government of Jharkhand
Report No. 3 of the year 2015

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Comptroller and Auditor General of India
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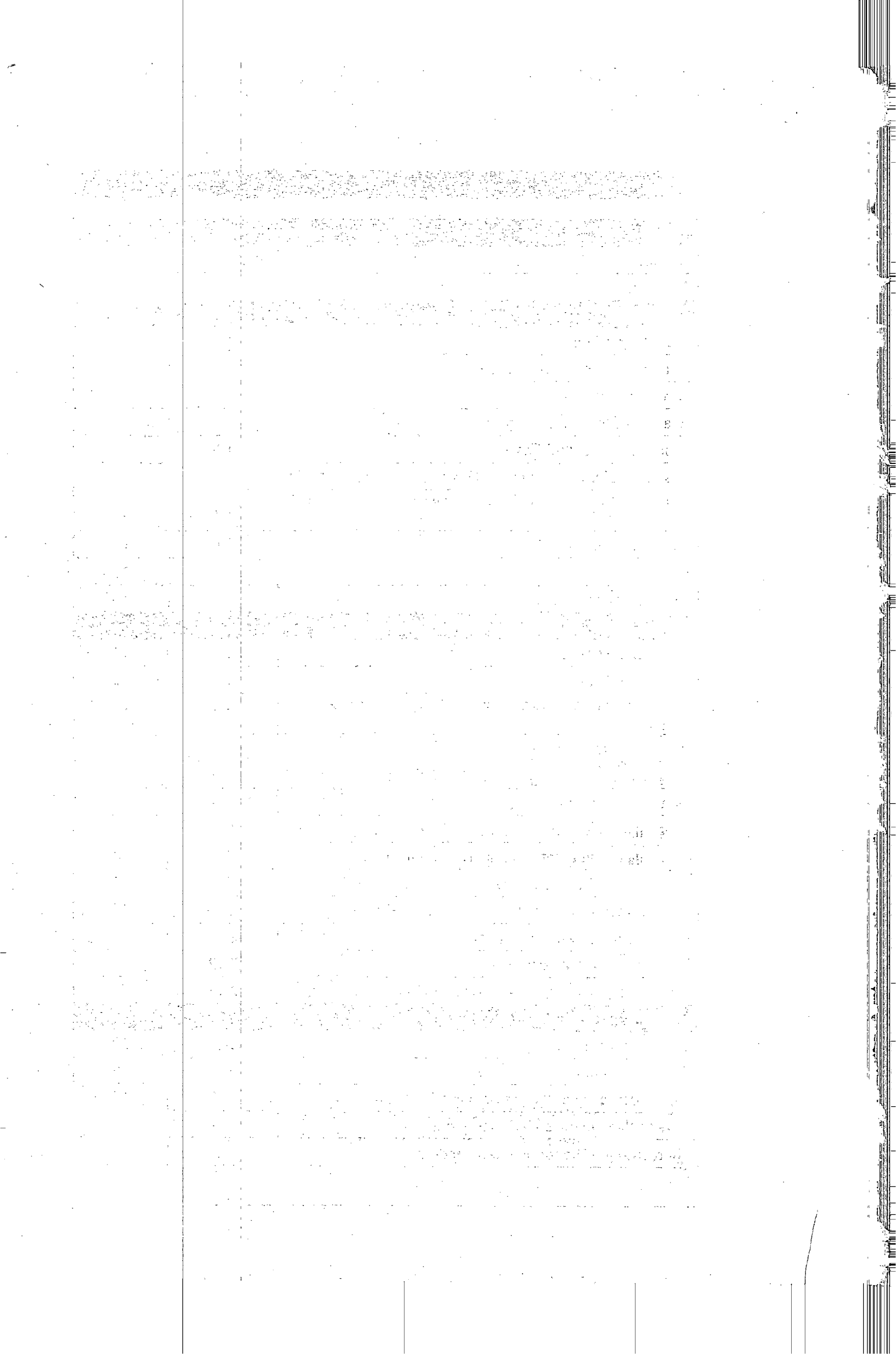
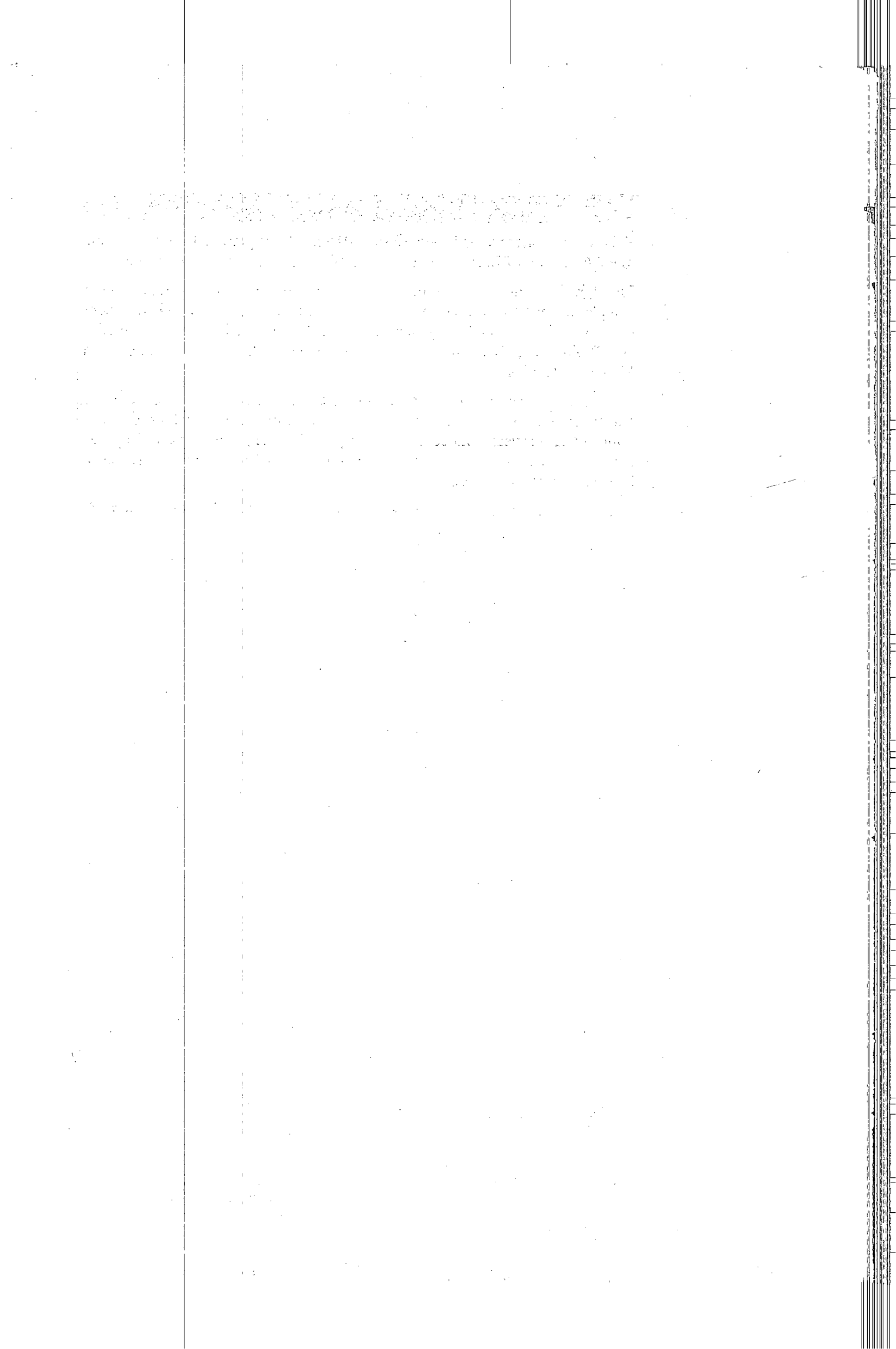


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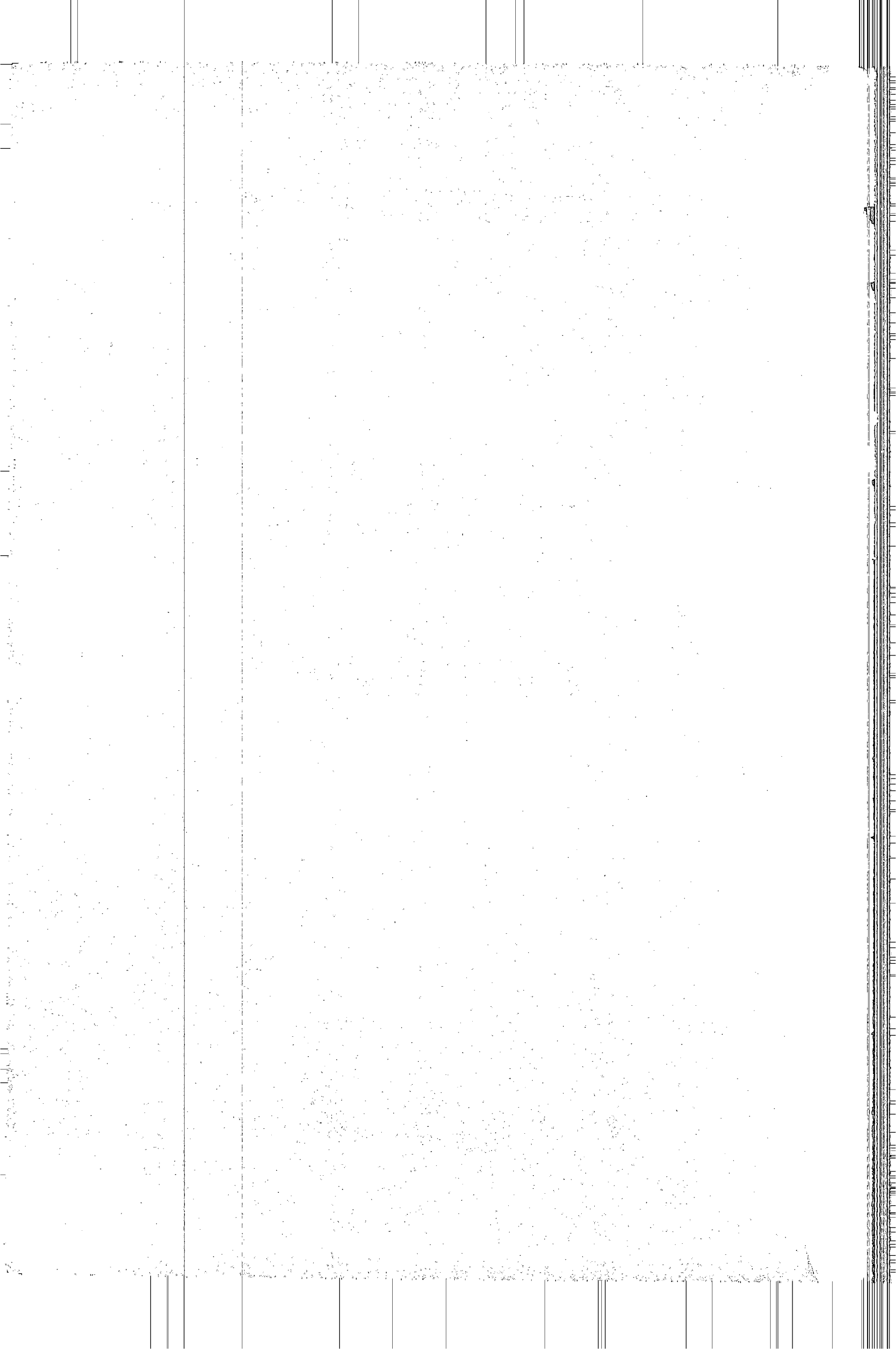
PREFACE

This Report for the year ended March 2015 has been prepared for submission to the Governor of Jharkhand under Article 151 of the Constitution of India.

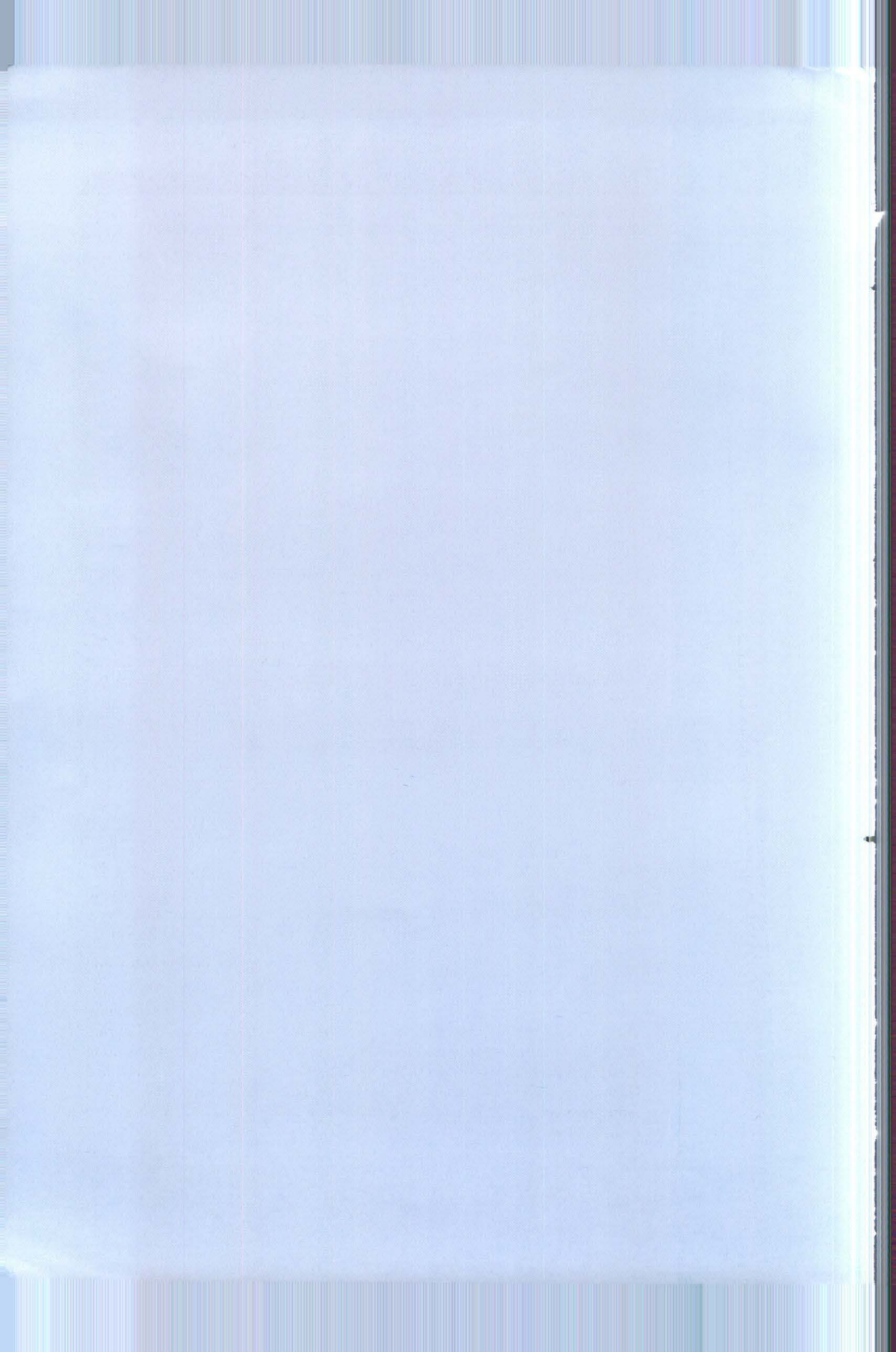
The Report contains significant results of the performance audit and/or compliance audit of the Departments of the Government of Jharkhand under the Revenue Sector including Departments of Commercial Taxes, State Excise and Prohibition, Transport, Revenue and Land Reforms, Registration and Mines and Geology.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



OVERVIEW



OVERVIEW

This Report contains 32 paragraphs including two performance audits relating to non/short levy/loss of tax/duty having financial implication of ₹ 1,049.00 crore, out of which ₹ 1,026.48 crore is recoverable and remaining amount of ₹ 22.52 crore was avoidable notional loss to the Government. The audit observations of ₹ 672.01 crore including notional loss of ₹ 22.52 crore have been accepted by the Government/Departments. Some of the major findings are mentioned in the following paragraphs.

I. General

The total receipts of the Government of Jharkhand for the year 2014-15 were ₹ 31,564.56 crore against ₹ 26,136.79 crore during 2013-14. The revenue raised by the State Government amounted to ₹ 14,684.87 crore comprising tax revenue of ₹ 10,349.81 crore and non-tax revenue of ₹ 4,335.06 crore. The receipts from the Government of India were ₹ 16,879.69 crore (State's share of divisible Union taxes: ₹ 9,487.01 crore and grants-in-aid: ₹ 7,392.68 crore). Thus, the State Government could raise only 47 per cent of the total revenue. Taxes on Sales, Trade etc. (₹ 8,069.72 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 3,472.99 crore) were the major source of tax and non-tax revenue respectively during 2014-15.

(Paragraph 1.1)

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue viz, Taxes on Sales, Trade etc., Taxes on Vehicles and State Excise amounted to ₹ 3,311.93 crore, of which ₹ 2,347.84 crore was outstanding for more than five years. Out of the total outstanding ₹ 392.78 crore was certified for recovery as arrears of land revenue and ₹ 745.94 crore was held up due to proceedings in Courts, other appellate authorities, rectification/review application and parties becoming insolvent, whereas specific action taken in respect of the remaining ₹ 2,173.21 crore was not intimated by the concerned departments.

(Paragraph 1.2)

The number of Inspection Reports (IRs) and audit observations issued upto December 2014, but not settled by June 2015, stood at 1,065 and 8,677 respectively involving ₹ 13,276.85 crore. In respect of 182 IRs, issued upto December 2014, even the first replies had not been received though these were required to be furnished within one month of the date of issue of the Report.

(Paragraph 1.6.1)

Test check of the records of 114 units relating to Taxes on Sales, Trade etc., State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mining Receipts conducted during 2014-15, revealed under-assessment/short levy/loss of revenue aggregating ₹ 1,219.56 crore in 6,699 cases. During the course of the year, the concerned Departments accepted under-assessment and other deficiencies of ₹ 687.47 crore involved in 4,052 cases and effected recovery of ₹ 3.37 crore in 340 cases in 2014-15.

(Paragraph 1.9)

II. Taxes on Sales, Trade etc.

A performance audit of “System of assessment under VAT” revealed the following:

There were only 12 cases of self-assessment during 2009-10 to 2013-14 and the Department took no initiative to popularise self-assessment among dealers which, coupled with shortage of personnel and constant growth of registered dealers, resulted in accumulation of arrear in assessment from 11,313 in 2009-10 to 22,614 in 2013-14.

(Paragraphs 2.3.8, 2.3.10.1 and 2.3.22.4)

Though provision for survey to distinguish unregistered dealers existed in the Act, but modalities for such surveys have not been prescribed. The department did not utilise the TDS details available in the assessment records to detect 54 unregistered dealers which resulted in non-levy of tax of ₹ 3.82 crore including mandatory penalty of ₹ 1.91 crore.

(Paragraphs 2.3.10.2 and 2.3.10.3)

There was suppression of sales/purchase turnover of ₹ 1,404.19 crore in case of 70 dealers out of 1,062 dealers test checked from 45,732 dealers registered in 13 circles leading to under-assessment of tax of ₹ 192.75 crore including mandatory penalty of ₹ 128.51 crore.

(Paragraph 2.3.11)

There were irregularities in ITC claims like irregular/non admissible ITC claims, excess claims, non-reversal of ITC and non-charging of interest thereon of ₹ 8.35 crore in cases of 24 dealers out of 1,186 test checked from 35,129 dealers in nine circles.

(Paragraph 2.3.13)

There was short levy of tax of ₹ 6.27 crore due to misclassification of goods and application of incorrect rate of tax in case of 13 dealers out of 852 dealers test checked from 27,528 dealers in seven circles.

(Paragraph 2.3.14)

There was non-levy of interest of ₹ 38.43 crore on non/delayed payment of admitted tax/tax due, disallowed unsubstantiated claims, incorrect exemptions and concessions in case of 46 dealers out of 1,125 test checked from 43,000 dealers in 12 circles.

(Paragraph 2.3.16)

There was incorrect allowance of exemption against interstate and intrastate stock transfer, transit sale, misuse of declaration Forms and invalid Forms in case of 34 dealers out of 2,075 test checked from 40,911 dealers in 10 circles which resulted in under-assessment of tax of ₹ 49.36 crore.

(Paragraph 2.3.20)

838 and 906 dealers were selected out of 39,061 and 45,732 dealers for VAT audit during 2010-11 and 2011-12 but only 170 and two dealers were audited by the VAT Audit Wing leaving arrear of 668 and 904 dealers respectively.

(Paragraph 2.3.22.1)

Cross-verification of records/data obtained from seven Public Works Divisions and three Companies with the records of six Commercial Taxes Circles revealed suppression of turnover resulting in short realisation of tax of ₹ 11.78 crore including mandatory penalty of ₹ 7.85 crore in case of 16 contractors.

(Paragraph 2.4.2)

Irregularities in determination of sales/purchase turnover of 27 dealers registered in seven Commercial Taxes Circles by the assessing authorities resulted in under-assessment of tax and penalty of ₹ 144.96 crore during 2008-09 to 2011-12.

(Paragraph 2.5)

In four Commercial Taxes Circles, interest of ₹ 34.30 crore was not levied by the assessing authorities on the claims on account of exemptions not supported by documents in case of seven assesses during 2010-11.

(Paragraph 2.6)

In three Commercial Taxes Circles, tax and penalty of ₹ 4.63 crore was not levied by the assessing authority for misuse of declarations in Form 'C' and 'F' by four assesseees during 2009-10 to 2010-11.

(Paragraph 2.7)

In four Commercial Taxes Circles, in case of 15 assesseees, application of incorrect rate of tax resulted in short levy of tax of ₹ 1.91 crore.

(Paragraph 2.9)

III. State Excise

There was non-settlement of 51 shops in four Excise Districts during 2013-14.

(Paragraph 3.4)

In seven Excise Districts there was short lifting of liquor by 542 shops during 2013-14 resulting in non-levy of excise duty of ₹ 4.67 crore.

(Paragraph 3.5)

IV. Taxes on Vehicles

A performance audit of **“Working of Transport Department with emphasis on compliance with pollution standards”** revealed the following:

The disposal of certificate cases was very poor as the Department could only dispose of 669 certificate cases against 23,561 cases during 2009-10 to 2013-14, out of which 20,214 cases were prior to 2009-10.

(Paragraph 4.3.9)

One-time tax of ₹ 2.92 crore was not levied in case of 1,172 personalised vehicles out of 10,653 vehicles, whose tax validity expired between July 2005 and November 2014, in selected Offices, as the software had no provision for auto generation of demand notice to defaulters.

(Paragraph 4.3.10.1)

Categorisation of public service vehicles as express, semi-deluxe, deluxe, AC deluxe bus on the basis of age and passenger amenities and taxed accordingly so as to generate additional revenue was not prescribed by the

Department even after lapse of more than four years of enforcement of the JMVT (Amendment) Act 2011.

(Paragraph 4.3.13)

Tax and penalty of ₹ 26.51 crore was neither paid by the owners nor demanded by the Department for the period between June 2009 and June 2015 against 5,374 vehicle owners out of 26,121 vehicles in 11 transport offices.

(Paragraphs 4.3.16 and 4.3.17)

In eight Transport Offices, out of 11 selected districts and in the office of Transport Commissioner, Jharkhand, during 2012-13 and 2013-14, the collecting banks did not credit interest of ₹ 7.29 crore for delayed transfer of collected revenue into Government account.

(Paragraph 4.3.19.1)

The total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old but the Department had no policy for phasing out of old vehicles.

(Paragraph 4.3.20.1)

Pollution testing centers were authorised for 11 districts only out of the 24 districts in the State. During the period 2009-10 to 2013-14, PUC certificates were issued to 4.09 lakh vehicles against 8.84 lakh newly registered vehicles. The Department had no information of vehicles plying with or without PUC. Pollution checking equipments like smoke meter, gas analyser etc. were not provided to transport officials.

(Paragraphs 4.3.20.2 and 4.3.20.3)

Motor Vehicle Inspectors realised revenue of ₹ 27.67 crore including service tax on account of fitness of vehicles, but service tax amounting to ₹ 3.07 crore was not deposited under the head "0044-Service Tax".

(Paragraph 4.3.22)

Tax and penalty of ₹ 5.49 crore due for the period between March 2010 and March 2015 from 1,803 vehicle owners pertaining to seven Transport Offices was neither paid by the owners nor demanded by the Department.

(Paragraph 4.5)

V. Other Tax Receipts

Land Revenue

Non-realisation of Government revenue of ₹ 2.24 crore on account of *salami*, penal rent and interest due to non-renewal of 22 leases which expired between 1960 and 1996 in an Anchal Office.

(Paragraph 5.4)

Stamp Duty and Registration Fees

Misclassification of 11 deeds of conveyance as development agreements in a District Sub Registrar Office resulted in short levy of Stamp duty and Registration fees amounting to ₹ 19.46 lakh during 2012-13.

(Paragraph 5.8)

Taxes and Duties on Electricity

In three Commercial Taxes Circles, penalty of ₹ 7.35 crore was not levied by the assessing authorities in case of seven assessees for non/short payment of electricity duty and surcharge during 2005-06 to 2012-13.

(Paragraph 5.13)

In three Commercial Taxes Circles, in case of five assessees, application of incorrect rate of electricity duty and non-levy of surcharge resulted in non/short levy of electricity duty and surcharge of ₹ 3.83 crore.

(Paragraph 5.14)

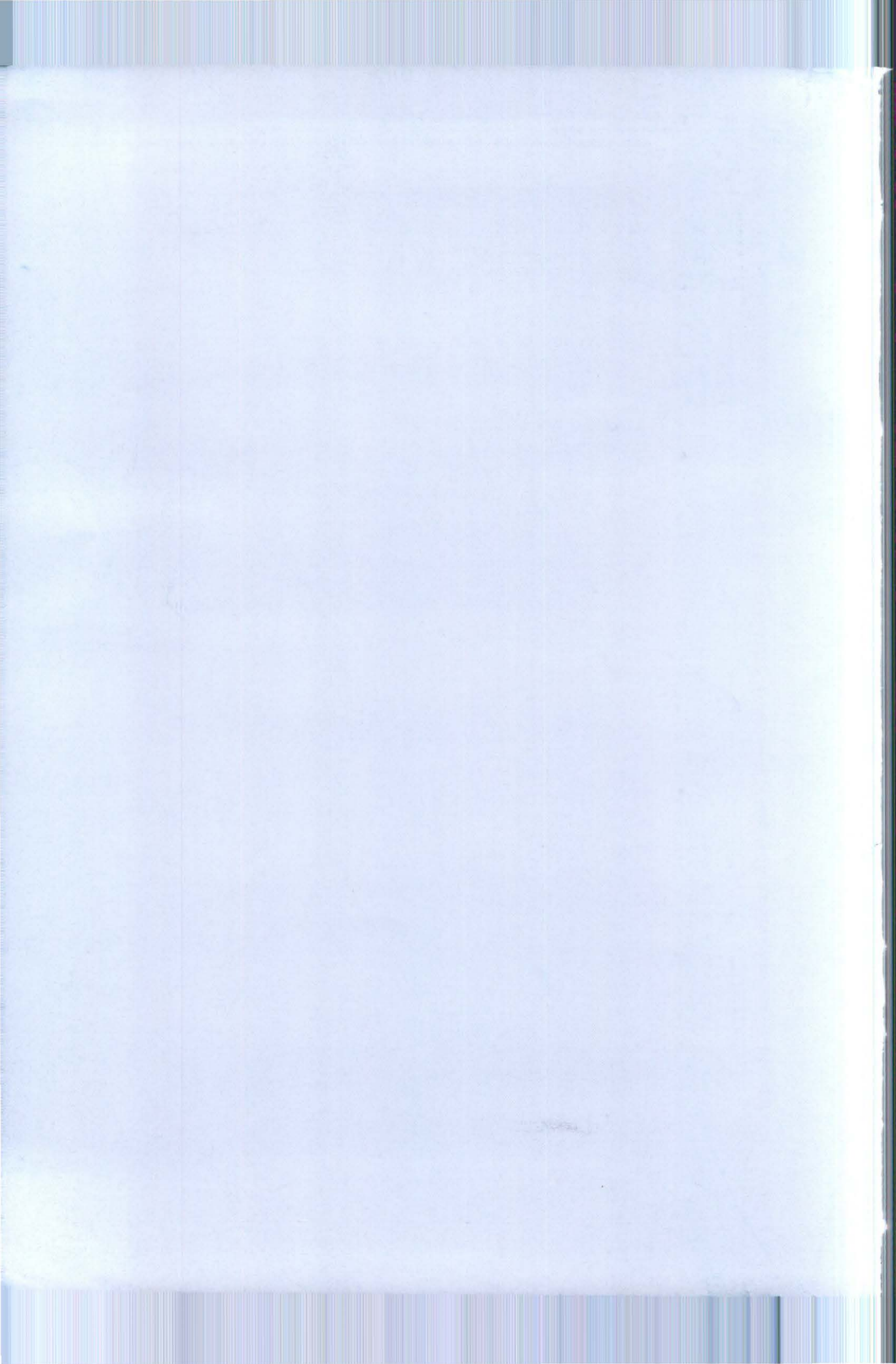
VI. Mining Receipts

Application of incorrect rate of royalty by seven District Mining Officers on dispatch of 161.55 lakh MT of bauxite, coal and iron ore during 2009-10 to 2013-14 in case of 34 lessees resulted in short levy of royalty of ₹ 338.59 crore.

(Paragraph 6.4)

Downgrading of dispatched coal of 50.55 lakh MT in four District Mining Offices by four collieries and failure of the District Mining Officers to detect the same through scrutiny of returns resulted in short levy of royalty of ₹ 27.60 crore during 2013-14.

(Paragraph 6.5)



CHAPTER-I
GENERAL

CHAPTER – I: GENERAL

1.1 Trend of receipts

1.1.1 The tax and non-tax revenue raised by the Government of Jharkhand during 2014-15, the State's share of net proceeds of divisible Union taxes, 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 in **Table – 1.1.1**.

Table – 1.1.1
Trend of revenue receipts

		(₹ in crore)				
Sl. No.		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue raised by the State Government						
1	• Tax revenue	5,716.63	6,953.89	8,223.67	9,379.79	10,349.81
	• Non-tax revenue	2,802.89	3,038.22	3,535.63	3,752.71	4,335.06
Total		8,519.52	9,992.11	11,759.30	13,132.50	14,684.87
Receipts from the Government of India						
2	• State's share of divisible Union taxes	6,154.35	7,169.93	8,188.05	8,939.32	9,487.01 ¹
	• Grants-in-aid	4,107.25	5,257.41	4,822.20	4,064.97	7,392.68
Total		10,261.60	12,427.34	13,010.25	13,004.29	16,879.69
3	Total receipts of the State Government (1 & 2)	18,781.12	22,419.45	24,769.55	26,136.79	31,564.56
4	Percentage of 1 to 3	45	45	47	50	47

Source: Finance Accounts of the Government of Jharkhand.

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 14,684.87 crore) was 47 per cent of the total revenue receipts. The balance 53 per cent of receipts during 2014-15 was from the Government of India.

¹ For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of the Government for the year 2014-15. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure (except Minor Head - 107- Taxes on Professions, Trades, Callings and Employments), 0032 - Taxes on wealth, 0044 - Service tax, 0037 - Customs, 0038 - Union excise duties and 0045 - Other taxes and duties on commodities and services- Minor Head - 901 - Share of net proceeds assigned to State booked in the Finance Accounts under "A-Tax revenue" have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

1.1.2 The details of tax revenue raised during the period 2010-11 to 2014-15 as given in Table - 1.1.2.

Table - 1.1.2
Details of Tax Revenue raised

								(₹ in crore)
Sl. No.	Head of revenue		2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14
1	Taxes on Sales, Trade etc.	BE	4,503.00	5,633.25	6,650.00	7,874.50	9,267.95	(+) 17.70
		Actual	4,473.43	5,522.02	6,421.61	7,305.08	8,069.72	(+) 10.47
2	State Excise	BE	525.00	445.00	650.00	700.00	1,931.84	(+) 175.98
		Actual	388.34	457.08	577.92	627.93	740.16	(+) 17.87
3	Stamps and Registration Fees	BE	302.50	450.00	490.00	568.00	680.48	(+) 19.80
		Actual	328.35	401.17	492.40	502.61	530.67	(+) 5.59
4	Taxes on Vehicles	BE	440.00	356.00	550.00	639.40	836.33	(+) 30.80
		Actual	312.37	391.92	465.36	494.79	660.37	(+) 33.46
5	Taxes and Duties on Electricity	BE	53.56	100.00	142.00	161.00	193.82	(+) 20.39
		Actual	53.50	72.76	110.72	145.79	175.40	(+) 20.31
6	Land Revenue	BE	66.00	83.49	82.00	95.00	300.14	(+) 215.94
		Actual	130.65	52.94	96.38	229.84	83.54	(-) 63.65
7	Taxes on Goods and Passengers - Tax on Entry of Goods into Local Areas	BE	65.37	30.00	20.00	Not fixed	0.15	--
		Actual	21.08	40.95	0.51	1.08	0.28	(-) 74.07
8	Other Taxes and Duties on commodities and services	BE	12.00	36.75	28.00	34.50	41.91	(+) 21.48
		Actual	8.91	15.05	15.28	22.76	32.57	(+) 43.10
9	Taxes on Professions, Trades, Callings and Employments	BE	Enforced by SO 7 dated 29 June 2012		65.00	80.00	61.38	(-) 23.28
		Actual			43.49	49.91	57.11	(+) 14.43
	Total	BE	5,967.43	7,134.49	8,677.00	10,152.40	13,314.00	(+) 31.14
		Actual	5,716.63	6,953.89	8,223.67	9,379.79	10,349.81	(+) 10.34

Source: Finance Accounts of the Government of Jharkhand and the revised estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

It can be seen from the above table that growth of budget estimates over that of previous year ranged between (-) 23.28 to 215.94 per cent. In respect of State Excise and Land Revenue budget estimates was increased by 175.98 per cent and 215.94 per cent without considering trend of actual receipts. The departments concerned did not inform reasons for huge increase in budget estimates despite being requested (August 2015).

The reasons for variation in receipts in 2014-15 from those of 2013-14 in respect of some principal heads of tax revenue were as under:

Taxes on Sales, Trade etc.: The increase of 10.47 per cent was attributed (July 15) by the Department to better and effective tax administration as well as recovery of substantial due of ₹ 37.79 crore.

State Excise: The increase of 17.87 *per cent* was attributed (June 2015) by the Department to increase in rate of duty of IMFL.

Taxes on Motor Vehicles: The increase of 33.46 *per cent* was attributed (August 2015) by the Department to realization of arrear tax from defaulter vehicles and increase in registration of new vehicles.

Taxes and Duties on Electricity: The increase of 20.31 *per cent* was attributed (July 2015) by the Department to better tax administration.

Other Taxes and Duties on Commodities and Services: The increase of 43.10 *per cent* was attributed (July 2015) to better and effective tax administration.

Reasons for variation in respect of other heads of revenue have not been received from departments concerned despite being requested.

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table - 1.1.3**.

Table – 1.1.3
Details of Non-Tax Revenue raised

		(₹ in crore)						
Sl. No.	Head of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+) or decrease (-) in 2014-15 over 2013-14	
1	Non-ferrous Mining and Metallurgical Industries	BE	2,086.76	2,759.75	3,209.92	3,500.00	4,699.47	(+) 34.27
		Actual	2,055.90	2,662.79	3,142.47	3,230.22	3,472.99	(+) 7.52
2	Forestry and Wild Life	BE	11.79	4.17	4.80	5.25	4.18	(-) 20.38
		Actual	4.76	3.71	4.22	5.17	3.66	(-) 29.21
3	Interest Receipts	BE	279.41	100.64	65.00	115.00	243.36	(+) 111.62
		Actual	98.74	44.16	72.23	69.48	143.04	(+) 105.87
4	Social Security and Welfare	BE	11.15	33.00	19.00	20.00	3.62	(-) 81.90
		Actual	23.85	15.42	20.48	5.24	4.16	(-) 20.61
5	Others	BE	740.53	711.10	542.37	703.40	742.39	(+) 5.54
		Actual	619.64	312.14	296.23	442.60	711.21	(+) 60.69
Total		BE	3,129.64	3,608.66	3,841.09	4,343.65	5,693.02	(+) 31.07
		Actual	2,802.89	3,038.22	3,535.63	3,752.71	4,335.06	(+) 15.52

Source: Finance Accounts of the Government of Jharkhand and the revised estimates as per the Statement of Revenue and Receipts of Government of Jharkhand.

The Departments did not furnish the reasons for excess/shortfall despite our request (between April and August 2015).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue amounted to ₹ 3,311.93 crore, of which ₹ 2,347.84 crore was outstanding for more than five years as detailed in the **Table – 1.2**.

Table – 1.2
Arrears in revenue

(₹ in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Remarks
1	Taxes on Sales, Trade etc.	3,005.51	2,254.72	Out of ₹ 3,005.51 crore, demands of ₹ 162.16 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 450.81 crore and ₹ 258.00 crore was stayed by the Courts and the other appellate authorities respectively. Demand of ₹ 13.28 crore and ₹ 15.85 crore were held up due to rectification/review application and dealer/party becoming insolvent. Specific action taken in respect of the remaining arrears of ₹ 2,105.41 crore has not been intimated (October 2015).
2	Taxes on Vehicles	276.09	82.28	Out of ₹ 276.09 crore, demands of ₹ 215.34 crore were certified for recovery as arrears of land revenue, recovery of ₹ 1.41 lakh was stayed by the Courts. Specific action taken in respect of the remaining arrears of ₹ 60.74 crore has not been intimated (October 2015).
3	State Excise	30.33	10.84	Out of the closing balance of arrears of ₹ 30.33 crore as on 31 March 2015, demand for ₹ 15.28 crore was certified for recovery as arrears of land revenue, recovery of ₹ 7.72 crore was stayed by the Courts and other judicial authorities, recovery of ₹ 10.56 lakh was held up due to parties becoming insolvent and a sum of ₹ 16.08 lakh was likely to be written off. Specific action taken in respect of the remaining amount of ₹ 7.06 crore has not been intimated (October 2015).
Total		3,311.93	2,347.84	

Out of the total outstanding of ₹ 3,311.93 crore, ₹ 392.78 crore was certified for recovery as arrears of land revenue and ₹ 745.94 crore was held up by the Courts, other appellate authorities, rectification/review application and parties becoming insolvent, whereas specific action taken in respect of the remaining ₹ 2,173.21 crore was not intimated by the concerned departments.

The position of arrears of revenue pending collection at the end of 2014-15 in respect of other Departments was not furnished (October 2015) despite active pursuance by us (between April and August 2015).

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Commercial Taxes Department in respect of value added tax, entertainment tax, electricity duty and taxes on works contracts was as below in **Table - 1.3**.

Table - 1.3
Arrears in assessments

Year	Opening balance	New cases due for assessment	Total assessments due	Cases disposed of	Balance at the end of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
2009-10	13,235	56,106	69,341	49,422	19,919	28.73
2010-11	19,919	64,145	84,064	66,874	17,190	20.45
2011-12	17,190	63,515	80,705	50,473	30,232	37.46
2012-13	31,244	58,087	89,331	53,385	35,946	40.24
2013-14	33,505	63,903	97,408	63,519	33,889	34.79
2014-15	37,983	68,303	1,06,286	65,464	40,822	38.41

Source: Commercial Taxes Department, Government of Jharkhand.

From the above table, it would be seen that during the year 2013-14 and 2014-15, the figures furnished by the Department differ from those reported as balance in previous year. The reason for difference in arrears in assessments, though called for (August 2015), has not been received (October 2015). Further, as on 31 March 2015, 40,822 cases were pending for finalisation of assessment. This may result in loss of revenue as the cases may become barred by limitation.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and the demand for additional tax raised as reported by the Department are given in **Table - 1.4**.

Table - 1.4
Evasion of Tax detected

Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
				Number of cases	Amount of demand (₹ in crore)	
Taxes on sales, trade etc.	33	64	97	63	1.14	34

The figures furnished by the Department differ from those reported as balance in previous year. The reason for difference, though called for (September 2015), has not been received (October 2015). The net effect of completion of assessment and investigation was a demand of ₹ 1.14 crore, which is a negligible fraction of taxes collected *viz* ₹ 9,267 crore, which reflects inadequacy of the investigative mechanism of the department.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of 2014-15, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2014-15 as reported by the Department is given in the **Table - 1.5**.

Table – 1.5
Details of pendency of refund cases

Sl. No.	Particulars	(₹ in lakh)	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	503	2,132.96
2.	Claims received during the year	18	648.61
3.	Refunds made during the year	16	359.21
4.	Balance outstanding at the end of the year	505	2,422.36
5.	Interest paid due to belated refunds	NIL	NIL

Source: Information furnished by the Commercial Taxes Department.

The figures furnished by the Department differ from those reported as balance in previous year. The reason for difference, though called for (September 2015), has not been received (October 2015). Jharkhand VAT Act provides for payment of interest, at the rate of six *per cent* per annum, if the excess amount is not refunded to the dealer pending beyond ninety days of the application claiming refund in pursuance to such order till the date on which the refund is granted.

The progress in disposal of the refund cases of Sales Tax/VAT was slow as compared to claims received and is vulnerable to payment of interest.

1.6 Response of the Departments/Government towards Audit

We conduct periodical inspections of the Government Departments to test check the transactions and verify the maintenance of the 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 us 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.

We reviewed the IRs issued upto December 2014 and found that 8,677 paragraphs involving ₹ 13,276.85 crore relating to 1,065 IRs remained outstanding at the end of June 2015 as mentioned below alongwith the corresponding figures for the preceding two years in **Table - 1.6**.

Table - 1.6
Details of pending Inspection Reports

	(₹ in crore)		
	June 2013	June 2014	June 2015
Number of outstanding IRs	994	977	1,065
Number of outstanding audit observations	6,945	8,127	8,677
Amount involved	10,977.96	12,704.36	13,276.85

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the **Table - 1.6.1**.

Table - 1.6.1
Department-wise details of Inspection Reports

Sl. No.	Names of Department	Nature of receipts	₹ in crore)		
			Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on Sales, Trade etc.	235	4,289	4,349.41
		Entry Tax	41	96	24.40
		Electricity Duty	21	67	87.98
		Entertainment Tax etc.	10	10	0.53
2	Excise and Prohibition	State Excise	139	716	622.68
3	Revenue and Land Reforms	Land Revenue	87	571	1,728.11
4	Transport	Taxes on Motor Vehicles	216	1,297	522.32
5	Registration	Stamps and Registration Fees	134	475	3,646.67
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	182	1,156	2,294.75
Total			1,065	8,677	13,276.85

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 182 IRs issued from 2003-04 to December 2014. The quantum of revenue that is potentially recoverable as brought out in IRs of ₹ 13,276.85 crore can be judged from the figure of total revenue collection of the State of ₹ 14,684.87 crore.

We recommend that Government may institute systems for taking action against officials/officers who fail to send replies to the IRs/ paragraphs as per the prescribed time schedule abiding by the spirit of the constitutional duty of Audit.

1.6.2 Departmental audit committee meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2014-15 and the paragraphs settled are mentioned in the **Table - 1.6.2**.

Table - 1.6.2
Details of departmental audit committee meetings

Heads of revenue	Number of meetings held	Number of paragraphs settled	₹ in lakh)
			Amount
Taxes on Sales, Trade etc.	2	64	2,347.85
Stamps and Registration Fees	1	7	0
State Excise	1	24	1,198.92
Taxes on Vehicles	2	41	2,333.78
Land Revenue	2	36	5,00.14
Non-ferrous Mining and Metallurgical Industries	2	111	11,109.10
Total	10	283	22,389.79

The progress of settlement of paragraphs pertaining to the Transport Department and Commercial Taxes Department was negligible as compared to the huge pendency of the IRs and paragraphs.

1.6.3 Non-production of records to Audit for scrutiny

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

During 2014-15, 256 records relating to 17 offices of four Departments (Commercial Taxes, Transport, Revenue and Land Reforms and Registration Departments) were not made available to us for audit. The office-wise break-up of such cases is given in the **Table – 1.6.3**.

Table – 1.6.3
Details of non-production of records

Name of Office	Number of assessment cases/ records not produced to audit
Dy. Commissioner of Commercial Taxes, Katras	36
Dy. Commissioner of Commercial Taxes, Godda	14
District Transport Officer, Dumka	1
Dy. Collector Land Reforms (DCLR), Khunti	3
Circle Office, Arki	27
Circle Office, Bansjor	2
Circle Office, Bolba	4
Circle Office, Karra	27
Circle Office, Kersai	5
Circle Office, Khunti	27
Circle Office, Kolebira	7
Circle Office, Kurdeg	7
Circle Office, Murhu	27
Circle Office, Rania	27
Circle Office, Thetaitangar	11
Circle Office, Torpa	27
District Sub-Registrar, Godda	4
Total	256

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General (AG) to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Forty six draft paragraphs (clubbed into 30 paragraphs) and two performance audits were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May and July 2015. The Principal Secretaries/Secretaries of the Departments did not send replies to 12 draft

paragraphs despite issue of reminders (between July and August 2015) and the same have been included in this Report without the response of the Departments.

1.6.5 Follow up on Audit Reports – summarised position

The internal working system on the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Audit Reports were delayed inordinately. 138 paragraphs (including performance audit) included in the Audit Report of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Jharkhand for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between August 2011 and March 2015. The explanatory notes from the concerned Departments on these paragraphs were received late with average delay of three months. Explanatory notes in respect of 91 paragraphs from the departments which had not been received are mentioned in the **Table – 1.6.5**.

Table - 1.6.5

Sl. No.	Audit Report ending on	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	31 March 2010	29.08.2011	26	10	16
2	31 March 2011	06.09.2012	32	26	06
3	31 March 2012	27.07.2013	25	1	24
4	31 March 2013	04.03.2014	27	0	27
5	31 March 2014	26.03.2015	28	10	18
Total			138	47	91

The PAC discussed 43 selected paragraphs pertaining to the Audit Reports for the year 2009-10 to 2013-14 and gave its recommendations on one paragraph pertaining to Mines and Geology Department incorporated in the Report (2009-10). However, ATNs has not been received from the Department in respect of recommendations of the PAC since the creation of the State in November 2000.

1.7 Analysis of mechanism for dealing with issues raised by Audit

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 performance audit included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the **Commercial Taxes Department** under revenue head **Taxes on Sales, Trade etc.** and cases detected in the course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the year 2005-06 to 2014-15.

1.7.1 Position of Inspection Reports

The summarised position of inspection reports issued during 2005-06 to 2014-15 in respect of the **Commercial Taxes Department** in respect of revenue head Taxes on Sales, Trade etc., paragraphs included in these reports and their status as on 31 March 2015 are tabulated in below **Table-1.7.1**.

Table - 1.7.1
Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value	IR	Para-graphs	Money value
2005-06	504	6,688	825.50	24	384	233.09	0	107	2.59	528	6,965	1,056.01
2006-07	528	6,965	1,056.01	13	244	166.89	0	59	0.82	541	7,150	1,222.08
2007-08	541	7,150	1,222.08	23	438	221.28	0	26	2.11	564	7,562	1,441.25
2008-09	564	7,562	1,441.25	21	432	330.64	121	1,589	61.79	464	6,405	1,710.10
2009-10	464	6,405	1,710.10	16	397	580.67	122	1,401	174.46	358	5,401	2,116.30
2010-11	358	5,401	2,116.30	31	596	428.41	72	1,360	242.16	317	4,637	2,302.55
2011-12	317	4,637	2,302.55	16	528	759.49	173	2,039	330.45	160	3,126	2,731.59
2012-13	160	3,126	2,731.59	27	632	510.61	1	94	7.30	186	3,664	3,234.21
2013-14	186	3,664	3,234.21	22	484	743.89	3	199	42.94	205	3,949	3,935.17
2014-15	205	3,949	3,935.17	25	344	276.91	2	201	59.26	228	4,092	4,152.82

During the period 2005-06 to 2014-15, 218 IRs containing 4,479 paragraphs were issued with financial implication of ₹ 4,251.88 crore. At the same time 494 IRs involving 7,075 paragraphs with monetary value of ₹ 924.56 crore were settled by conducting audit committee meetings with the Department and through regular interactions with them. At present, 228 IRs containing 4,092 paragraphs with monetary value of ₹ 4,152.82 crore are pending for settlement, of which 98 IRs containing 1,736 paragraphs having money value of ₹ 1,558.47 crore are more than five years old (between 2005-06 and 2009-10).

1.7.2 Recovery of accepted cases

The position of paragraphs accepted by the Department and the amount recovered are mentioned in **Table - 1.7.2**.

Table - 1.7.2
Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraph included	Money value of the paragraphs	Number of paragraph accepted	Money value of accepted paragraphs	Amount recovered
2004-05	9	47.34	0	0	NA
2005-06	1	375.50	0	0	NA
2006-07	13	338.59	3	286.15	NA
2007-08	16	294.95	16	294.95	NA
2008-09	16	199.13	14	115.13	NA
2009-10	9	208.10	4	118.42	0.96
2010-11	10	320.19	8	307.56	4.42
2011-12	8	224.20	6	104.67	2.27
2012-13	9	304.67	5	290.11	10.07
2013-14	9	741.05	5	705.64	8.50

The Department did not intimate the recovery made against accepted paragraphs for Audit Reports from 2004-05 to 2008-09. It is evident from the above table that the progress of recovery for rest of the years from 2009-10 to 2013-14 in accepted cases was negligible between 1.14 per cent and 3.47 per cent. The recovery of accepted cases should be pursued as arrears are recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put up in place by the Department/Government.

We recommend that the Department may take immediate action to pursue and monitor the recovery of accepted cases. The pending recovery of accepted cases may be allocated personally to the respective officers, since full seriousness needs to be directed towards protecting the revenue of the State.

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

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

The following PA on Commercial Taxes Department in respect of revenue head Taxes on Sales, Trade etc. featured in Audit Reports in the last five years. The details of recommendations and their status are given in Table – 1.7.3.

Table – 1.7.3

Year of Audit Report	Name of Performance Audits	Recommendations
2010-11	Utilisation of declaration forms in inter-State trade of commerce	To standardize formats for stock register/ledger of central declaration forms for the circles and ensure issue of forms chronologically; To strengthen Tax Audit Wing, function of IB for regular survey, collection of data/information regarding purchase, sale and creation of database from departments and under takings of State/Central Government for cross-verification of transactions; Uploading of data of dealers and forms issued to them along with a system of verification of forms submitted by them with the database available in TINXSYS at the time of assessment; and To spell out a definite timeframe to switchover from manual system to online system after getting the departmental website and data-centre certified.
2013-14	Assessment, levy and collection of tax on works/supplies contracts	Issuing directions to the Department for speedy settlement of the arrear cases by constant monitoring and recovering the arrears as arrears of land revenue by invoking provisions of the Bihar and Orissa Public Demands Recovery Act, 1914;

Table – 1.7.3

Year of Audit Report	Name of Performance Audits	Recommendations
		ensuring conduct of regular market surveys, inter/intra departmental cross verification of data/records and instituting other suitable measures for registration of works/supplies contractors;
		Instituting a system of cross verification of payments received by the sub-contractors from the assessment records of main contractor within the department on regular basis;
		Issuing appropriate directions to the public/private sector undertakings/board/corporation desisting from entering into splitting up of contracts whereby the supply of equipment was treated as transit sale leading to avoidance of tax;
		Instituting a mechanism for monitoring of TDS collection and their remittances to the treasury through returns by issuing a unique identification number to contractee/main contractor
		Ensuring periodical audit by the VAT Audit Wing and determine criteria for selection of records of such sub contractors who had received payments from registered big contractors; and
		Strengthening the functions of IB for regular collection of data/information regarding transactions of works contractors and creation of database from departments and undertakings of State/Central Government and other big undertakings for cross-verification of transactions.

Out of these recommendations, information about implementation of recommendations had not been furnished by the Department.

We recommend that the Government may consider taking suitable steps to monitor the action to be taken/action taken on assurances given by them against our recommendations included in the performance audits during exit conferences.

1.8 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 the 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 2014-15, the audit universe comprised of 505 auditable units, of which 114 units were planned and audited. The details are mentioned in **Table - 1.8.**

Table - 1.8
Audit Planning

Sl. No.	Principal Head	Total no. of units	Units planed for audit	Units audited during 2014-15
1	Taxes on Sales, Trade etc.	46	26	26
2	Taxes on Vehicles	27	17	17
3	Stamps and Registration Fees	46	14	14
4	State Excise	23	18	18
5	Land Revenue	307	20	20
6	Non-ferrous Mining and Metallurgical Industries	50	18	18
7	Jharkhand State Mineral Development Corporation	5	00	00
8	Jharkhand State Beverage Corporation Ltd.	1	01	01
Total		505	114	114

Besides the compliance audits mentioned above, two performance audits of **“System of assessment under VAT”** and **“Working of Transport Department with emphasis on compliance with pollution standards”** were also taken up to examine the efficacy of the tax administration of these receipts.

1.9 Results of audit

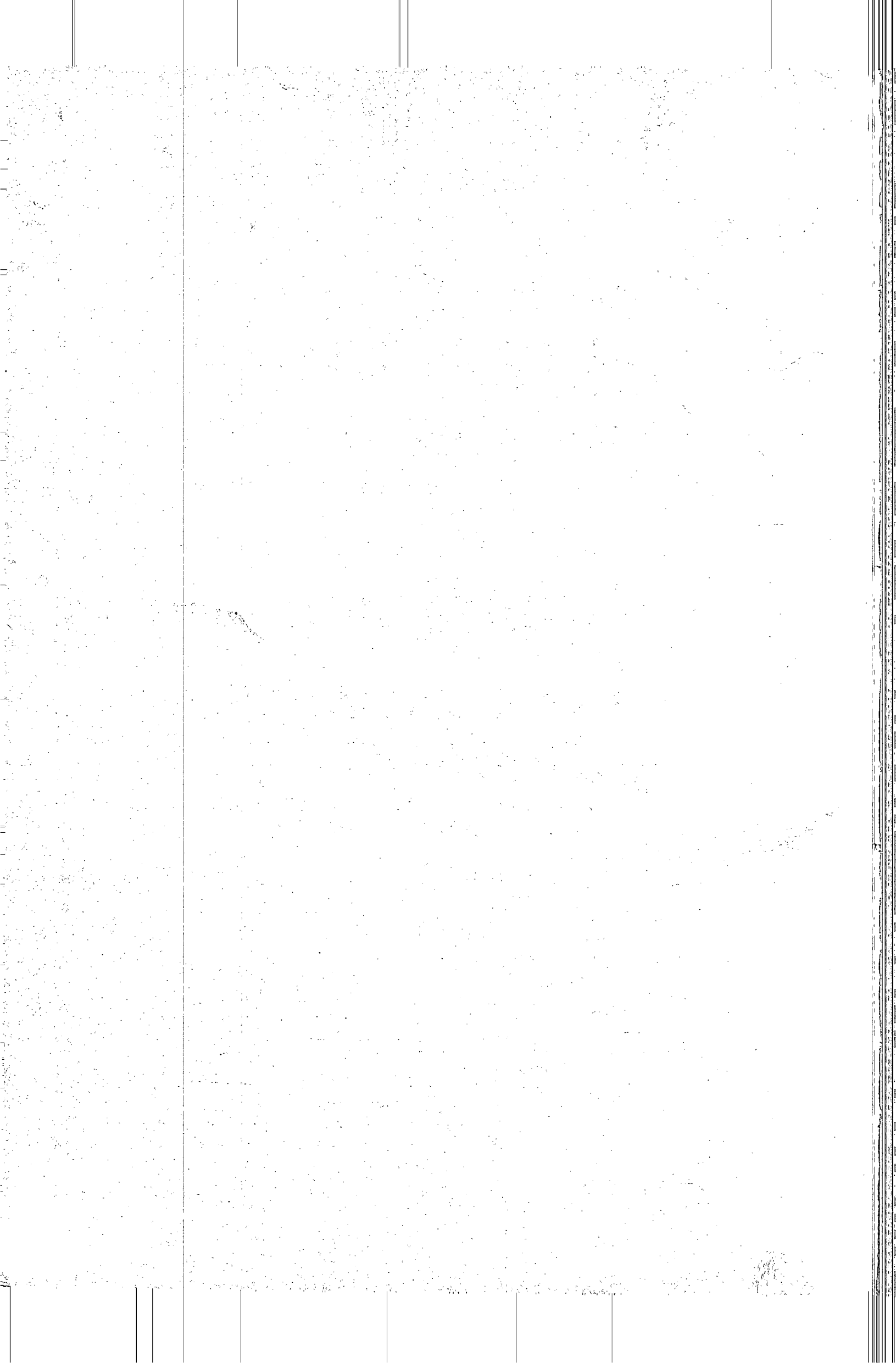
Position of local audit conducted during the year

Test check of the records of 114 units relating to Taxes on Trade etc. , State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Taxes and Duties on Electricity and Mines Receipts conducted during the year 2014-15 revealed under-assessment/short levy/loss of revenue aggregating ₹ 1,219.56 crore in 6,699 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 687.47 crore in 4,052 cases pointed out by us, of which ₹ 684.42 crore involved in 4,016 cases were pointed out during 2014-15 and the rest in the earlier year. The Departments effected recovery of ₹ 3.37 crore in 340 cases in 2014-15.

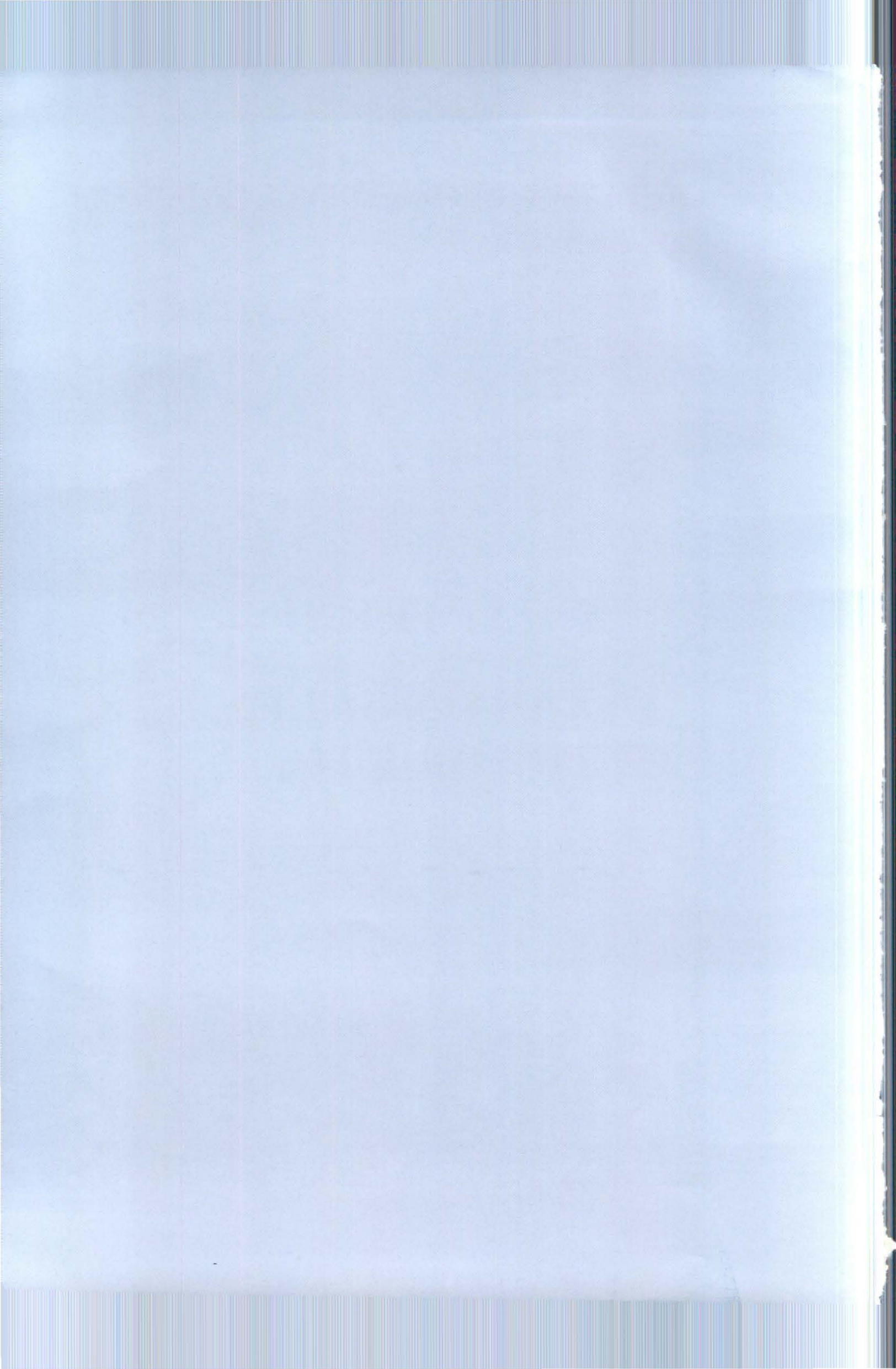
1.10 Coverage of this Report

This report contains 30 paragraphs selected from audit detections made during local audits referred to above and during earlier years, which could not be included in earlier reports and two Performance Audits of **“System of assessment under VAT”** and **“Working of Transport Department with emphasis on compliance with pollution standards”**, involving financial effect of ₹ 1,049.00 crore out of which ₹ 1,026.48 crore is recoverable.

The Department/Government have accepted audit observations involving ₹ 672.01 crore including avoidable notional loss of ₹ 22.52 crore and recovered ₹ 3.18 crore. The replies in the remaining cases have not been received (October 2015). These are discussed in succeeding Chapters II to VI.



CHAPTER-II
TAXES ON SALES,
TRADE ETC.



CHAPTER - II TAXES ON SALES, TRADE ETC.

2.1 Tax administration

The levy and collection of Sales Tax/Value Added Tax and Central Sales Tax are governed by the Jharkhand Value Added Tax (JVAT) Act, 2005, the Central Sales Tax (CST) Act, 1956 and Rules made thereunder. The Secretary-cum-Commissioner of Commercial Taxes is responsible for administration of these Acts and Rules in the Commercial Taxes Department (CTD) and is assisted by an Additional Commissioner and Joint Commissioners of Commercial Taxes (JCCT), Joint Commissioners of Commercial Taxes of Bureau of Investigation (IB), Vigilance and Monitoring, along with other Deputy/Assistant Commissioners of Commercial Taxes.

The State is divided into five commercial taxes divisions¹, each under the charge of a Joint Commissioner (Administration) and 28 circles², each under the charge of a Deputy/Assistant Commissioner of Commercial Taxes (DCCT/ACCT). The DCCT/ACCT of the circle, responsible for levy and collection of tax due to the Government, besides survey, is assisted by Commercial Taxes Officers. A Deputy Commissioner of IB is posted in each division to assist the JCCT (Administration) and a DCCT (Vigilance and Monitoring) is posted under the control of Headquarters in each division.

2.2 Results of audit

During 2014-15 test check of records of 26 units (having revenue collection of ₹ 7,178.65 crore) out of 46 units relating to Taxes on sales, trade etc. showed underassessment of tax and other irregularities involving ₹ 670.35 crore in 345 cases, which fall under the following categories as given in the Table -2.2.

Table - 2.2

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1	"System of assessment under VAT" - A performance audit	1	393.45
2	Non/short levy of tax	74	164.30
3	Irregular allowance of exemption from tax	30	7.57
4	Non-levy of interest	48	45.42
5	Application of incorrect rates of tax	23	3.22
6	Non-levy of penalty	15	3.80
7	Short levy of tax due to incorrect determination of turnover	32	5.40
8	Irregular allowance of concessional rate of tax	21	0.66
9	Non-levy of penalty for excess collection of tax/mistake in computation	4	0.62
10	Other cases	97	45.91
Total		345	670.35

¹ Dhanbad, Dumka, Hazaribag, Jamshedpur and Ranchi.

² Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Katras, Koderma, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahibganj, Singhbhum and Tenughat.

During the course of the year the Department accepted under-assessment and other deficiencies of ₹ 598.32 crore in 136 cases, out of which ₹ 595.05 crore in 100 cases were pointed out by us in 2014-15 and rest in earlier years. An amount of ₹ 5 lakh was realised in 14 cases.

In this chapter we present a performance audit of “System of assessment under VAT” having financial implication of ₹ 393.45 crore and few illustrative cases having financial implication of ₹ 201.60 crore. The Department accepted all the audit observations having financial implication of ₹ 595.05 crore which are discussed in the succeeding paragraphs.

2.3 System of assessment under VAT

Highlights

There were only 12 cases of self-assessment during 2009-10 to 2013-14 and the Department took no initiative to popularise self-assessment among dealers which, coupled with shortage of personnel and constant growth of registered dealers, resulted in accumulation of arrear in assessment from 11,313 in 2009-10 to 22,614 in 2013-14.

(Paragraphs 2.3.8, 2.3.10.1 and 2.3.22.4)

Though provision for survey to distinguish unregistered dealers existed in the Act, but modalities for such surveys have not been prescribed. The department did not utilise the TDS details available in the assessment records to detect 54 unregistered dealers which resulted in non-levy of tax of ₹ 3.82 crore including mandatory penalty of ₹ 1.91 crore.

(Paragraphs 2.3.10.2 and 2.3.10.3)

There was suppression of sales/purchase turnover of ₹ 1,404.19 crore in case of 70 dealers out of 1,062 dealers test checked from 45,732 dealers registered in 13 circles leading to under-assessment of tax of ₹ 192.75 crore including mandatory penalty of ₹ 128.51 crore.

(Paragraphs 2.3.11)

There were irregularities in ITC claims like irregular/non admissible ITC claims, excess claims, non-reversal of ITC and non-charging of interest thereon of ₹ 8.35 crore in cases of 24 dealers out of 1,186 test checked from 35,129 dealers in nine circles.

(Paragraph 2.3.13)

There was short levy of tax of ₹ 6.27 crore due to misclassification of goods and application of incorrect rate of tax in case of 13 dealers out of 852 dealers test checked from 27,528 dealers in seven circles.

(Paragraph 2.3.14)

There was non-levy of interest of ₹ 38.43 crore on non/delayed payment of admitted tax/tax due, disallowed unsubstantiated claims, incorrect exemptions and concessions in case of 46 dealers out of 1,125 test checked from 43,000 dealers in 12 circles.

(Paragraph 2.3.16)

There was incorrect allowance of exemption against inter-State and intra-State stock transfer, transit sale, misuse of declaration forms and invalid forms in case of 34 dealers out of 2,075 test checked from 40,911 dealers in 10 circles which resulted in under-assessment of tax of ₹ 49.36 crore.

(Paragraph 2.3.20)

838 and 906 dealers were selected out of 39,061 and 45,732 dealers for VAT audit during 2010-11 and 2011-12 but only 170 and two dealers were audited by the VAT Audit Wing leaving arrear of 668 and 904 dealers respectively.

(Paragraph 2.3.22.1)

2.3.1 Introduction

The assessment, levy and collection of Value Added Tax (VAT) is governed by the Jharkhand Value Added Tax (JVAT) Act 2005, Jharkhand Value Added Tax (JVAT) Rules 2006 and notifications/instructions issued by the Government from time to time.

Commercial Tax Department is responsible for assessment, levy and collection of tax and ensures compliance of various provisions of the Act, Rules, and various notifications/circulars issued thereunder. In the process of assessment under VAT, the dealers have to submit return of their transactions regarding sale and purchase in their trading account attached with Annual Audited Account prepared by an accountant or tax practitioner in Form JVAT-409. On receipt of returns, from the dealers, it is the responsibility of the Assessing Authorities (AAs) to ensure that the returns are complete and correct in all respect such as amount of tax due, paid, claim of Input Tax Credit (ITC) and its adjustments against tax due, interest on delayed deposits of tax as well as its arithmetical accuracy. All documents as provided in the Act and Rules made thereunder shall be furnished by the dealers within time as provided in the Act.

Under the JVAT Act, 2005, registered dealers are eligible for ITC, concessions and exemptions of tax on submission of prescribed declarations forms³. The State Government grants these incentives to dealers for furtherance of trade and commerce. It is the responsibility of the Commercial Tax Department to ensure adequate safeguards against misutilisation of declaration forms/ certificates on which tax relief is allowed.

2.3.2 Organisational set-up

The Commercial Taxes Department is under the purview of the Secretary cum Commissioner, Commercial Taxes Department at the Government level. The Secretary cum Commissioner of Commercial Taxes is responsible for administration of the Acts and Rules in the Commercial Taxes Department (CTD). At the Department headquarters level, Commissioner of Commercial Taxes (CCT) heads the Department. He is assisted by Additional Commissioner and Joint Commissioners of Commercial Taxes, Joint Commissioners of Commercial Taxes of Bureau of Investigation (IB) along with other Deputy/Assistant Commissioners of Commercial Taxes and Commercial taxes Officers (CTO).

The State is divided into five Commercial Taxes Divisions⁴, each under the charge of a Joint Commissioner (Administration) who also heads the Divisional IB. There are 28 Circles⁵ functioning under the administrative control of Deputy/Assistant Commissioner of Commercial Taxes (DCCT/

³ **JVAT-404:** Input Tax Credit; **JVAT-506:** Intra-State Branch Transfer; **JVAT 400:** Tax deducted at source; **JVAT 407:** Non deduction of tax; **JVAT 403:** Tax paid sale of commodities under special rate of tax.

⁴ Dhanbad, Hazaribag, Jamshedpur, Ranchi and Santhal Pargana.

⁵ Adityapur, Bokaro, Chaibasa, Chirkunda, Deoghar, Dhanbad, Dhanbad Urban, Dumka, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Katras, Koderma, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi East, Ranchi South, Ranchi Special, Ranchi West, Sahebganj, Singhbhum and Tenughat.

ACCT). The DCCT/ACCT/CTO of the circle, besides market survey, is responsible for levy and collection of VAT/CST due to the Government.

The State is also divided into three Commercial Taxes Divisions⁶ (VAT Audit), each under the charge of a Joint Commissioner who is assisted by DCCTs, ACCTs and CTOs to conduct Tax Audit of selected dealers according to criteria defined by the Commissioner.

2.3.3 Audit objectives

The Performance Audit was conducted with the view to ascertain whether:

- the provisions of the JVAT Act and Rules made thereunder are adequate and enforced properly to safeguard the revenue of the State;
- the exemptions/concession of tax, deductions from turnover claimed by the dealers and allowed by the Assessing Authorities (AAs) were in order; and
- an internal control mechanism existed in the Department and was adequate and effective to prevent leakage of revenue.

2.3.4 Audit Criteria

- Jharkhand Value Added Tax Act 2005;
- Jharkhand Value Added Tax Rules 2006;
- Central Sales Tax (CST) Act 1956;
- Central Sales Tax (Registration and Turnover) Rules 1957;
- Central Sales Tax (Jharkhand) Rules 2006;
- Notifications/instructions issued from time to time; and
- Court judgements.

2.3.5 Audit Scope and Methodology

2.3.5.1 The Performance Audit on “System of assessment under VAT” was conducted from October 2014 to May 2015 pertaining to period 2009-10 to 2013-14 in respect of assessments finalised during 2010-11 to 2014-15. The audit was conducted in the office of the Commissioner, Commercial Taxes Department, three Divisional Joint Commissioner(s)⁷ of Administration, Appeal and VAT Audit Wing, Commercial Taxes Tribunal and 13 Commercial Taxes Circles (CTCs)⁸ out of 28 Circles in the State selected by the method of random sampling on the basis of revenue generated by each circle categorising them into high (₹ 150 crore and above), medium (between ₹ 25 crore and ₹ 150 crore) and low risk (below ₹ 25 crore).

2.3.5.2 We test checked periodical returns, trading accounts in JVAT-409, utilisation certificates of declaration Forms ‘C, and ‘F, utilisation of road permits in JVAT 504G and 504B, utilisation of declaration in Form JVAT-404 for Input Tax Credit, JVAT-506 for intra-State branch transfer, JVAT-400 for

⁶ Dhanbad, Jamshedpur and Ranchi.

⁷ Dhanbad, Jamshedpur and Ranchi.

⁸ Adityapur, Bokaro, Chaibasa, Deoghar, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South, Ranchi West and Tenughat. Audit conducted in the current as well as in previous audit cycles.

tax deducted at source, JVAT-407 for non deduction of tax, JVAT- 403 for tax paid sale of commodities under special rate of tax and cross verified the data/information collected from State Government Department, private/public sector undertakings and assessment records of contractors to detect evasion of tax as well as unregistered contractors/dealers. An entry conference was held on 13 February 2015 with the Additional Commissioner and Joint Commissioner (Headquarters) of Commercial Taxes Department, Jharkhand in which the audit objectives, scope and methodology was discussed in detail. An exit conference was held on 19 August 2015 with the Secretary cum Commissioner Government of Jharkhand in which the findings, conclusion and recommendations of the Performance Audit were discussed. The views of Government/Department have been suitably incorporated in the report.

2.3.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Taxes Department in providing the necessary information and records for audit.

2.3.7 Trend of revenue

The variation between Budget Estimates (BEs) and Actuals during 2009-14 was as shown in Table – 2.3.7.

Table - 2.3.7

Year	Budget Estimates	Actual Receipts as per Finance Accounts of the state	Variation Excess(+) Shortfall(-)	(₹ in crore)
				Percentage of variation
2009-10	4,200.00	3,597.20	(-) 602.80	(-) 14.35
2010-11	4,503.00	4,473.43	(-) 29.57	(-) 0.66
2011-12	5,633.25	5,522.02	(-) 111.23	(-)1.97
2012-13	6,650.00	6,421.61	(-) 228.39	(-)3.43
2013-14	7,874.50	7,305.08	(-) 569.42	(-)7.23

Source: Departmental Figures and Finance Accounts of the State.

It would be seen from the above that after a shortfall of 14.35 *per cent* in 2009-10, the department recovered in 2010-12 which could be largely attributed to the increase in rate of tax.

2.3.8 Arrears in Assessment

The arrears in assessments of 12 Commercial Taxes Circles⁹ during 2009-14 was as shown in Table – 2.3.8.

Table – 2.3.8

Year	OB	Addition	Total	Clearance	Closing Balance
2009-10	2,550	29,610	32,160	20,847	11,313
2010-11	11,313	30,017	41,330	30,705	10,625
2011-12	10,625	34,455	45,080	27,656	17,424
2012-13	17,424	28,240	45,664	25,743	19,921
2013-14	19,921	30,349	50,270	27,656	22,614

⁹ Adityapur, Bokaro, Chaibasa, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South, Ranchi West and Tenughat.

It would be seen from the above that there was cumulative increase in arrears in assessment over the years from 11,313 in 2009-10 to 22,614 at the end of 2013-14. It was observed that there was shortage of officers and supporting staff in the department which could have been the result of accumulation of these arrears.

2.3.9 Arrears in revenue

Arrears in collection of revenue in the 12 test checked circles¹⁰ as on 31 March 2014 were ₹ 1,225.51 crore as depicted in the **Table - 2.3.9**.

Table – 2.3.9

Period	Opening Balance	Addition during the year	Total	Recovery made during the year	(₹ in crore)
					Closing balance
2009-10	1,747.79	161.21	1,910.00	518.86	1,391.14
2010-11	1,381.94	81.14	1,463.08	71.28	1,391.80
2011-12	1,761.68	131.85	1,893.53	234.94	1,658.59
2012-13	1,583.33	395.33	1,978.66	414.34	1,564.32
2013-14	1,564.32	175.42	1,739.74	514.23	1,225.51

The reason for the arrears and action taken for their realisation though called for (June 2015) has not been received. The concerned circles also did not furnish the periodicity of the arrears and cases liable for institution of certificate cases along with the revenue involved. The age wise analysis of arrears could not be made due to non-availability of periodicity of the arrears.

Audit Findings

Though the JVAT Act came into force with effect from 1 April 2006 Audit reviewed the system of assessment and noticed a number of deficiencies which have been discussed in the succeeding paragraphs.

2.3.10 Deficiencies in assessment

Section 35 and Section 9 under the JVAT Act, 2005, CST Act 1956 and Rules made thereunder respectively contains the provisions of assessment and self-assessment of tax. Proper tax assessment and a sound collection mechanism are essential elements of efficient and effective tax management. Audit noticed deficiencies in implementation of provisions of the JVAT and the CST Act for assessment, collection of tax, interest and penalty.

2.3.10.1 Non-practicing of system of Self Assessment of tax

The Department continued with the assessment of registered dealers as in previous Sales Tax era and did not encourage the dealers to practice self assessment.

Section 35 of the JVAT Act provides that the amount of tax due in respect of a tax period from a registered dealer or a dealer liable to be registered shall be deemed to have been self assessed if the dealer has filed all the returns and the

¹⁰ Adityapur, Bokaro, Chaibasa, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South, Ranchi West and Tenughat.

annual return with all the required documents within the prescribed time and the returns so filed are found to be in order and arithmetically correct.

We collected figures of self assessment from 13 circles¹¹ which were as under in **Table – 2.3.10.1**.

Table - 2.3.10.1

Year	Total number of registered dealers	Number of self assessment filed	Number of self assessment accepted
2009-10	35,090	12	1
2010-11	39,061	12	3
2011-12	45,732	11	2
2012-13	50,347	7	2
2013-14	55,835	8	4

It could be seen from the above table that during the period 2009-14 only 50 dealers opted for self-assessment and out of this, self-assessment was accepted in case of 12 dealers. As a result, in spite of existence of the provision of self-assessment since promulgation of the Act, almost all the cases were assessed by the AAs like the previous Sales Tax era over the years. There was substantial shortage of officers and supporting staff in the department to cope up with increasing numbers of registered dealers every year which resulted in cumulative increase in arrears in assessment from 11,313 in 2009-10 to 22,614 at the end of 2013-14 as pointed in Para 2.3.22.4 and 2.3.8 of this report. Considering the increasing arrears in assessment, the JVAT Act was amended in May 2011 (Ordinance 2 of 2011) to insert the word ‘assessment’ with self-assessment and time limit for assessment was increased from two years to three years.

Lack of initiative to popularise self-assessment had already been pointed out in the Audit Report for the year ended 31 March 2009 wherein the fund allocated for such purpose was not utilised for the same.

We reported the matter to the Government; their reply has not been received (October 2015).

We recommend that the Government may consider popularising self assessment among the registered dealers.

2.3.10.2 Non-conducting of proper survey

Modalities for surveys i.e. areas to be covered, periodicity of surveys and number of dealers to be covered in each survey have not been prescribed.

Section 25 of the JVAT Act provides that no dealer shall, while being liable to pay tax, carry on business unless he has been registered. Further, Section 71 provides for identification of dealers who are liable to pay tax, but remained unregistered, the prescribed authority shall from time to time cause a survey of unregistered dealers.

¹¹ Adityapur, Bokaro, Chaibasa, Deoghar, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi West, Ranchi South and Tenughat.

We collected information regarding conduct of survey and registration of dealers from 13 circles¹² and noticed that only 1,959 new dealers¹³ were registered during the period from 2009-10 to 2013-14 following 4,063 surveys conducted as depicted in the **Table – 2.3.10.2**.

Table – 2.3.10.2

Year	2009-10		2010-11		2011-12		2012-13		2013-14		Total	
	A	B	A	B	A	B	A	B	A	B	A	B
Adityapur	NF	NF	10	9	5	5	29	16	3	3	47	33
Bokaro	205	31	Nil	Nil	Nil	Nil	77	12	153	15	435	58
Chaibasa	77	15	72	15	50	8	31	6	66	10	296	54
Deoghar	103	25	62	28	72	49	84	52	44	31	365	185
Dhanbad	3	18	5	23	6	25	8	35	8	32	30	133
Giridih	38	32	2	2	18	15	34	28	191	162	283	239
Jamshedpur	261	175	77	43	70	32	124	65	150	78	682	393
Jamshedpur Urban	118	31	49	18	34	15	58	20	14	7	273	91
Ramgarh	35	10	25	8	85	57	69	62	83	23	297	160
Ranchi East	89	26	29	5	28	15	16	7	Nil	Nil	162	53
Ranchi South	NF	NF	17	Nil	14	NIL	16	3	73	3	120	6
Ranchi West	84	7	103	11	119	16	127	21	137	26	570	81
Tenughat	83	76	112	108	124	116	96	88	88	85	503	473
Total	1,061	436	538	262	540	296	700	353	927	452	4,063	1,959

'A' = Number of surveys conducted and 'B' = Number of dealers registered.

The provision of survey of unregistered dealers was made in the Act, yet modalities for such surveys i.e. areas to be covered, periodicity of surveys and number of dealers to be covered in each survey have not been prescribed. We further noticed that these surveys were not monitored at the apex level.

2.3.10.3 Non-detection of unregistered works contractors

The department did not utilise the TDS details available in the assessment records to detect unregistered contractor dealers.

Under the provisions of Section 8(5) (d) of the JVAT Act 2005, works contractors are liable to get registered and pay tax accordingly if the turnover exceeds of ₹ 25,000. Further under the provisions of section 38 (2) the dealer is liable to pay, by way of penalty, in addition to the amount of tax so assessed, a sum equal to the amount of tax assessed or a sum of rupees ten thousand whichever is greater.

We obtained information/data from assessment records of two assessee¹⁴ of Commercial Taxes Department (between June 2014 and January 2015) and noticed that the said assessee furnished list of 54 unregistered contractors to whom sub-contracts were awarded and payment of ₹ 15.29 crore was made to them during 2008-09 to 2010-11. The AAs assessed the assessee (between March 2011 and December 2013) but could not identify those 54 unregistered

¹² Adityapur, Bokaro, Chaibasa, Deoghar, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South, Ranchi West and Tenughat.

¹³ Adityapur-33, Bokaro-58, Chaibasa-54, Deoghar-185, Dhanbad-133, Giridih-239, Jamshedpur-393, Jamshedpur Urban-91, Ramgarh-160, Ranchi East-53, Ranchi South-6, Ranchi West-81 and Tenughat-473.

¹⁴ National Building Construction Corporation registered in Ranchi East Circle (2008-09, 2009-10 and 2010-11) and Larsen and Toubro Ltd. registered in Jamshedpur Circle (2010-11).

sub-contractors due to absence of a mechanism for intra-departmental exchange of data.

Non-detection of dealers/contractors, liable for registration, by the AAs resulted in non-levy of tax of ₹ 3.82 crore including penalty of ₹ 1.91 crore **(Appendix-I)**.

After we pointed this out, the Department/Government in the exit conference agreed to the audit observations and assured that corrective action would be taken. The Commissioner expressed her gratitude for pointing out observations and stated that action is being taken to identify the dealers through exchange of data from Treasury as well as with other Departments. It was further added that a new amendment has also been made in August 2015 in the JVAT Rule 2006 dispensing with security deposit against new registration of dealers to attract substantial number of dealers for registration under this policy. Regarding creating a database for registration of dealers below threshold limit, it was stated that it will be taken care of by the new computer software system being developed. Further reply has not been received (October 2015).

We recommend that the Government may consider periodic surveys and intra-departmental exchange of data to identify unregistered dealers with proper monitoring at the apex level to bring them under tax net.

2.3.11 Suppression of purchase/sales turnover

Under the provisions of Section 40(1) read with Section 37 (6) of the JVAT Act and the Section 9 of the CST Act, if the prescribed authority has reasons to believe that the dealer has concealed the particulars of such turnover or has furnished incorrect particulars of such turnover and thereby the returned figures are below the real amount, the prescribed authority shall direct the dealer to pay, besides the tax assessed on escaped turnover, by way of penalty a sum equivalent to twice the amount of the additional tax so assessed.

Our scrutiny revealed that there was suppression of sales/purchase turnover of ₹ 1,404.19 crore in case of 70 dealers out of 1,062 dealers test checked from 45,732 dealers registered in 13 circles leading to underassessment of tax of ₹ 192.75 crore including mandatory penalty of ₹ 128.51 crore as discussed in the following paragraphs.

2.3.11.1 Suppression of purchase/sales turnover under VAT

Actual purchase/sales for the period from 2009-10 to 2011-12 was ₹ 15,313.35 crore instead of ₹ 14,082.80 crore returned by the dealers. Concealment of turnover of ₹ 1,230.55 crore resulted in under assessment of tax of ₹ 157.25 crore.

We noticed (between February 2014 and May 2015) in 11 Commercial Taxes Circles¹⁵ that 53 dealers (assessed between February 2012 and March 2015)

¹⁵ Adityapur, Bokaro, Chaibasa, Dhanbad, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South and Ranchi West.

out of 1,045 dealers dealing in various goods¹⁶, had filed their returns for gross purchase/sales of ₹ 14,082.80 crore for the period from 2009-10 to 2011-12. However, our scrutiny of documents placed on assessment records¹⁷ indicated that these dealers had actually purchased/sold goods of ₹ 15,313.35 crore. The AAs while assessing the tax did not scrutinise the same and accepted the returns furnished by the dealers. Thus, these dealers had concealed turnover of ₹ 1,230.55 crore on account of purchase/sale in their returns. This resulted in under-assessment of tax of ₹ 157.25 crore including mandatory penalty of ₹ 104.84 crore (**Appendix-II**).

After we pointed this out, the Department/Government in the exit conference agreed and stated that the concerned Commercial Taxes Circles have been instructed to take appropriate action. Further reply has not been received (October 2015).

2.3.11.2 Suppression of sales/purchase detected by Cross Verification

Cross-verification of inter-departmental data/information revealed suppression of sale/purchase turnover and consequential under-assessment of tax of ₹ 35.50 crore.

We obtained data/information from other departments¹⁸ and other dealers registered in either same or other Commercial Taxes Circles in Jharkhand and cross-verified with the assessment records of dealer(s) in the seven Commercial Taxes Circles¹⁹ and noticed (between January 2015 and April 2015) that 17 dealers/works contractors, during the period between 2009-10 and 2010-11 had shown purchase/sales turnover of ₹ 959.99 crore through their periodical returns/annual, audited accounts on which the assessments were finalised between February 2011 and March 2014. However, our cross-verification revealed that the dealers/contractors had actually received/sold goods valued at ₹ 1,133.63 crore. Thus, the dealers had suppressed turnovers of ₹ 173.64 crore and were liable to pay tax ₹ 35.50 crore including mandatory penalty of ₹ 23.67 crore (**Appendix-III**).

After we pointed this out, the Department/Government in the exit conference agreed to the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

¹⁶ Forgings, Pig iron, Motor parts, Coal and coke, Iron and steel, HEMM parts, Computer, Petroleum products etc.

¹⁷ Periodical returns, Trading accounts in JVAT-409, Utilisation certificates of declaration Forms 'C', 'F', Utilisation of road permits in JVAT 504G and 504B.

¹⁸ Director, Airport Authority of India, Ranchi, Executive Engineer RDS, Bokaro, District Mining Officer Chaibasa and Executive Engineer RWD Bokaro, TATA Steel and assessment records of National Building Construction Corporation, Hindustan Steelworks Construction Ltd, Central Coalfield Ltd. Dhori and Argada Areas.

¹⁹ Adityapur, Bokaro, Chaibasa, Deoghar, Ramgarh, Ranchi West and Tenughat.

2.3.12 Incorrect determination of Gross Turnover under JVAT Act

Gross Turnover (GTO) was determined as ₹ 1,598.64 crore instead of actual GTO of ₹ 1,703.81 crore resulting in incorrect determination of GTO of ₹ 105.18 crore and consequential short levy of tax of ₹ 11.05 crore.

Under the provisions of the Section 2 (xxv) of the JVAT Act 2005, Gross Turnover (GTO) is the aggregate of all amounts received and receivable by a dealer, including the gross amount received or receivable for execution of works contract or sale of goods made outside the State, in the course of inter-state trade or commerce or export during any given period.

We test checked the assessment records of 622 dealers out of 717 dealers (between March 2014 and March 2015) in seven Commercial Taxes Circles²⁰ and noticed that in case of 13 dealers GTO was determined as ₹ 1,598.64 crore but the actual GTO was ₹ 1,703.81 crore for the period 2007-08, 2010-11 and 2011-12. It was observed that in all the cases either the documents like annual returns, audited accounts in Form JVAT 409, trading accounts were not properly scrutinised or the concerned section of the Act defining elements of sale turnover was not properly interpreted. The AAs while finalising the assessments (between March 2010 and March 2014) did not consider the figures mentioned in the returns/records resulting in incorrect determination of GTO by ₹ 105.18 crore and consequential short levy of tax of ₹ 11.05 crore (Appendix-IV).

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and stated that system is being updated to take care of the mismatch between the figures in returns and determination of gross turnover. It was assured to take steps for necessary amendment in the Act/Rules. Further reply has not been received (October 2015).

2.3.13 Irregularities in grant of Input Tax Credit (ITC)

Under the provisions of the Section 18 of the JVAT Act, 2005 and Rules framed thereunder, the ITC to which the registered dealer is entitled, shall be the amount of tax paid by the registered dealer on purchases made within the State during any tax period. Our scrutiny of records of the Department revealed irregularities in ITC claims like irregular/non-admissible ITC claims, excess claims, non-reversal of ITC and non-charging of interest thereon of ₹ 8.35 crore in cases of 24 dealers out of 1,186 test checked from 35,129 dealers in nine circles as discussed in the following paragraphs:

²⁰ Chaibasa, Deoghar, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi South and Ranchi West.

2.3.13.1 Excess allowance of ITC

The dealer had claimed ITC of ₹ 156.76 crore on intra-State purchases of goods. However, on the basis of declarations in JVAT 404 submitted, the dealers were actually entitled for ITC of ₹ 148.50 crore only.

Section 18 of the JVAT Act, 2005, provides that when a registered dealer purchases any taxable goods within the State from another registered dealer after paying him a tax under Section 13 of the Act he is eligible to claim credit of input tax in the manner prescribed.

We noticed (between March 2014 and May 2015) in nine Commercial Taxes Circles²¹ that 20 dealers out of 1,002 dealers test checked had claimed ITC of ₹ 156.76 crore on intra-State purchases of goods between 2008-09 and 2011-12. The AAs while finalising the assessments (between March 2011 and March 2015) allowed ITC of ₹ 153.47 crore on the basis of declarations in JVAT 404 furnished by dealers and apportionment of ITC. Our scrutiny of declarations in JVAT 404 and details of taxable turnover, however, revealed that there were cases of intra-State stock transfers, inter-State sales to unregistered dealers, incorrect apportionment of inter-State stock transfer, ITC claim of purchase of goods of negative list etc. and these dealers were actually entitled for ITC amounting to ₹ 148.50 crore only. This resulted in allowance of excess ITC of ₹ 4.98 crore by the AAs. Besides, the dealers were also liable to pay interest of ₹ 2.80 crore for availing incorrect ITC (Appendix-V).

2.3.13.2 Incorrect allowance of ITC

The dealer had claimed ITC of ₹ 8.65 lakh on intra-State purchase of LPG Cylinders, treating it as packing materials. The AA had allowed the ITC in full. However, LPG cylinder is capital goods which are supplied to the consumers on payment of security money and not sold to the consumers.

Under Section 18 of the JVAT Act, 2005 and rules made thereunder a dealer claiming input tax in respect of capital goods shall apply in Form JVAT 118 to the prescribed authority within thirty days of commencement of commercial production or sale of taxable goods.

We noticed (January 2015) in Jamshedpur Commercial Taxes Circle that in case of a dealer, dealing in petroleum products had claimed ITC of ₹ 8.65 lakh on intra-State purchase of LPG Cylinders, treating it as packing materials. The AA while finalising the assessment for 2010-11 in November 2013 allowed the ITC in full. LPG cylinders are not sold by the Oil Companies but supplied to the consumers on payment of security money which is refundable at the time of surrender of LPG connection. Thus, treating LPG cylinders as packing materials (liable to be sold with the principal commodity) instead of capital goods was incorrect resulting in incorrect allowance of ITC of ₹ 8.65 lakh besides the dealer did not pay actual tax due of ₹ 8.65 lakh was also liable to

²¹ Bokaro, Chaibasa, Dhanbad, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi South, Ranchi West and Tenughat.

pay interest amounting to ₹ 2.68 lakh for non-payment of actual tax on due date. Besides the dealer was also liable to pay penalty.

2.3.13.3 Incorrect allowance of ITC to work contractors

There was incorrect allowance of ITC of ₹ 46.22 lakh to works contractors who had not maintained the accounts to determine the correct turnover of goods.

Under Rule 22 of the JVAT Rules, 2006, where a contractor VAT dealer has not maintained the accounts to determine the correct value of the goods, he shall pay tax at the higher rate on the total consideration received and shall not be eligible to claim ITC.

We test checked 183 dealers (between January and March 2015) in Jamshedpur Urban and Ranchi South Commercial Taxes Circles and noticed that three contractor VAT dealers had claimed ITC of ₹ 47.99 lakh on intra-State purchase of goods involved in works contract and had adjusted it against output tax payable. As the contractors had not maintained the accounts, the AA while finalising the assessment for 2010-11 and 2011-12 (between June 2013 and March 2014) incorrectly allowed the ITC of ₹ 46.22 lakh on the basis of submission of requisite declarations in Form JVAT 404. This resulted in incorrect allowance of ITC of ₹ 46.22 lakh.

After we pointed this out, the Department/Government in the exit conference agreed with the fact and stated that corrective action would be taken. When pointed out about the probable misuse of declaration in Form JVAT 404, it was assured by the Commissioner that possible measures in this regard would be taken to ensure allowance of ITC only against the JVAT-404 being furnished within prescribed time limit. Further reply has not been received (October 2015).

2.3.14 Short levy of tax

The Assessing Authorities (AAs) while finalising the assessments, did not apply the correct rate of tax given in the schedule of rates, in some cases lower rate of tax was applied due to misclassification of goods.

Our scrutiny of assessment records in seven Commercial Taxes Circles²² revealed misclassification of goods and application of incorrect rate of tax in case of 13 dealers out of 852 dealers test checked from 27,528 dealers resulting in short levy of tax of ₹ 6.27 crore as discussed in the following paragraphs:

²² Adityapur, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi South, Ranchi West and Tenughat.

2.3.14.1 Short levy of tax due to misclassification of goods

The dealers had filed their returns by admitting the rate of tax of four per cent on sale of goods instead of leviable rates of 12.5 per cent and consequential short levy of tax of ₹ 1.22 crore.

Under the provisions of the Sections 9 and 13 of the JVAT Act, 2005 and Schedule-II Part-D appended thereunder paints, coal briquette and glass are taxable at the rate of 12.5 per cent.

We noticed (between March 2014 and April 2015) in four Commercial Taxes Circles²³ that in case of six dealers out of 368 dealers test checked, dealing in paints, cement, coal briquette and glass, had filed their returns for the period between 2009-10 and 2010-11 admitting the rate of four per cent. The AAs while finalising the assessments of these dealers between March 2013 and March 2014 accepted the tax as submitted by the dealer in their returns instead of rate given in the schedule on sale of goods worth ₹ 14.41 crore. This resulted in short levy of tax of ₹ 1.22 crore as mentioned in the Table – 2.3.14.1 (Appendix-VI).

Table – 2.3.14.1

Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	(₹ in lakh)	
				Tax leviable Tax levied	Short levy
1	Ramgarh One	2010-11 March 2014	Though, tax on sale of glass was leviable at the rate of 12.5 per cent but tax was levied at the rate of four per cent.	52.23 16.71	35.52
2	Jamshedpur Urban One	2009-10 March 2013	Though, tax on sale of paints was leviable at the rate of 12.5 per cent but tax was levied at the rate of four per cent.	33.68 10.78	22.90
3	Tenughat Two	2010-11 Between August 2013 and January 2014	The AA in one case levied tax at the rate of four per cent on sale of coal briquettes instead of correct rate of 12.5 per cent. Further, in another case, the dealer had opted for Composition Scheme u/s 58 of the Act. Though, the turnover exceeded ₹ 50 lakh but the AA incorrectly levied tax at the rate of 0.5 per cent instead of correct rate of 4/12.5 per cent.	7.01 2.03	4.98
4	Ranchi West Two	2010-11 Between June and July 2013	The AAs incorrectly levied tax at the rate of four per cent on cement/ motor vehicle instead of leviable rate of 12.5 per cent.	86.57 27.70	58.87
Total				179.49 57.22	122.27

After we pointed this out, the Department/Government in the exit conference agreed with the fact and stated that concerned Commercial Taxes Circles have

²³ Jamshedpur, Ramgarh, Ranchi West and Tenughat.

been instructed to furnish replies/action taken reports. Further reply has not been received (October 2015).

2.3.14.2 Short levy of tax due to application of incorrect rate of tax

Due to non-production of requisite documents, the AAs at the time of finalising the assessments disallowed the claims for ₹ 59.41 crore and levied tax at the rate of 4 per cent instead the correct rate of 12.5 per cent.

Under the provisions of Rule 22 of the JVAT Rules, 2006, if the contractor VAT dealer has not maintained the accounts to determine the correct value of goods, he shall pay tax at the rate of 12.5 per cent (14 per cent w.e.f. 7 May 2011) on the total consideration received or receivable subject to deductions specified (30 per cent in case of other contracts).

We noticed (between January 2015 and March 2015) in five Commercial Taxes Circles²⁴ that in case of seven dealers (works contractors) out of 484 dealers that the dealers had filed their returns for the period between 2008-09 and 2011-12 determining the gross turnover of ₹ 316.45 crore, of which, the dealers had claimed exemption of ₹ 119.58 crore on accounts of labour and other non-taxable expenditures. However, due to non-production of requisite documents, the AAs at the time of finalising the assessments of these dealers, between March 2011 and March 2014, disallowed the claims of ₹ 59.41 crore and levied tax at the rate of four per cent instead of 12.5/14 per cent. This resulted in under-assessment of tax of ₹ 5.05 crore (**Appendix-VII**).

After we pointed this out, the Department/Government in the exit conference agreed with the fact and stated that concerned Commercial Taxes Circles have been instructed to furnish replies/action taken reports. Further reply has not been received (October 2015).

2.3.15 Non-levy of purchase tax

The AAs did not levy purchase tax on the purchase of goods consumed for manufacture of goods exempted from levy of tax.

Under the provisions of Section 10 of the JVAT Act 2005, every dealer liable to pay tax who purchases any goods from a dealer in the circumstances where no tax has been paid under this Act shall be liable to pay tax on the purchase price of such goods, if after such purchase, the goods are used or consumed in the manufacture of goods declared to be exempt from tax under this Act. Such tax shall be levied at the same rate at which tax would have been levied on the sale of such goods within the State.

We noticed (between May 2014 and March 2015) in Deoghar and Tenughat Commercial Taxes Circles that the AAs while finalising the assessments for the period 2009-10 and 2010-11 between February 2011 and January 2014 did not levy the purchase tax in case of two dealers out of 177 dealers test checked, who after purchasing goods worth ₹ 9.15 crore from unregistered dealers had consumed the same for manufacture of goods exempted from levy

²⁴ Adityapur, Jamshedpur Urban, Ramgarh, Ranchi South and Ranchi West.

of tax and in process of mining. This resulted in non-levy of purchase tax of ₹ 95.64 lakh.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

2.3.16 Non/short levy of interest for non/short payment of tax due

The AAs did not levy interest on disallowed claims/irregular adjustment of tax deducted at source (TDS).

Under Sections 30(1) and (3) of the JVAT Act 2005, if a dealer fails, without sufficient cause, to pay the amount of tax due as per the returns for any tax period, the AA shall direct the dealer to pay interest at the rate of one *per cent* per month and may direct the dealer to pay penalty at the rate of two *per cent* per month on the amount of additional tax assessed and interest payable, from the date of tax payable to the date of payment or the date of order whichever is earlier.

Our scrutiny of the assessment records of 46 dealers out of 1,125 test checked from 43,000 dealers in 12 circles revealed non-levy of interest ₹ 38.43 crore on non/delayed payment of admitted tax/tax due, disallowed unsubstantiated claims, incorrect exemptions and concessions as discussed in the following paragraphs:

2.3.16.1 Non-levy of interest on unsubstantiated claims of exemptions and concession

The AAs at the time of finalisation of assessments disallowed the claims of ₹ 2,068.53 crore due to non-furnishing of requisite declaration forms/proof of claimed exemptions/concessions/availing of ITC and levied additional tax of ₹ 112.12 crore but did not levy interest for non-payment of tax due.

We noticed (between February 2014 and May 2015) in 12 Commercial Taxes Circles²⁵ that in case of 45 dealers out of 1,037 dealers dealing in various goods²⁶, the dealers during the period between 2009-10 and 2011-12 had claimed payment of tax due, ITC, sale on concessional rate of tax and exemptions for stock transfer outside the State, export sale and transit sale for ₹ 29,205.83 crore and had paid the taxes accordingly.

The AAs at the time of finalisation of assessment between December 2012 and January 2015 disallowed the claims of ₹ 2,068.53 crore due to non-furnishing of requisite declaration forms/proof of such claimed exemptions/concessions and levied additional tax of ₹ 112.12 crore either by disallowing the ITC or levying tax at the appropriate rate leviable in the State.

²⁵ Adityapur, Bokaro, Chaibasa, Dhanbad, Deoghar, Giridih, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South and Ranchi West.

²⁶ Iron & steel, Iron ore, Asbestos sheet, Coal, Scrap, Silico manganese, Glass, Mobile phones, Air Conditioners, Water Coolers, Fire Bricks, IT Products, Petroleum Products, Motor Vehicles, Machinery Parts etc.

We further observed that the periodical returns were not scrutinised by the AAs and allowing the dealers to retain the actual tax payable by them till the date of assessment. Thus, the dealers had actually furnished incorrect returns and had not paid the actual tax due. Though the AAs levied additional tax on the disallowed claims of the dealers but did not levy the interest of ₹ 38.28 crore for non-payment of tax payable. Besides, the dealers were also liable to pay penalty.

2.3.16.2 Non-payment of tax due and interest thereon

The dealer had adjusted amount of TDS deducted from its suppliers/agencies amounting to ₹ 10.84 lakh from tax payable though amount of TDS was required to be deposited separately.

We test checked 88 dealers (November 2014) in Ranchi East Commercial Taxes Circle and noticed that a dealer had shown payment of tax payable as per return for ₹ 246.52 crore during 2010-11 which was assessed by the AA (March 2014) and demand notice was issued accordingly by deducting the tax deposited from the assessed tax of ₹ 246.42 crore. However, our scrutiny revealed that out of ₹ 246.52 crore paid by the dealer, ₹ 10.84 lakh pertained to amount of TDS deducted by the dealer from its suppliers/agencies which was to be deposited separately under Rule 23 of the JVAT Rules, 2006. Thus, the dealer had not deposited actual tax due for ₹ 10.84 lakh and was also liable to pay interest of ₹ 3.80 lakh²⁷ for not depositing the actual tax payable.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and stated that the matter would be looked upon with reference to the provisions under Sections 30 and 35 of the JVAT Act, 2005. The cases have been forwarded to the concerned Commercial Taxes Circles to take appropriate action. Further reply has not been received (October 2015).

2.3.17 Non-levy of interest under Section 40(2)

The AAs did not levy the mandatory interest after detecting non/short accounting of goods, under valuation of goods and furnishing incorrect, incomplete and unreliable books of accounts.

Under the provisions of Section 40(2) of the JVAT Act 2005, if the prescribed authority detects before assessment or otherwise, that any registered dealer has concealed any sale or purchase or any particular thereof, with a view to reduce the amount of tax payable by him or has furnished incorrect statement of his turnover or incorrect particulars of his sales or purchase in the return furnished by him, he shall direct the assessee, in addition to additional tax assessed on suppressed or concealed turnover, to pay by way of interest a sum at the rate of two *per cent* for each month.

We test checked (between March 2014 and May 2015) assessment records of 955 dealers out of assessment records of 1,138 dealers requisitioned for audit

²⁷ Interest calculated @ of one *per cent* per month on tax for 35 months.

in 10 Commercial Taxes Circles²⁸ and noticed that 16 dealers had filed their returns for purchase/sale conceding GTO of ₹ 2,045.15 crore for the periods between 2009-10 and 2011-12. The AAs while finalising the assessments of these dealers (between December 2012 and November 2014) determined the GTO at ₹ 2,587.89 crore, enhancing it by an additional amount of ₹ 542.74 crore, on the basis of non/short accounting of goods, under valuation of goods and furnishing incorrect, incomplete and unreliable books of accounts. However, our scrutiny indicated that though the AAs levied additional tax of ₹ 44.69 crore on the suppressed turnover but interest of ₹ 31.66 crore though leviable was, however, not levied. This resulted in non-levy of interest of ₹ 31.66 crore.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

2.3.18 Non levy of penalty on excess collection of tax

The dealers had collected tax in excess of their tax liability of ₹ 16.90 crore. However, the AAs did not levy penalty of ₹ 33.80 crore for excess collection of tax.

Under the provisions of the Section 47(1) (b) of the JVAT Act, 2005, if a registered dealer collects any amount by way of tax in excess of the tax payable by him shall be liable, in addition to the tax for which he may be liable, to a penalty of an amount equal to twice the sum so collected by way of tax.

We test checked (between March 2014 and March 2015) assessment records of 233 dealers out of assessment records of 271 dealers requisitioned in three Commercial Taxes Circles²⁹ and noticed that four dealers had collected tax of ₹ 55.00 crore for the periods between 2008-09 and 2010-11. The AAs while finalising assessments (between March 2011 and March 2014) assessed tax of ₹ 38.10 crore payable by the dealers. Therefore the dealers had collected tax in excess of their tax liability of ₹ 16.90 crore and were liable to pay penalty of an amount equal to twice the sum so collected by way of tax besides forfeiture of excess tax collected. This resulted in non-forfeiture of excess collected tax of ₹ 16.90 crore besides non-levy of penalty of ₹ 33.80 crore³⁰.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations in general and assured that corrective action would be taken. Further reply has not been received (October 2015).

²⁸ Adityapur, Bokaro, Chaibasa, Deoghar, Dhanbad, Giridih, Ramgarh, Tenughat, Ranchi South and Ranchi West.

²⁹ Janshedpur, Janshedpur Urban and Ranchi South.

³⁰ Twice the amount of excess tax collected of ₹ 16.90 crore.

2.3.19 Non/Short imposition of penalty u/s 63 of JVAT Act

Non/Short levy of mandatory penalty for non-furnishing of audited accounts in the prescribed Form under the JVAT Act.

According to Section 63 of the JVAT Act, 2005, where in any particular year, the gross turnover of a dealer exceeds ₹ 40 lakh then such dealer shall get his accounts audited in the prescribed manner and furnish it in Form JVAT-409 within nine months from the end of the tax period. If the dealer fails to do so, the prescribed authority shall impose upon him a sum by way of penalty equal to 0.1 per cent of the turnover as he may determine to best of his judgment.

We test checked (between January and February 2015) the assessment records of 189 dealers registered in Jamshedpur Urban and Deoghar Commercial Taxes Circles and noticed that in case of two dealers the AAs determined the GTO at ₹ 154.80 crore. In both the cases audited accounts were not furnished making them liable to pay penalty of ₹ 15.48 lakh. The AAs levied penalty of ₹ 6.83 lakh only in one case which resulted in short levy of penalty of ₹ 8.65 lakh.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations in general and assured that corrective action would be taken. Further reply has not been received (October 2015).

2.3.20 Incorrect allowance of exemption

Our scrutiny of the assessment records of 34 dealers out of 2,075 test checked from 40,911 dealers in 10 Commercial Taxes Circles³¹ revealed incorrect allowance of exemption against inter-State and intra-State stock transfer, transit sale, misuse of declaration Forms and invalid Forms which resulted in under assessment of tax of ₹ 49.36 crore as discussed in the following paragraphs:

2.3.20.1 Incorrect allowance of exemption on inter-State stock transfer

The AA allowed exemption from levy of tax on stock transfer of ₹ 15,271.46 crore though the dealer had furnished declarations in Form 'F' for ₹ 14,685.88 crore.

Under Section 6A of the CST Act, submission of declaration in Form 'F' is mandatory for availing exemption from tax on stock transfer of goods made outside the State. In case of transactions not supported by form 'F' tax is leviable at the appropriate rate applicable in the State.

We test checked the assessment records of 129 dealers in Jamshedpur Urban Commercial Taxes Circle and noticed in March 2014 that a dealer had claimed exemption from levy of tax on account of stock transfer of ₹ 15,271.46 crore during the period 2009-10. The AA, while finalising the assessment in March 2013 incorrectly allowed exemption from levy of tax on turnover of

³¹ Adityapur, Bokaro, Deoghar, Dhanbad, Jamshedpur, Jamshedpur Urban, Ramgarh, Ranchi East, Ranchi South and Ranchi West.

₹ 15,271.46 crore though the dealer had furnished declarations in Form 'F' for ₹ 14,685.88 crore only. This resulted in grant of excess exemption from levy of tax on ₹ 585.58 crore and consequential short levy of tax of ₹ 23.42 crore³².

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

2.3.20.2 Incorrect allowance of exemption under JVAT Act

There was allowance of exemption from levy of tax on stock transfer made within the State, conversion charges, bonus and price difference valued at ₹ 22.15 crore not supported by declaration forms and requisite supporting documents.

According to Rule 44 of the JVAT Rules, 2006, where any dealer claims exemption from levy of tax on stock transfer of goods within the state to its branches, the dealer for this purpose shall furnish Form JVAT-506 duly issued by the transferee branch, failing which, the dealer was liable to pay tax at the appropriate rate applicable in the State. Further exemptions from levy of tax on account of conversion charges, price difference and labour charges is admissible only provided such claim is substantiated by the evidences of the same.

We test checked the assessment records of 289 dealers in three Commercial Taxes Circles³³ and noticed (between November 2014 and April 2015) that in case of seven dealers, the dealers had claimed exemptions of ₹ 37.89 crore during the period 2009-10 and 2010-11 from levy of tax on the grounds of stock transfer within the State, conversion charges, bonus and price difference which was allowed by the AAs while finalising the assessments (June 2013 and February 2014). However, we noticed that out of the allowed exemptions of ₹ 37.89 crore, the dealers were not eligible for the exemptions of ₹ 22.15 crore for the reasons of non-furnishing of requisite declaration in Form JVAT-506 and other supporting documents pertaining to non-allowance of labour charges on conversion job, non-depiction of labour charges in the debit side of trading account and price difference claim on inter-State stock receipts. This resulted in incorrect grant of exemptions and consequential under-assessment of tax of ₹ 1.61 crore (Appendix-VIII).

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

³² Calculated at the rate of four per cent on ₹ 585.58 crore.

³³ Ramgarh, Ranchi East and Ranchi West.

2.3.20.3 Incorrect allowance of exemption under works-contract

Incorrect allowance of exemption from levy of tax on the claims of labour and other like charges valued at ₹ 1,073.42 crore against admissible claims of ₹ 987.45 crore.

Rule 22 of the JVAT Rules, 2006 provides for determination of taxable turnover for the purpose of works contract after deducting from gross turnover, charges of labour and other non-taxable expenditures. Where contractor/VAT dealer has not maintained the accounts to determine the correct value of goods, he shall pay tax at higher rate on the total consideration received. Further, the value of goods used in execution of work in the contract declared by the contractor shall not be less than the purchase value.

We test checked the assessment records of 715 contractors/dealers in eight Commercial Taxes Circles³⁴ and noticed (between July 2014 and May 2015) that 11 dealers/works contractors had claimed deductions of ₹ 1,078.56 crore from their gross turnover of ₹ 2,103.96 crore on account of labour and other like charges for the period 2010-11. The AAs while finalising the assessments (between July 2012 and July 2014) allowed the claim of turnover for exemptions at ₹ 1,073.42 crore on the basis of submission of corroborative evidences. However, the actual admissible turnover was ₹ 987.45 crore only, after deducting from gross turnover, certain charges such as labour charges, cost of consumables, cost of establishment relatable to supply of labour and profit earned relatable to supply of labour and payments made to sub-contractors etc. This resulted in allowance of excess deductions of ₹ 85.97 crore from their gross turnover and consequential under-assessment of tax of ₹10.75 crore (**Appendix-IX**).

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

2.3.20.4 Incorrect allowance of exemption in transit sale

The AAs incorrectly allowed exemption on transit sales of ₹ 231.87 crore though the dealers were entitled for exemption of ₹ 136.44 crore only as the sales were intra-State sales and not inter-State sales.

Under Section 6(2) of the CST Act, a claim on account of transit sale is exempted from levy of tax, when the sale has been effected by transfer of documents of the title of the goods during the movement of goods and such subsequent sale should also take place during the same movement occasioned by the previous sale subject to furnishing of declarations in Form 'C' and Form 'E-I'.

We test checked the assessment records³⁵ of 339 dealers in four Commercial Taxes Circles³⁶ and noticed (between November 2014 and March 2015) that in

³⁴ Adityapur, Bokaro, Deoghar, Dhanbad, Jamshedpur, Jamshedpur Urban, Ramgarh and Ranchi South.

³⁵ Assessment order passed by the AA, statement of usage of EI/EII, Form C, JVAT-409 etc.

case of four dealers the AAs while assessing (between March 2013 and March 2014) incorrectly allowed exemption on transit sales amounting to ₹ 231.87 crore though our scrutiny revealed that the dealers were entitled for exemption of ₹ 136.44 crore only. Grant of excess exemption by the AA was in contravention to the provisions mentioned *ibid* resulted in excess allowance of exemption of ₹ 95.43 crore and consequent under assessment of tax of ₹ 4.73 crore.

After we pointed this out, the Department/Government in the exit conference agreed with the fact and stated that corrective action would be taken. The Commissioner was made aware of the possible evasion of tax by big works contractors by adopting the process of twin agreements, by splitting the contract into supply and erection works, against single NIT (Notice Inviting Tender) and supplying the goods to the contractee on transit sale. It was assured that matter would be looked into. Further reply has not been received (October 2015).

We recommend that the Government may consider issuing instructions to ensure proper scrutiny by the AAs before allowing exemptions and concessions to prevent leakage of revenue.

23.20.5 Misuse of declaration forms

The dealers had misused declarations in Form 'C' by utilising it for purchase of goods at concessional rate of tax for use in processing of goods which were not sold but were transferred to the manufacturer for further processing of finished goods.

Under the provisions of Section 8 of the CST Act, 1956, a registered dealer can purchase goods from outside the State at concessional rate of tax against declarations in Form 'C'. If such goods are not covered by his Registration Certificate (RC) under CST Act or the goods purchased from the outside the state at concessional rate of tax are used for the purpose other than that for which the RC is granted, the dealer liable to be prosecuted under Section 10 of the CST Act. However if the AA deems it fit, he in lieu of prosecution may impose penalty up to one and a half times of the tax payable on sale of such goods under Section 10A of the CST Act. Further, it has been judicially held in case of *Bentec Rubber Pvt. Ltd. vs State of Kerala* (1997) 106 STC 591 that the buyer must sell the goods received from job work, if he uses the goods for further manufacture, the concession is not available to the dealer doing job work.

We test checked (between January and March 2015) assessment records of 227 dealers in three Commercial Taxes Circles³⁷ and noticed that four dealers had purchased goods for use in manufacturing or processing valued at ₹ 77.72 crore at concessional rate of tax by utilising declarations in Form 'C' between 2008-09 and 2011-12 which were either transferred to another manufacturer for further processing or manufacturer of finished goods for sale or the goods were not covered by their RC. The buyer must sell the goods

³⁶ Jamshedpur, Ramgarh, Ranchi East and Ranchi West.

³⁷ Deoghar, Jamshedpur and Tenughat.

received from job work, if he uses the goods for further manufacture, the concession is not available to the dealer doing job work. The AAs while finalising the assessments between September 2010 and March 2014 neither cross-verified the RC under the CST Act nor did verify the utilisation of goods purchased on concessional rate by the dealers. This resulted in unauthorised use of declaration Form 'C' and consequential non-levy of penalty of ₹ 4.72 crore.

After we pointed this out, the Department/Government in the exit conference agreed with the fact and stated that corrective action will be taken. A few cases of Jamshedpur were discussed in detail. It was assured that matter would be looked upon. Further reply has not been received (October 2015).

2.3.20.6 Incorrect allowance of concessions/exemptions due to acceptance of invalid declaration Forms.

There was incorrect allowance of concessional rate of tax/exemptions of ₹ 4.13 crore on submission of 232 invalid declaration Forms 'C' and 'F' respectively valued at ₹ 194.06 crore.

Under the CST Act and rules made thereunder, tax on branch transfer/inter-State sales of goods made to registered dealers supported by prescribed declaration Forms 'F'/'C' is exempt/leviable at concessional rate of tax applicable from time to time. Furnishing of Form 'C' is made mandatory with effect from 11 May 2002. Further, a single declaration in Form 'C' shall cover transactions affected during a period of one quarter (three calendar months) only.

We noticed (between July 2014 and April 2015) in four Commercial Taxes Circles³⁸ that in case of seven dealers out of 376 dealers test checked, the AAs while finalising the assessments (between November 2013 and March 2015) for the period 2010-11 and 2011-12 allowed concession/exemption from levy of tax on production of 4,299 declarations in Forms 'C'/'F'³⁹ containing transaction valued at 15,918.72 crore. However, out of 4,299 declarations in Form 'C'/'F', 232 declarations⁴⁰ valued at ₹ 194.06 crore were liable to be rejected on the grounds of submission of invalid forms, submission of duplicate copy of forms, submission of forms issued in the name(s) of another dealer, submission of forms covering transactions for more than a quarter and submission of Forms not containing sellers name and registration number etc. Exemption/concessional rate of tax granted on account of acceptance of such defective/invalid forms by the AAs resulted in short-levy of tax of ₹ 4.13 crore **(Appendix-X)**.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken. Further reply has not been received (October 2015).

³⁸ Bokaro, Dhanbad, Ramgarh and Ranchi South.

³⁹ Declaration in Form C- 4194 and Form F- 105.

⁴⁰ Declaration in Form C- 226 and Form F-6.

2.3.21 Assessment in pursuance to audit objections raised by the Comptroller and Auditor General of India

Section 42(3) of the JVAT Act, provides that where an objection has been made by the Comptroller and Auditor General of India in respect of an assessment/re-assessment/scrutiny of any return filed under this Act, the prescribed authority shall proceed to re-assess the dealers within one month of initiation of proceedings.

We noticed that the initial replies against the following Inspection Reports of Accountant General (Audit) were not furnished by the Department as depicted in **Table – 2.3.21**.

Table – 2.3.21

Sl. No.	Inspection Report Number	Name of the office	Number of paragraphs	Amount involved (Rupees in Lakh)
1	121 of 2011-12	DCCT, Deoghar Circle	20	510.61
2	55 of 2012-13	DCCT, Jamshedpur Circle	29	506.76
3	94 of 2012-13	DCCT, Deoghar Circle	15	736.85
4	46 of 2013-14	DCCT, Giridih Circle	25	984.69
5	68 of 2013-14	DCCT, East Circle Ranchi	14	366.77
6	100 of 2013-14	DCCT, Chaibasa Circle	22	912.47
Total			125	4,018.15

We reported the matter to the Government; their reply has not been received (October 2015).

2.3.22 Internal Control Mechanism

Internal controls are intended to provide reasonable assurance of proper enforcement of law, rules and departmental instructions. These also help in the prevention and detection of frauds and other irregularities. The internal controls also help in creation of reliable financial as well as management information systems for prompt and efficient services and for adequate safeguards against evasion of taxes and duties. It is, therefore, the responsibility of the Department to ensure that a proper internal control structure is instituted, reviewed and updated from time to time to keep it effective.

2.3.22.1 Working of VAT Audit Wing

Out of 1,744 dealers selected for VAT audit during 2010-11 and 2011-12, only 172 (9.98 per cent) were audited by the VAT Audit Wing leaving arrears of 1,572 dealers

Section 34 of the JVAT Act 2005 read with Rule 33 of the JVAT Rules, 2006 envisages tax audit of selected dealers by the Department at their business premises as per the provisions of Section 37. Though the JVAT Act, 2005 came into existence on 1 April 2006, yet the VAT Audit Wing was constituted in August 2009 in CTD Head Quarters with three VAT Audit Divisions⁴¹ with distinguished strength of JCCTs, DCCTs, ACCTs, CTOs and supporting staff.

⁴¹ Dhanbad, Jamshedpur and Ranchi.

The year wise sanctioned strength and men in position during 2009-10 to 2013-14 in all the three VAT Audit divisions were as shown in Table - 2.3.22.1(i).

Table – 2.3.22.1(i)

Year	JCCT	DCCT	ACCT	CTO	Bill Clerk	Clerk	Computer operator	Driver	Group D Staff
Sanctioned strength	3	6	12	24	3	6	9	9	12
Men in position in VAT Audit Divisions									
2009-10	0	0	0	0	0	0	0	0	0
2010-11	0	2	0	0	0	0	0	0	0
2011-12	3	4	7	2	0	2	2	1	0
2012-13	3	4	4	6	0	3	3	2	4
2013-14	3	4	3	8	0	3	3	3	5

Our scrutiny of the VAT Audit Wing revealed the followings:

- Out of 84,793 dealers (2010-11: 39,061 and 2011-12: 45,732) 1,744 dealers with Gross Turnover (GTO) of ₹ 10 crore and above were selected by the Commissioner for Tax Audit to be conducted by the Head Quarter as well as Divisional units in 2010-11 and 2011-12. Tax audit conducted against the above stated selected dealers were as detailed in the Table – 2.3.22.1(ii).

Table – 2.3.22.1(ii)

VAT audit unit	Number of selected dealers		Number of dealers audited		Numbers of dealers not audited		Total pending cases
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	
Head Quarter	102	53	Nil	Nil	102	53	155
Dhanbad	186	240	48	Nil	138	240	378
Jamshedpur	199	453	95	2	104	451	555
Ranchi	351	160	27	Nil	324	160	484
Total	838	906	170	2	668	904	1,572

Thus, it could be seen from the above that out of 1,744 dealers selected in 2010-12, only 172 (9.86 per cent) were audited which was far short of the target set and there were huge arrears of 1,572 dealers.

- Due to above arrears, the Commissioner decided not to further select dealers for Tax Audit in 2012-13 and 2013-14.
- Lack of man power as shown above led to accumulation of arrears in Tax Audit.
- It was also noticed that out of 172 tax audit conducted so far, 115 tax audits were not conducted at the business premises of the dealers as envisaged in Section 34 of the JVAT Act, 2005.
- The Department has not prepared Audit Manual for the VAT Audit Wing. In absence of manual the Department was deprived from the procedure to be followed for day to day functioning of various activities.
- It was also noticed that during the period for 2011-12 to 2014-15 ₹ 13.48 lakh was spent for purchase of office automation equipment and furniture for all the three divisions of VAT Audit, most of which was lying unused.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and assured that action would be taken to strengthen the VAT Audit wing.

We recommend that the Government may strengthen the VAT Audit Wing by framing a proper Manual of Tax Audit procedures, with proper man power and monitoring.

2.3.22.2 Working of Bureau of Investigation (IB)

The Bureau of Investigation (IB) did not execute its functions of collection of data regarding purchases/imports from different organisations/offices of Central/State undertakings, railway godowns and Commercial Banks for its cross verification to detect evasion of tax.

The JVAT Act, 2005 provides for the Bureau of Investigation to function under the control and supervision of the CCT and shall discharge such duties as may be assigned to it. We noticed that the IB remained non-functional due to non-assignment of work up to August 2009. However, by an order issued in August 2009 by the CCT, the Divisional IB under the JCCT (Administration) was entrusted with the task to:

- verify the additional place of business and their entries in the registration certificate in accordance with CST Act, 1956 for the dealers making inter-State stock transfers, inspect big manufacturers/dealers, collect data regarding purchases/imports made by big manufacturers, State/Central undertakings, railway godowns, transporters and Commercial Banks. It was also entrusted to inspect trucks at border areas in a planned and regular manner, verify the prescribed tax rate on particular commodities in course of inter-State purchases, arrival by way of stock transfer/imports and cross-verification of the correctness of declaration form.

We scrutinised the functioning of three Divisional IBs⁴² and noticed that the IB was mainly carrying out inspections of manufacturers/dealers and transport vehicles over these years but neither any data was found to have been collected from big manufacturers, Central/State PSUs, railway godowns, transporters, Commercial Banks etc. for its subsequent verification nor declarations forms were cross-verified.

- The Divisional IB was required to submit monthly reports/returns to the CCT but no monthly reports/returns were found to have been furnished regularly and there was no regular monitoring of the functioning of the IB at the apex level.
- There were considerable shortage of supporting staff in the divisional IB.

After we pointed this out, the Department/Government in the exit conference agreed with the audit observations and stated that their business intelligence system was fast progressing towards production of alerts.

⁴² Dhanbad, Jamshedpur and Ranchi.

The Government may consider strengthening the functions of IB for regular collection of data/information of various transactions and creation of database of Departments and undertakings of State/Central Government and others for cross-verification of transactions on regular basis to detect evasion of tax.

2.3.22.3 Computerisation

Computerisation of the Commercial Taxes Department (CTD) was not completed. Different modules of the Application Software 'VICTORY' were not developed.

Mission Mode Project for computerisation of Commercial Taxes Administration (MMPCT) of Government of Jharkhand was approved by Government of India in November 2010 with total project cost of ₹ 37.69 crore with share of Central Government and State Government of ₹ 24.51 crore (65 per cent) and ₹ 13.18 (35 per cent) crore respectively. The work was to be completed by the end of 2012-13. The work of setting up of application software of Commercial Taxes Department named VICTORY (VAT Information Computerisation to Optimize Revenue Yields) initially taken up by the Department was left by the executing agency M/s Rites India Limited mid-way and the Department had to start automation without required System Requirement Study (SRS) and designing with the help of National Informatics Centre (NIC) Jharkhand. In January 2013, an agreement was executed with M/s Tata Consultancy Services Limited at a cost of ₹ 35.18 crore for computerisation of the Department with the stipulated date of completion in March 2014. However, the work is still incomplete and till date expenditure of ₹ 16.54 crore was made by Jharkhand Promotion of Information and Technology (JAP-IT), an autonomous body under Information and Technology Department of Government of Jharkhand for the above work.

Modules like Dealer Information System, Return Processing System, Payment Management System and Form Control System were not made fully operational. Further, modules like Industrial Exemption System, Dealer Assessment System, and Personal Information System relating to administrative work of the Department were not considered for development. The Department did not furnish any documented plan to phase out the manual system and change over to the computerised system. The system developed was running in parallel with the manual system since its inception. Therefore the objective of discontinuance of manual registers and improving the efficiency of the working system of the Department was not achieved.

We reported the matter to the Government; their reply has not been received (October 2015).

2.3.22.4 Human resource management

In order to analyse the human resource management we called for (between May and June 2015) the circle-wise position of sanctioned strength and men in position of officers and other supporting staff in the circles during the period from 2009-10 to 2013-14. From the data furnished we noticed the following sanctioned strength and men in position as on March 2015 in **Table – 2.3.21.4.**

Table – 2.3.22.4

Sl. No.	Name of the circle	Sanctioned strength		Men-in-position		Shortage	
		Officers	Others	Officers	Others	Officers	Others
1	Adityapur	9	39	7	17	2	22
2	Bokaro	10	49	7	15	3	34
3	Chaibasa	6	22	6	11	0	11
4	Deoghar	8	26	5	13	3	13
5	Dhanbad	7	39	7	14	0	25
6	Giridih	6	27	4	13	2	14
7	Jamshedpur	11	44	9	17	2	27
8	Jamshedpur Urban	10	36	6	14	4	22
9	Ramgarh	8	31	7	13	1	18
10	Ranchi East	8	30	5	11	3	19
11	Ranchi South	11	35	4	10	7	25
12	Ranchi West	11	34	10	18	1	16
13	Tenughat	6	29	4	7	2	22
Total		111	441	81	173	30	268

From the above it could be seen that there was significant shortage of officers (27 per cent) and supporting staff (61 per cent) in the test checked circles which may affect administration of the Act. We noticed in 12 test checked circles that there were 22,614 pending cases of assessment at the end of 2013-14 which indicated that the shortage of manpower have affected the working of the Department.

We recommend that the Government may consider deployment of manpower in accordance with sanctioned strength for effective administration of the Act.

2.3.23 Conclusion

During Performance Audit we observed the following:

- In spite of the existence of provision of self assessment in the Act the department is still pursuing the assessment of dealers as in the earlier Sales Tax era i.e. where all the cases were assessed by the AAs and did not encourage dealers to practice self-assessment which, coupled with shortage of personnel and constant growth of registered dealers resulted in accumulation of huge arrear in assessment;
- Mechanism of survey in the Department to identify dealers who are liable for registration was inadequate. The department did not utilise the TDS details available in the assessment records to detect unregistered dealers;
- Suppression of purchase/sale turnovers, non/short levy of tax, irregular allowance of ITC, non/short levy of interest and penalty and irregularities in allowing of exemptions/concessions on inter-State and intra-State stock transfer, inter-State sale and transit sale led to leakage of revenue;
- The internal control framework was deficient in terms of inadequate internal audit conducted by VAT Audit Wing and non-execution of cross-verification assigned to the IB led to leakage of revenue; and
- Computerisation of the Department was not complete. Different modules like return processing system, payment management system, forms control system etc. are yet to be developed in the Software.

2.4 Results of cross-verification

Absence of co-ordination between the CTD and other Government Departments with regard to exchange of data/information for the purpose of cross verification of transactions resulted in short realisation of revenue of ₹ 13.82 crore pertaining to the period between 2006-07 and 2012-13 as discussed in paragraphs 2.4.1 and 2.4.2.

2.4.1 Non-registration of dealers

Dealers of stone chips and works contractor were found not registered with the department, although their sale turnover exceeded the threshold limit of ₹ 50,000 and ₹ 25,000 respectively required for registration.

We obtained data relating to dispatch of stone chips in respect of 44 mining lessees out of 313 lessees from District Mining Office, Sahibganj and payment to contractors against works contract from Public Works Divisions⁴³ and cross verified the same with the records of the three Commercial Taxes Circles⁴⁴ during December 2013 to March 2015. Our cross-verification revealed that 16 mining lessees had dispatched/sold 2.85 lakh cubic meter of stone chips valued at ₹ 6.77 crore and three contractors had received payment of ₹ 3.32 crore between 2008-09 and 2012-13.

The aforesaid figures were verified with the database as well as records of the circles and it was noticed that they were not registered in the circles. Since the sale turnover of the dealers of stone chips exceeded ₹ 50,000 and that of work contractor exceeded ₹ 25,000, they were liable to get registration and pay tax under the provisions of Section 8(5) of the JVAT Act, 2005. Thus, lack of co-ordination between the CTD and other Government Departments with regard to exchange of data/information for the purpose of cross verification of transactions resulted in non-levy of tax of ₹ 1.02 crore. Penalty of ₹ 1.02 crore, a sum equal to the amount of tax so assessed, was also leviable under Section 38 of the JVAT ACT 2005. This resulted in non-levy of tax ₹ 2.04 crore including penalty of ₹ 1.02 crore.

We reported the matter to the Department between July 2014 and April 2015. The Department/Government in the exit conference agreed to the audit observations and assured that corrective action would be taken. The Commissioner expressed her gratitude for pointing out observations and stated that action is being taken to identify the dealers through exchange of data from Treasury as well as with other departments (August 2015). Further reply has not been received (October 2015).

A similar issue was pointed out in Paragraph No. 2.10.1 of the Audit Report (Revenue Sector) for the year ending 31 March 2013; the Department accepted our observation. However, nature of lapses/irregularities still persist which shows ineffectiveness of internal control system of the Department to prevent

⁴³ BHEL at Maithan RBTPP, Building Construction Division-I, Ranchi and Road Construction Division, Sahibganj.

⁴⁴ Chirkunda, Ranchi Special and Sahibganj.

recurring leakage of revenue and lack of initiative to secure the revenues of the State.

2.4.2 Suppression of sales turnover detected in course of cross-verification of data with other Departments

Cross-verification of data relating to works done for public works divisions and State Companies with the returns filed by the contractors indicated suppression of turnover and consequential under-assessment of tax.

We obtained data relating to payment to contractors against works contract from seven public works divisions and three Companies⁴⁵ and cross verified the same with the records of the six Circles⁴⁶ and found that 16 contractors had filed their returns for ₹ 35.17 crore during the years 2006-07 to 2010-11. The assessments were finalised between June 2009 and March 2014 on the basis of returns filed by them. However, our cross verification with the data obtained from public works divisions revealed that the contractors had actually received payment of ₹ 67.20 crore, of which, ₹ 66.58 crore was taxable. As such, the contractors had concealed sale turnover of ₹ 31.41 crore. Thus, due to absence of a mechanism for inter-departmental exchange of information/data for cross verification purposes, there was short levy of tax of ₹ 11.78 crore including mandatory penalty of ₹ 7.85 crore under the provisions of Sections 40 (1) and 37 (6) of the JVAT Act (**Appendix-XI**).

We reported the matter to the Department (between July 2014 and April 2015). The DCCT, Chirkunda intimated (August 2015) that demand of ₹ 24.32 lakh has been raised in one case. Further, the Department/Government in the exit conference agreed with the fact and stated that suitable action will be taken (August 2015). Further reply has not been received (October 2015).

A similar issue was pointed out in Paragraph No. 2.10.2 of the Audit Report (Revenue Sector) for the year ending 31 March 2013. However, nature of lapses/irregularities are still persisting which shows ineffectiveness of internal control system of the Department to prevent recurring leakage of revenue.

⁴⁵ Building Construction Division, Ranchi, Road Construction Division, Dhanbad, Rural Development Special Division, Bokaro and Koderma, Rural Works Division, Dhanbad, DMC Dhanbad, Road Construction Division, Sahibganj, BHEL, Hindustan Steel Works Construction Ltd and Maithan Power Ltd.

⁴⁶ Chirkunda, Dhanbad Urban, Hazaribag, Katras, Ranchi Special and Sahibganj.

2.5 Irregularities in determination of actual turnover

Actual determination of turnover is essential for proper assessment and levy of taxes due. This paragraph contains suppression of sales/purchase turnover and incorrect determination of turnover resulting in non/short levy of tax and penalty of ₹144.96 crore as mentioned in the paragraphs 2.5.1 and 2.5.2.

2.5.1 Suppression of sales/purchase turnover under JVAT Act

The Assessing Authorities while finalising the assessments did not verify the returns with the additional information available in separate records resulting in suppression of actual turnover and consequential under-assessment of tax and penalty.

We test checked (between February 2012 and March 2015) the assessment records of 555 dealers out of 24,558 dealers registered in seven Commercial Taxes Circles⁴⁷ and noticed that 15 dealers had disclosed purchase/sales turnover of ₹ 3,878.52 crore during the period 2008-09 to 2011-12 through periodical returns and VAT audit report in Form JVAT 409 on which the assessments were finalised (between November 2010 and October 2014). However, our scrutiny of usage and requisition of Form C and F, annual return, trading account, annual audited accounts, profit and loss account and details of road permits submitted by the assesseees indicated that the assesseees had actually purchased/received/sold goods⁴⁸ worth ₹ 4,674.80 crore. Thus, assesseees had concealed turnovers of ₹ 796.28 crore on account of purchase/sale of commodities. This indicated that the AAs did not cross verify the returns with the relevant information available in records of the concerned dealers.

As the dealers had concealed or failed to disclose wilfully, the particulars of such turnover and thereby the returned figures were below the real amount, they were liable to pay, besides the tax of ₹ 46.86 crore on concealed turnover, by way of penalty a sum of ₹ 93.71 crore, equivalent to twice the amount of the additional tax so assessed under the provisions of Section 40 (1) read with Section 37 (6) of the JVAT Act. This resulted in under-assessment of tax of ₹ 140.57 crore including penalty of ₹ 93.71 crore (**Appendix-XII**).

We mention specific cases in respect of five dealers in five Commercial Taxes Circles based on highest financial implications as mentioned in the **Table – 2.5.1**.

⁴⁷ Dhanbad Urban, Hazaribag, Jharia, Katras, Pakur, Palamu and Singhbhum.

⁴⁸ Beer/IMFL, coal, copper concentrate, cement, foot wear, machinery spares, oxygen and industrial gas, stone chips and boulder, sponge iron and tyres.

Table – 2.5.1

Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	₹ in crore)	
				Suppressed turnover Rate of tax (%)	Short levy of VAT Penalty
1	Hazaribag One	2009-10 April 2012	As per audited annual accounts of the dealer, actual turnover was ₹ 2,617.53 crore but accounted for ₹ 2,097.32 crore on which assessment was finalised.	520.21 4	20.81 41.62
2	Singhbhum One	2008-09, 2010-11 January 2010, March 2014	The dealer had wilfully excluded excise duty of ₹ 158.85crore, a part of purchase turnover in accordance with the provisions of the Section 2(xlviii) of the JVAT Act 2005, to reduce the cost of production of cement and thereby returned the figures below the real amount on which assessment was finalised.	158.85 12.5	19.86 39.72
3	Jharia One	2010-11 August 2013	As per TDS statement in JVAT 400 alongwith attached statement of supply of goods, the sales turnover worked out to ₹ 16.75 crore whereas the dealer had shown sales turnover of ₹ 5.47crore only in trading account on which the assessment was finalised.	11.28 12.5	1.41 2.82
4	Pakur One	2009-10 February 2011	As per stone production statement furnished by the dealer, actual production was 1,62,87,937 cft calculated at ₹ 10.20 crore but the dealer had accounted for 1,19,74,207 cft valued at ₹ 7.50 crore in trading account on which the assessment was finalised.	2.70 12.5	0.34 0.68
5	Dhanbad Urban One	2010-11 June 2013	As per purchase statement and trading account, actual sale turnover worked out as ₹ 23.16 crore where as it was shown as ₹ 20.69 crore.	2.47 12.5	0.31 0.62

After we pointed out the cases (between February 2012 and March 2015), the AA, Singhbhum in case of a dealer, revised the assessment order in October 2014 and issued the additional demand notice for ₹ 28.59 crore while in other cases the AAs stated (between November 2013 and March 2015) that the matter would be reviewed.

We reported the matter to the Department between May 2012 and April 2015. The Department/Government in the exit conference agreed and stated that the concerned Commercial Taxes Circles have been instructed to take appropriate action (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No. 2.4.1 of the Audit Report (Revenue Sector) for the year ended 31 March 2014, the Government/ Department accepted our observation in 31 cases and issued demand of ₹ 74.30 lakh in two cases (December 2013). However, nature of these lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.5.2 Incorrect determination of taxable turnover under JVAT Act

Grant of incorrect exemption on labour like charges, royalty and TDS under Rule 22 of JVAT Rules 2006 resulted in short determination of taxable turnover by ₹ 35.11 crore and consequential under-assessment of tax of ₹ 4.39 crore.

2.5.2.1 We test checked (between April 2014 and December 2014) the assessment records of 323 dealers out of 13,621 dealers registered in four Commercial Taxes Circles⁴⁹ and noticed in case of 11 contractors, the taxable turnover (TTO) was incorrectly determined as ₹ 88.07 crore instead of ₹ 120.15 crore by grant of incorrect exemption on labour like charges, royalty and TDS during 2008-09 to 2010-11.

Rule 22 of the JVAT Rules, 2006 which provides for determination of taxable turnover for the purpose of works contract after deducting the labour charges and other non-taxable expenditures. The aforesaid Rule further provides for calculation of the aforesaid charges at the rate of 30 *per cent* of the total consideration received or receivable in case of civil works where the amount of such charges are not ascertainable from the account furnished by the contractor.

The AAs while finalising the assessments (between August 2009 and February 2014) did not work out taxable turnover as per rule *ibid*, resulting in short determination of taxable turnover by ₹ 32.08 crore and consequential under-assessment of tax at higher rate amounting to ₹ 4.01 crore (**Appendix-XIII**).

2.5.2.2 We test checked (October 2013) the assessment records of 130 dealers out of 4,167 dealers registered in Dhanbad Urban Commercial Taxes Circle and noticed that in case of a contractor, the TTO was determined at ₹ 11.13 crore instead of actual TTO of ₹ 14.16 crore for the period 2008-09 and 2009-10. The incorrect determination of TTO was on account of allowance of exemption on royalty, tax deducted at source and profit related to supply of materials.

The claim was not admissible under the provisions of Rule 22(1) (d) of the JVAT Rules 2006. The AAs while finalising the assessments (between February 2011 and March 2013) did not consider the figures mentioned in the returns/records resulting in incorrect determination of TTO by ₹ 3.03 crore and consequential short-levy of tax of ₹ 37.90 lakh.

We reported the matter to the Department (between July 2014 and May 2015). The Department/Government in the exit conference agreed with the audit observations and stated that system is being updated to take care of the mismatch between the figures in returns and determination of gross turnover. It was assured to take steps for necessary amendment in the Act/Rules (August 2015). Further reply has not been received (October 2015).

⁴⁹ Dhanbad Urban, Hazaribag, Katras and Koderma.

2.6 Non-levy of interest

Interest of ₹ 34.30 crore, though leviable under the provisions of JVAT Act on account of disallowance of claim of stock transfer outside/within the State, inter-state sale on concessional rate of tax, self consumption of materials/goods, input tax credit and GTO enhanced by the AAs, was not levied.

2.6.1 We test checked (August 2014 and January 2015) the assessment records of 372 dealers out of 13,969 dealers registered in four Commercial Taxes Circles⁵⁰ and noticed that six dealers had claimed exemptions through the periodical returns/JVAT-409 on stock transfer outside/within the State, inter-State sale on concessional rate of tax, self consumption of materials/goods and input tax credit (ITC) of ₹ 2,305.20 crore during 2010-11.

The AAs while finalising the assessments of these dealers (between November 2013 and March 2014), after making such adjustment as may be necessary including disallowance of exemptions and any other concessions not supported by requisite evidence, allowed exemptions and levy of concessional rate of tax on turnover valued at ₹ 1,734.51 crore. The balance turnover of ₹ 570.70 crore was levied to tax of ₹ 16.04 crore at the prescribed rates. However, interest amounting to ₹ 5.23 crore, though leviable under section 35(6) read with Section 30(1) of the Act at the rate of one *per cent* per month on levied tax, was not levied as mentioned in the **Table – 2.6.1**.

Table – 2.6.1

(₹ in crore)					
Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	Assessed additional tax	Interest leviable
1	Singhbhum One	2010-11 March 2014	The dealer had availed ITC of ₹ 1.71 crore and claimed exemption of tax on turnover of ₹ 1.07 crore on account of self consumption of material. The AA, however allowed ITC of ₹ 1.57 crore and reject the claim of exemption of tax on self consumption of material and assessed additional tax accordingly. However interest, leviable at the rate of one <i>per cent</i> , was not levied on assessed additional tax	0.28	0.10
2	Hazaribag One	2010-11 November 2013	The dealer had claimed concessional rate of tax on inter-State sale of ₹ 292.58 crore. The AA, however allowed concessional rate of tax on turnover of ₹ 286.98 crore against furnished Form 'C' and levied additional tax of ₹ 11.18 lakh accordingly. However interest, leviable at the rate of one <i>per cent</i> , was not levied on assessed additional tax.	0.11	0.04

⁵⁰ Dhanbad urban, Hazaribag, Katras and Singhbhum.

Table – 2.6.1

(₹ in crore)					
Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	Assessed additional tax	Interest leviable
3	Dhanbad One	2010-11 March 2014	The dealer had claimed concessional rate of tax on inter-State sale of ₹ 2.99 crore. The AA, however allowed concessional rate of tax on turnover of ₹ 81.37 lakh against furnished Form 'C' and levied additional tax of ₹ 22.82 lakh accordingly. However interest, leviable at the rate of one per cent, was not levied on assessed additional tax.	0.23	0.08
4	Katras Three	2010-11 December 2013	The dealer had claimed concessional rate of tax on inter-State sale and tax exemption on stock transfer of ₹ 1,876.28 crore but furnished Form 'C' and F for ₹ 1365.70 crore. Further the dealer had availed ITC of ₹ 3.51 crore but had not furnished JVAT 404. Hence additional tax ₹ 15.42 crore was levied accordingly. However interest, leviable at the rate of one per cent, was not levied on assessed additional tax.	15.42	5.01
Total				16.04	5.23

After we pointed out the cases between August 2014 and January 2015, the assessing authorities of Hazaribag and Singhbhum Circles stated (January 2015) that the cases would be reviewed, whereas, the assessing authorities of Dhanbad Urban and Katras Circles stated that interest was not applicable in these cases. The reply was not satisfactory as the dealers had not furnished supporting documents/declaration forms in support of their claims and accordingly had not paid the tax due; as such the dealers were liable to pay interest.

We reported the matter to the Department between December 2014 and April 2015. The Department/Government in the exit conference agreed with the audit observations and stated that the matter would be looked upon with reference to the provisions under Section 30 and 35 of the JVAT Act 2005. The cases have been forwarded to the concerned Commercial Taxes Circles to take appropriate action (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No.2.13.2 of the Audit Report (Revenue Sector) for the year ended 31 March 2013, the Government/Department issued demand of ₹ 1.12 crore in two cases and stated (September 2013) that in remaining cases the matter was under hearing.

2.6.2 We test checked (December 2014) the assessment records of 100 dealers out of 5,077 dealers registered in Hazaribag Commercial Taxes Circle and noticed that an assessee had filed returns for ₹ 2,515.62 crore as gross turnover for the period 2010-11. The Assessing Authority while finalising the assessment in October 2013 determined the GTO at ₹ 3,726.84 crore enhancing it by an additional amount of ₹ 1,211.22 crore due to non-reflection

of purchase/sales turnover and levied additional tax of ₹ 48.45 crore. However, our scrutiny indicated that interest of ₹ 29.07 crore⁵¹, though leviable under the provisions of Section 40(2) of the JVAT Act 2005 on the additional tax assessed, was not levied. Thus, non-adherence to the provisions of the Act, mentioned *ibid*, by the AA resulted in non-levy of interest of ₹ 29.07 crore.

After we pointed out the case in December 2014, the AA stated in January 2015 that the dealer had purchased capital goods on the basis of Form 'C'. It had nothing to do with his sale and collection of tax from consumer. The reply was not in order as the AA while finalising the assessment, detected discrepancies in purchase turnover from outside the State as well as in sales turnover of coal by comparing trading account with the audited annual accounts, enhanced the GTO and levied additional tax accordingly. The levy of additional tax on the aforesaid ground was also confirmed by the Appellate Authority when the dealer went in appeal. However interest, though leviable, was not levied.

We reported the matter to the Department in April 2015. The Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No.2.13.1 of the Audit Report (Revenue Sector) for the year ended 31 March 2013, the Government/Department issued demand of ₹ 45.26 lakh in two cases and stated (September 2013) that in four cases the matter was under hearing.

2.7 Irregularities in compliance to the Central Sales Tax Act

Under the provisions of the CST Act, 1956 and the rules/notifications issued thereunder, different declaration forms are prescribed for claiming exemptions/concessions from levy of tax. The Act further provides for imposition of penalty for misuse of declaration forms.

We noticed that the AAs did not comply with the provisions of the Act and notifications issued thereunder resulting in short levy of tax and penalty of ₹ 4.63 crore. The cases are described in the succeeding paragraphs:

2.7.1 Misuse of declaration Forms

2.7.1.1 Misuse of Form 'C' for purchase of goods used for other purposes

The contractor was registered to provide services and supervision of the contract. As such the contractor was not authorised to supply the goods. Thus, the purchase of goods by the contractor on Form 'C' and making use of goods for other purposes i.e. subsequent sale to the contractee led to misutilisation of Form 'C'.

We test checked (November 2013) the assessment records of 51 dealers out of 1970 dealers registered in Chirkunda Commercial Taxes Circle and noticed

⁵¹ Calculated at the rate of two *per cent* on ₹ 48.45 crore for 30 months.

that the AA while finalising the CST assessments (between December 2011 and April 2013) for the period 2009-10 and 2010-11 allowed exemption from tax on supply of goods valued at ₹ 39.29 crore by way of transit sale to the contractee. We further noticed from the agreement executed between them and letter of intent that the contractor was required to provide services and supervision of transportation, site-work, erection, testing and commissioning of Boiler Turbine Generator (BTG) package to the contractee. As such, the contractor was not authorised to purchase goods by utilising Form 'C' for other purposes i.e. supply/sell the goods to the contractee. Non-verification of the agreement and letter of intent by the AA resulted in misuse of declarations in Form 'C' by the contractor and consequent non-levy of tax and penalty of ₹ 3.93 crore on such sale under Section 10A of the CST Act.

After we pointed out the case in November 2013, the AA stated in December 2013 that the dealer was neither registered under CST Act in this circle nor had received Form 'C' from this circle; however, the case would be reviewed.

2.7.1.2 Misuse of Form 'C' for purchase of goods used in processing of unfinished product

The dealer had misused Form 'C' by utilising it in purchase of goods at concessional rate of tax for use in processing of unfinished product which was transferred to the manufacturer for further processing of finished goods.

We test checked (January 2015) CST assessment records of 86 dealers out of 2,856 dealers registered in Singhbhum Commercial Taxes Circle and noticed that an assessee had purchased goods valued at ₹ 5.86 crore at concessional rate of tax by utilising declarations in Form 'C' during 2010-11 for use in processing of unfinished product (copper concentrate) which was transferred to the manufacturer for further processing of finished goods (copper) for sale.

Section 8(3)(b) of the CST Act, 1956 provides that a registered dealer can purchase goods from outside the State at concessional rate of tax by using prescribed declarations in Form 'C' for goods intended for resale by him or for use by him in the manufacture or processing of goods for sale, subject to such goods are covered by his registration certificate (RC). Further, it has judicially been held in case of Bentec Rubber Pvt. Ltd. Vs State of Kerala (1997) 106 STC 591 that the buyer must sell the goods received from job work, if he uses the goods for further manufacture, the concession of tax on purchase of goods against Form 'C' would not be available to the job worker.

Thus use of Form 'C' against purchase of goods on concessional rate of tax by the job worker was in contravention of the judicial pronouncement. This indicated that the AA did not verify the RC before issue of declaration Form 'C' to ascertain that goods were purchased on concessional rate for the purpose of job work by the assessee. The AA while finalising the assessment in November 2013 did not impose penalty, of a sum not exceeding one and a half times of the tax leviable, on misuse of Form 'C' under Section 10A of the Act. This resulted in unauthorised use of declaration Form 'C' and consequential non-levy of tax of ₹ 58.61 lakh includes penalty ₹ 35.17 lakh.

We reported the matter to the Department (between July 2014 and April 2015). The Department/Government in the exit conference agreed with the fact and stated that corrective action will be taken. It was assured that matter would be looked upon (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No. 2.15.1 of the Audit Report (Revenue Sector) for the year ending 31 March 2013, the Department accepted our observation and raised demand of ₹ 1.20 crore in two cases and stated (September 2013) that matter was under hearing in remaining cases. However, nature of lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.7.2 Incorrect allowance of concessional rate of tax under CST

Claim of exemption from payment of tax on transit sale and stock transfer of ₹ 1.58 crore was incorrectly allowed though the transactions were not supported by declarations in Form 'C' and Form 'F'.

We test checked (between November 2013 and March 2015) the assessment records of 211 dealers out of 12,577 dealers registered in three Commercial Taxes Circles⁵² and noticed that two dealers of Palamu and Singhbhum Commercial Taxes Circles, dealing in electrical goods, appliances, accessories and chemicals had claimed exemption from levy of tax on transit sale and stock transfer outside the State valued at ₹ 1.58 crore for the period from 2009-10 to 2011-12.

The Assessing Authorities (AAs) while finalising the assessments (between March 2013 and February 2014) allowed exemption from payment of tax though the transactions were not supported by declarations in Form 'C' and Form 'F' respectively. Claim on account of transit sale is exempted from levy of tax, when such subsequent sale should also take place during the same movement occasioned by the previous sale subject to furnishing of declarations in Form 'C' and Form 'E-I' as per Rule 9 of the CST (Jharkhand) Rules, 2006. Submission of declaration in Form 'F' is mandatory for availing exemption from tax under the provisions of Section 6(A) of the CST Act.

We further noticed (November 2013) in Chirkunda Commercial Taxes Circle that the AA while finalising the assessment (April 2013) of a dealer for the period 2010-11 incorrectly allowed exemption from tax on account of excise duty of ₹ 31.05 lakh deducted from transit sale turnover in contravention of the provision of Section 2 (xlvi) of the JVAT Act, 2005 which provides that sale price includes the amount of duties or fees or any sum levied or leviable or charged on the goods under the Central Excise Act, 1944. This resulted in incorrect allowance of exemption and consequent non-levy of tax of ₹ 11.10 lakh by the AA.

We reported the matter to the Department between July 2014 and April 2015. The Joint Commissioner of Commercial Taxes (Admin), Dhanbad intimated (August 2015) that the entire amount of ₹ 1.24 lakh had been recovered in one

⁵² Chirkunda, Palamu and Singhbhum.

case pertaining to Chirkunda circle. Further, the Department/Government in the exit conference agreed with the audit observations and assured to take corrective action (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No.2.15.2 of the Audit Report (Revenue Sector) for the year ending 31 March 2013, the Department accepted our observation and raised demand of ₹ 34.38 lakh in two cases and stated (September 2013) that matter was under hearing in the remaining cases. However, nature of lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.8 Irregularities in grant of Input Tax Credit (ITC)

ITC of ₹ 5.28 crore was allowed by the AAs against admissible ITC of ₹ 4.76 crore on account of incorrect application of Rules for calculation of ITC on stock transfer of goods outside the State and purchase of capital goods.

We test checked (between November 2013 and March 2015) the assessment records of 301 dealers out of 15,801 dealers registered in three Commercial Taxes Circles⁵³ for the period 2008-09 to 2010-11 and noticed that four dealers had adjusted ITC of ₹ 5.28 crore from payment of tax which included the claim on stock transfer of finished products, purchase of capital goods and returns of purchased goods.

The AAs while finalising the assessments (between February 2011 and March 2014) allowed the full ITC of ₹ 5.28 crore without taking into account the disallowance of ITC on stock transfer of finished products, purchase of capital goods and returns of purchased goods under the provisions of the Section 18 of the JVAT Act 2005, Rule 26(15) and Rule 27 of the JVAT Rules 2006. This resulted in allowance of excess ITC of ₹ 52.49 lakh besides interest of ₹ 2.04 lakh was also leviable for non-payment of actual tax due as mentioned in the **Table – 2.8.**

Table – 2.8

(₹ in lakh)

Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	Excess ITC allowed Interest leviable
1	Ranchi Special Two	2009-10 2010-11 March 2013, March 2014	The dealers were allowed ITC of ₹ 3.46 crore against intra-State purchase of goods. The actual admissible ITC worked out to ₹ 3.41 crore after deducting proportionate ITC not admissible on stock transfer of goods outside the State and capital goods.	4.65 1.67
2	Palamau One	2009-10 March 2012	The dealer was allowed ITC of ₹ 24.83 lakh without reversing ITC of ₹ 1.53 lakh on availed discount of ₹ 12.17 lakh against intra- State purchase of goods.	1.53 0.37

⁵³ Jharia, Palamau and Ranchi Special.

Table – 2.8

(₹ in lakh)				
Sl. No.	Name of the circle No. of dealer	Period Month of assessment	Nature of observations	Excess ITC allowed Interest leviable
3	Jharia One	2008-09 February 2011	The dealer had claimed ITC of ₹ 1.11 crore in the annual return. The AA while finalising the assessments incorrectly allowed ITC ₹ 1.58 crore resulting in allowance of excess ITC of ₹ 46.31 lakh.	46.31 0.00
Total				52.49 2.04

We reported the matter to the Department between September 2014 and April 2015. The DCCT, Special Circle, Ranchi intimated (August 2015) that demand of ₹ 2.28 lakh had been raised in one case. Further, the Department/Government in the exit conference agreed with the fact and stated that corrective action will be taken (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No. 2.7 of the Audit Report (Revenue Sector) for the year ending 31 March 2014. The Department/Government raised demand of ₹ 75.89 lakh in one case (September 2013). In the remaining 10 cases, the AAs stated (between February 2013 and February 2014) that the cases would be reviewed. However, nature of lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.9 Application of incorrect rate of tax under JVAT Act

Application of incorrect rate of VAT on retreaded tyres, platinum, diesel engine and turnover of labour like charges of works contractors rejected by the AAs resulted in short-levy of tax of ₹ 1.91 crore.

We test checked (between July 2013 and December 2014) the assessment records of 344 dealers out of 13,169 dealers registered in four Commercial Taxes Circles⁵⁴ and noticed that 15 dealers dealing in retreaded tyres, platinum, diesel engine and its spare parts and engaged in works contract had filed their returns for the period between 2008-09 and 2011-12 admitting the rates of one, four and five *per cent*, instead of leviable rates of 12.5 and 14 *per cent* from May 2011.

The Assessing Authorities at the time of finalising the assessments of these dealers, between March 2011 and February 2014, did not consider the figures mentioned in the returns/records *vis-à-vis* provisions of the Sections 9 and 13 of the JVAT Act, 2005, schedules appended thereunder for levying of tax and Rule 22(2) of the JVAT Rules, 2006, for levying of tax on disallowed turnover of labour or all like charges of works contractors. Thus, incorrect application of the provisions of Act by the AAs resulted in short-levy of tax of ₹ 1.91 crore (Appendix-XIV).

⁵⁴ Dhanbad Urban, Godda, Hazaribag and Katras.

We reported the matter to the Department (between July 2014 and April 2015). The Department/Government in the exit conference agreed with the fact and stated that concerned Commercial Taxes Circles have been instructed to furnish replies/action taken reports. Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No. 2.12 of the Audit Report (Revenue Sector) for the year ending 31 March 2013. The Department/Government raised demand of ₹ 88.69 lakh in three cases and stated (September 2013) that matter was under hearing in the one case. However, nature of lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.10. Incorrect allowance of exemption under JVAT Act

The dealers were allowed incorrect tax exemptions of ₹ 7.80 lakh on bonus, incentive, trade discount and rebate.

We test checked assessment records (between August 2014 and March 2015) of 249 dealers out of 9,792 dealers registered in Dhanbad Urban and Ranchi Special Commercial Taxes Circles and noticed that three assesseees had given bonus, incentive, trade discount and rebate of ₹ 1.01 crore on sale during 2010-11 which was taxable as per provisions of the Section 9(5) of the JVAT Act 2005 (effective from April 2010). The assessing authorities (AAs) while finalising the assessments (between February and December 2013) levied tax only on the turnover of ₹ 19.69 lakh and incorrectly allowed tax exemption on turnover ₹ 80.99 lakh. This resulted in incorrect grant of exemption and consequent under-assessment of tax of ₹ 7.80 lakh.

We reported the matter to the Department/Government between January and April 2015. The Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken (August 2015). Further reply has not been received (October 2015).

2.11. Mistakes in computation of tax

The Assessing Authorities, while finalising the assessments inadvertently levied tax of ₹ 5.33 crore instead of correct amount of ₹ 5.96 crore.

We test checked assessment records (between July 2014 and January 2015) of 324 dealers out of 9,448 dealers registered in three Commercial Taxes Circles⁵⁵ and noticed that in case of three dealers the Assessing Authorities had erroneously levied tax of ₹ 5.33 crore instead of correct amount of ₹ 5.96 crore while finalising assessments in March 2014 for the period 2010-11. The Assessing Authority has to finalise the assessment with utmost care and efficiency under the provision of the CST/JVAT Act. He should see that computation of tax has been done accurately to the best of his knowledge and belief. Thus, mistake in computing the tax by the Assessing Authorities resulted in short levy of tax of ₹ 62.37 lakh.

⁵⁵ Dhanbad urban, Jharia and Singhbhum.

We reported the matter to the Department between January and April 2015. The Department/Government in the exit conference agreed with the audit observations and assured that corrective action would be taken (August 2015). Further reply has not been received (October 2015).

Similar issue was pointed out in Paragraph No. 2.11 of the Audit Report (Revenue Sector) for the year ending 31 March 2014. Department accepted our observation and in one case revised the assessment order and raised (May 2014) additional demand of ₹ 3.71 lakh. However, nature of lapses/irregularities are still persisting which points to weak internal control of the Department to prevent recurring leakage of revenue.

2.12 Non-imposition of penalty

Penalty of ₹ 55.72 lakh was not imposed for non-submission of the VAT audit report prescribed in Form JVAT-409.

We test checked (between October and November 2014) the assessment records of 95 dealers out of 4,564 dealers registered in Godda and Koderma Commercial Taxes Circles and noticed that two dealers had not submitted the VAT audit report in Form JVAT 409 for the period 2009-10 to 2011-12 though their turnover exceeded ₹ 40 lakh in the year.

Our scrutiny indicated that the AA, while finalising the assessments between March 2013 and March 2014, did not impose penalty of ₹ 55.72 lakh for non-submission of the VAT audit report on the determined gross turnover of ₹ 557.19 crore under the provision of Section 63 (3) of the JVAT Act, 2005 which provides that a dealer with gross turnover exceeding ₹ 40 lakh in a particular year is required to furnish VAT audit report in Form JVAT 409 failing which the Assessing Authority shall impose penalty equal to 0.1 per cent of the turnover as he may determine. This resulted in non-imposition of penalty of ₹ 55.72 lakh.

We reported the matter to the Department between April and May 2015. The Department/Government in the exit conference agreed with the audit observations in general and assured that corrective action would be taken (August 2015). Further reply has not been received (October 2015).

2.13 Non-deduction of Tax at Source (TDS)

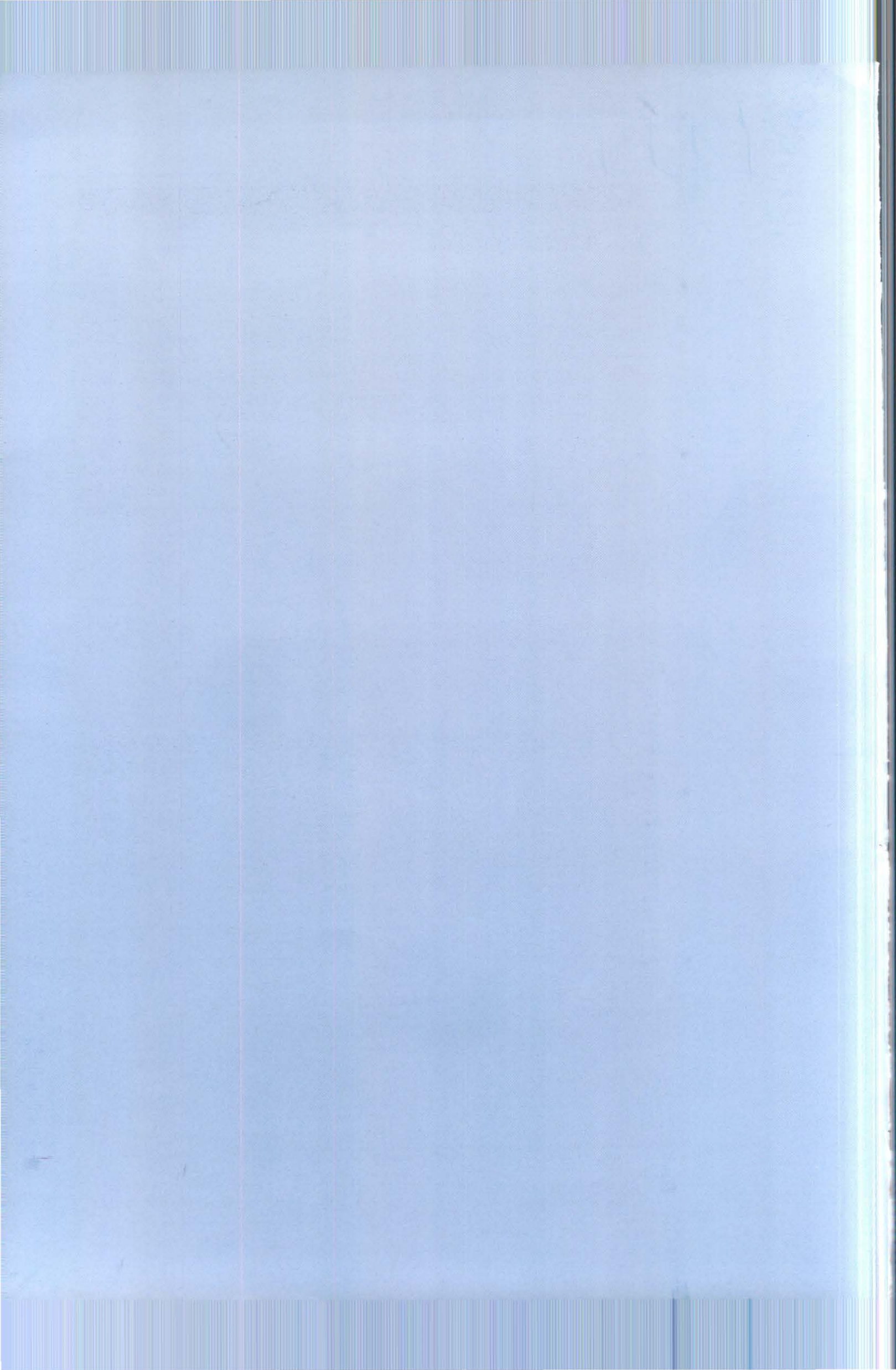
A contractor had made payment of hire charges of ₹ 1.57 crore to a sub-contractor on which TDS was not deducted on the ground that the sub-contractor had been granted exemption certificate from this circle but the dealer was not registered in the circle.

We test checked (December 2013) the assessment records of 51 dealers out of 1,970 dealers registered in Chirkunda Commercial Taxes Circle and noticed that a contractor had made payment of hire charges of ₹ 1.57 crore to a sub-contractor on which TDS was not deducted on the ground that the sub-contractor had been granted exemption certificate from this circle. Further scrutiny indicated that the aforesaid dealer was not registered in the circle. As per the provisions of notification SO 209 issued in March 2006 under section 45 (1) of the JVAT Act, 2005, the person responsible for making payment

towards hire charges had to deduct TDS at the rate of four *per cent*. Failure to cross-verify the exemption certificate with the records of the circle by the Assessing Authority resulted in non-deduction of TDS of ₹ 6.29 lakh besides the dealer was also liable to pay penalty of ₹ 12.58 lakh under section 45(5) of the Act.

We reported the matter to the Department in July 2014. The Department/Government in the exit conference agreed with the audit observations in general and assured that corrective action would be taken (August 2015). Further reply has not been received (October 2015).

CHAPTER-III
STATE EXCISE



CHAPTER – III: STATE EXCISES

3.1 Tax administration

The levy and collection of Excise Duty is governed by the Bihar Excise Act, 1915 and the Rules made/notifications issued thereunder, as adopted by the Government of Jharkhand. The Secretary of the Excise and Prohibition Department is responsible for administration of the State Excise laws at the Government level. The Commissioner of Excise (EC) is the head of the Department. He is primarily responsible for the administration and execution of the excise policies and programmes of the State Government. He is assisted by a Deputy Commissioner of Excise and an Assistant Commissioner of Excise at the Headquarters.

The State of Jharkhand is divided into three excise divisions¹, each under the control of a Deputy Commissioner of Excise. The divisions are further divided into 19 Excise Districts² each under the charge of an Assistant Commissioner of Excise/Superintendent of Excise (ACE/SE).

3.2 Results of audit

The State Excise and Prohibition Department collected ₹ 740.16 crore during 2014-15. We test checked the records of 19 units out of 24 units with revenue collection of ₹ 291.22 crore relating to State Excise and revealed the irregularities of non/short levy of excise duty and licence fees etc. involving ₹ 59.55 crore in 2,500 cases details as mentioned in the **Table-3.2**.

Table-3.2

Sl. No.	Categories	₹ in crore)	
		No. of cases	Amount
1	Non/delayed settlement of retail excise shops	53	22.58
2	Lifting of liquors without/at reduced rate of licence fees	1,242	22.78
3	Loss of revenue due to short lifting of liquor by retail vendors	673	4.77
4	Other cases	532	9.42
Total		2,500	59.55

During the course of the year, the Department accepted non/short realisation of license fee, duty, loss of revenue and other deficiencies of ₹ 29.65 crore in 1,050 cases pointed out by us during 2014-15. The Department recovered ₹ 1.80 crore in 297 cases.

In this chapter we present a few illustrative cases having financial implications of ₹ 27.30 crore. These are discussed in the succeeding paragraphs.

¹ North Chotanagpur Division, Hazaribag, South Chotanagpur Division, Ranchi and Santhal Pargana Division, Dumka.

² Bokaro, Chaibasa, Dhanbad, Deoghar, Dumka, Garhwa, Giridih, Godda, Gumla-cum-Simdega, Hazaribag-cum-Ramgarh-cum-Chatra, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu-cum-Latehar, Ranchi, Sahebganj and Saraikela-Kharsawan.

3.3 Non-observance of the provisions of Act/Rules

The Bihar Excise Act, 1915 (as adopted by the Government of Jharkhand) and Resolution No. 367 dated 20 February 2009, Gazette Notification No. 150 dated 27 March 2009 and letter No. 191 dated 31 March 2013 issued thereunder provide for:

- i) cent per cent settlement of retail excise shops;
- ii) lifting of minimum guaranteed quota (MGQ) by excise retail shops; and
- iii) realisation of additional licence fee for excess lifting over MGQ.

Loss/non-realisation of revenue due to non-observance of some of the provisions of the Act/Rules are mentioned in the following paragraphs 3.4 to 3.7.

3.4 Non-settlement of retail excise shops

The Government was deprived of excise revenue of ₹ 22.27 crore in shape of excise duty and licence fee due to lack of diligence on part of district excise authorities.

We noticed in four excise districts³ (between October 2014 and February 2015) that a list of excise retail shops specifying their MGQ and licence fee, advance licence fee and security money was prepared at district level and sale notifications containing all these facts were published. Settlement process was conducted during March 2013 for settlement of 525 excise retail shops for the period 2013-14. However, 51 retail shops⁴ remained unsettled throughout the year despite publication of sale notifications from time to time. As per instructions issued dated 31 March 2013 all the ACEs/SEs were made responsible for cent per cent settlement of retail excise shops by rationalising the MGQ and potentiality of the shops. The district excise Authorities could not ensure compliance of these instructions which deprived the Government of excise revenue in shape of excise duty and licence fee amounting to ₹ 22.27 crore as detailed in the Table-3.4.

Table-3.4

(₹ in lakh)

Sl. No.	Name of district	MGQ (in LPL/BL)				Licence Fee	Duty	Total (LF+Duty)
		CS	SpCS	IMFL	Beer			
1	Jamshedpur	5,86,481	82,800	2,81,962	3,43,178	883.85	217.18	1,101.03
2	Ramgarh	94,452	12,605	77,805	88,800	203.01	54.21	257.21
3	Bokaro	5,43,036	0	85,596	1,07,472	437.43	86.13	523.56
4	Dhanbad	15,648	2,280	1,27,956	1,87,680	261.04	83.82	344.86
	Total	12,39,617	97,685	5,73,319	7,27,130	1,785.33	441.34	2,226.67

CS = Country Spirit, SpCS = Spiced country spirit, IMFL = India Made Foreign Liquor, LPL = London Proof Liter and BL = Bulk Liter.

After we pointed out the cases between October 2014 and February 2015, the ACE, East Singhbhum (Jamshedpur) and Dhanbad stated that shops could not

³ Bokaro, East Singhbhum (Jamshedpur), Dhanbad and Hazaribag-cum-Chatra-cum-Ramgarh.

⁴ Number of shops unsettled/offered: Bokaro (9/98), Dhanbad (6/189), Jamshedpur (31/195) and Ramgarh (5/43).

be settled due to non-availability of interested applicant even though regular sale notification was published, while ACE, Bokaro and Hazaribag-cum-Chatra-cum-Ramgarh stated that due to excess fixation of MGQ by the EC shops remained unsettled.

We reported the matter to the Government in June 2015, the Department stated in September 2015 that effort for settlement of shops at the reduced licence fee was not made due to non-availability of interested applicants. Thus, lack of efforts on part of officials resulted in non-settlement of 51 shops and consequential loss of revenue.

3.5 Short lifting of liquor by retail vendors

Excise duty or fiscal penalty equivalent to loss of excise duty of ₹ 4.67 crore though recoverable from retail vendors on account of short lifting of liquor was not levied.

We test checked (between October 2014 and March 2015) the consumption statements of liquor and related records in seven excise districts⁵ and found that 542 vendors out of 871 retail shops were required to lift 224.71 lakh LPL/BL of CS/SpCS/IMFL/Beer in 2013-14 from wholesale licensees of the districts but only 179.78 lakh LPL/BL of CS/SpCS/IMFL/Beer was lifted during the year as such there was short lifting of liquor of 44.93 lakh LPL/BL. Under the provisions of BE Act and policies made there under, each vendor of a retail excise shop is required to submit weekly requirement of country spirit for the next month to the contractor of the exclusive privilege for wholesale supply of country spirit by the last week of the previous month and is bound to lift MGQ of liquor of each kind fixed by the Department for the shop, failing which excise duty or fiscal penalty equivalent to loss of excise duty shall be recoverable from the retail vendor. The Department did not levy excise duty on account of short lifting which resulted in non-levy of excise duty of ₹ 4.67 crore.

We reported the matter to the Government in June 2015, the Department stated in September 2015 that an amount of ₹ 1.75 crore had been adjusted from security deposit of concerned licencees in Bokaro, East Singhbhum, Garhwa and Ranchi while adjustment of balance amount was under process. Further reply has not been received (October 2015).

3.6 Non-realisation of establishment cost

Establishment cost on deputation of excise staff in distillery/IMFL bottling plant was not realised.

We test checked (between October and November 2014) the excise records of distilleries⁶/IMFL bottling plant⁷ alongwith deputation files of excise officials and acquittance rolls in Bokaro and Dhanbad excise districts and noticed that five excise officials were deputed to plants during 2013-14 and a sum of

⁵ Bokaro, Dhanbad, East Singhbhum, (Jamshedpur), Garhwa, Hazaribag-cum-Chatra-cum-Ramgarh, Palamu-cum-Latehar, Ranchi-cum-Khunti.

⁶ M/s Ankur Biochem Pvt. Ltd. Dhanbad.

⁷ M/s Om Bottlers and Blenders Pvt. Ltd. Bokaro.

₹ 20.16 lakh was paid to them on account of pay and allowances. As per the provisions of Section 90 of the BE Act and Rules made thereunder read with para 9, 10 and 36A, licensee of a distillery/IMFL bottling plant was liable to bear all establishment cost of deputed excise officials under supervision of whom manufacturing process of spirit/potable liquor was conducted. The EC was empowered to depute excise staff on a whole time or part time basis in case of IMFL bottling plant. Further, licensees have to pay such amount by 7th of each month in advance for whole time or at the end of each month in case of part time deputation. Accordingly, establishment cost of deputed officials, though realisable from the concerned licensees was not realised. This resulted in non-realisation of establishment cost of ₹ 20.16 lakh.

We reported the matter to the Government in June 2015, the Department stated (September 2015) that recovery of ₹ 3.30 lakh has been made in Bokaro district while in Dhanbad excise district demand was raised for recovery and the licensee had filed writ petition in Hon'ble High Court.

3.7 Non-realisation of additional licence fee

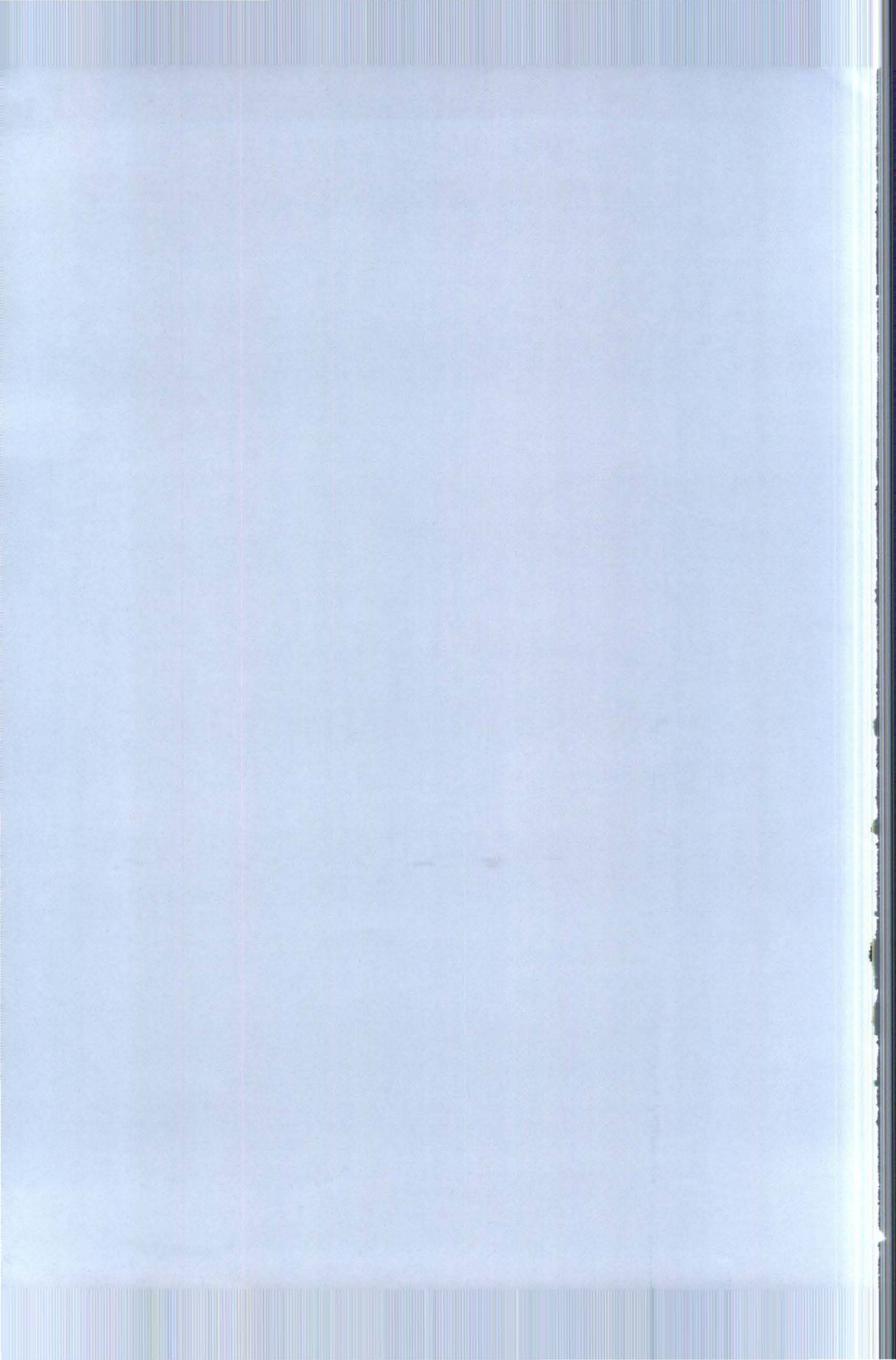
Additional licence fee of ₹ 16.32 lakh for excess wholesale supply of CS in sachets over fixed MGQ was not realised.

We test checked (March 2015) the excise records relating to grant of exclusive privilege for wholesale supply of CS in office of the Commissioner of Excise, Jharkhand and noticed that a contractor was awarded exclusive privilege for wholesale supply of country spirit in Hazaribag zone for the period from July 2012 to March 2014 on annual renewal basis. Further, scrutiny of consumption statement revealed that 26.48 lakh LPL of CS was supplied by the contractor against fixed MGQ of 22.40 lakh LPL as such there was excess supply of liquor of 4.08 lakh LPL during 2013-14. As per Section 22-D of the BE Act read with tender notification for wholesale supply of CS, the State Government may grant to any person/persons on such conditions and for such terms and conditions and for such periods as it may think fit, the exclusive privilege for supplying CS through Jharkhand State Beverages Corporation Limited (JSBCL) on wholesale basis in a zone, on payment of advance licence fee at prescribed rate i.e., at the rate of ₹ two per LPL of fixed MGQ by the contractor and JSBCL. Further, if supply of liquor exceeds fixed MGQ during the year, additional licence fee is realisable at the rate of ₹ four per LPL. Thus, additional licence fee of ₹ 16.32 lakh, though realisable, was not realised by the EC in accordance with the above provisions. This resulted in non-realisation of additional licence fee of ₹ 16.32 lakh.

After we pointed out the case in March 2015, the EC stated that all proper steps would be taken for realisation of additional licence fee if not deposited into treasury. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

CHAPTER-IV
TAXES ON VEHICLES



CHAPTER – IV: TAXES ON VEHICLES

4.1 Tax administration

The levy and collection of Motor Vehicles tax and fee in the State is governed by the Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, rules made thereunder (Jharkhand Motor Vehicles Taxation (JMVT) Rules, 2001), Motor Vehicles (MV) Act, 1988 and Bihar Financial Rules (as adopted by Government of Jharkhand).

At the apex level, the Transport Commissioner (TC), Jharkhand is responsible for administration of the Acts and Rules in the Transport Department. He is assisted by a Joint Transport Commissioner at the Headquarters. The State has been divided into four regions¹ and 24 transport districts², which are controlled by the State Transport Authority (STA), Regional Transport Authorities (RTAs) and District Transport Officers (DTOs). They are assisted by Motor Vehicles Inspectors, the Enforcement Wing and nine check posts³.

4.2 Results of audit

Test check of the records of 17 units having revenue collection of ₹ 421.48 crore, out of the total of 27 units during 2014-15 relating to 'Taxes on Vehicles' revealed non/short levy of taxes, short levy of taxes due to wrong fixation of seating capacity/registered laden weight, non- realisation of taxes from trailers etc. amounting to ₹ 53.16 crore in 2,737 cases detailed as in Table – 4.2.

Table – 4.2

Sl. No.	Categories	₹ in crore)	
		No. of cases	Amount
1	“Working of Transport Department with emphasis on compliance with pollution standards” – A performance audit	1	38.91
2	Non/short levy of taxes	648	3.94
3	Non-realisation of taxes from trailers	1410	2.30
4	Other cases	678	8.01
Total		2,737	53.16

During the course of the year, the Department accepted all cases of non/short levy of motor vehicles tax, fees, penalties etc. for the entire amount of ₹ 53.16 crore in 2,737 cases and recovered ₹ 1.37 crore in 20 cases, which were pointed out by audit in 2014-15.

In this chapter we present a few illustrative cases including a performance audit on **“Working of Transport Department with emphasis on compliance with pollution standards”** having financial implications of

¹ Dumka, Hazaribag, Palamu and Ranchi.

² Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshepur, Jamtara, Khunti (Notified in March 2015), Koderma, Latehar, Lohardaga, Palamu, Pakur, Ramgarh (Notified in April 2015), Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

³ Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa).

₹ 45.74 crore. The Department accepted all the audit observation having financial implication of ₹ 45.74 crore. These are discussed in the succeeding paragraphs.

4.3 “Working of Transport Department with emphasis on compliance with pollution standards”

Highlights

The disposal of certificate cases was very poor as the Department could only dispose of 669 certificate cases against 23,561 cases during 2009-10 to 2013-14, out of which 20,214 cases were prior to 2009-10.

(Paragraph 4.3.9)

One-time tax of ₹ 2.92 crore was not levied in case of 1,172 personalised vehicles out of 10,653 vehicles, whose tax validity expired between July 2005 and November 2014, in selected Offices, as the software had no provision for auto generation of demand notice to defaulters.

(Paragraph 4.3.10.1)

Categorisation of public service vehicles as express, semi-deluxe, deluxe, AC deluxe bus on the basis of age and passenger amenities and taxed accordingly so as to generate additional revenue was not prescribed by the Department even after lapse of more than four years of enforcement of the JMVT (Amendment) Act 2011.

(Paragraph 4.3.13)

Tax and penalty of ₹ 26.51 crore was neither paid by the owners nor demanded by the Department for the period between June 2009 and June 2015 against 5,374 vehicle owners out of 26,121 vehicles in 11 transport offices.

(Paragraphs 4.3.16 and 4.3.17)

In eight Transport Offices out of 11 selected districts and in the office of Transport Commissioner, Jharkhand, during 2012-13 and 2013-14, the collecting banks did not credit interest of ₹ 7.29 crore for delayed transfer of collected revenue in to Government account.

(Paragraph 4.3.19.1)

The total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old but the Department had no policy for phasing out of old vehicles.

(Paragraph 4.3.20.1)

Pollution testing centers were authorised for 11 districts only out of the 24 districts in the State. During the period 2009-10 to 2013-14, PUC certificates were issued to 4.09 lakh vehicles against 8.84 lakh newly registered vehicles. The Department had no information of vehicles plying with or without PUC. Pollution checking equipments like smoke meter, gas analyser etc. were not provided to transport officials.

(Paragraphs 4.3.20.2 and 4.3.20.3)

Motor Vehicle Inspectors realised revenue of ₹ 27.67 crore including service tax on account of fitness of vehicles, but service tax amounting to ₹ 3.07 crore was not deposited under the head “0044-Service Tax”.

(Paragraph 4.3.22)

4.3.1 Introduction

Motor Vehicles Department was established in 1972-73 in the State (erstwhile Bihar state) under the provisions of Motor Vehicles Act, 1939 replaced by Motor Vehicles Act, 1988. On creation of State of Jharkhand with effect from 15 November 2000 the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand. The levy and collection of Motor Vehicles tax and fee in the State is governed by the Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, rules made thereunder (Jharkhand Motor Vehicles (JMV) Rules, 2001), Motor Vehicles (MV) Act, 1988 and Bihar Financial Rules (as adopted by Government of Jharkhand).

The main function of the Department is to issue Driving Licence, Certificate of Registration, Certificate of Fitness, Trade Certificate, National Permit, Contract Carriage Permit, Stage Carriage Permit etc. to ensure greater control, quick monitor and provide better citizen services, the Department implemented *VAHAN* and *SARATHI* softwares in August 2004. *VAHAN* dealt with Registration, Taxation and Permit of vehicles and *SARATHI* issued Learner Licence, Driving Licence and Conductor Licence. The working of *SARATHI* was satisfactory and fees were levied as per prescribed norms.

Tax is realised once for 15 years in case of personalised vehicles while for commercial vehicles, it is realised each year, at the option of the vehicle owner to pay it every quarter, half yearly or annually. Motor vehicle tax so collected is deposited in the Government exchequer under the major head of account- "0041 Taxes of vehicles". Total number of vehicles registered upto March 2014 was 34,51,564 out of which 9,09,001 were 15 years old.

Jharkhand State Pollution Control Board was constituted under Section 4 of the Water (Prevention and Control of Pollution) Act, 1974 and started functioning from December 2001.

4.3.2 Organisational set up

At the apex level, the Transport Commissioner (TC), Jharkhand is responsible for administration of the Acts and Rules in the Transport Department. He is the head of Motor Vehicle Department and deals with all matters of policy and also acts as Chief Executive Officer of the State Transport Authorities. He is assisted by a Joint Transport Commissioner at the Headquarters. The State has been divided into four regions⁴ headed by Regional Transport Officer (RTOs) who function as Secretaries of the Regional Transport Authorities (RTAs). The regions have further been divided into 24 transport districts⁵, controlled by District Transport Officers (DTOs), who are licencing, registering and taxing authorities, responsible for levy and collection of tax. They are assisted by the Enforcement Wing, nine check posts⁶ and Motor Vehicle Inspectors

⁴ Dumka, Hazaribag, Palamu and Ranchi.

⁵ Bokaro, Chaibasa, Chatra, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jantara, Khunti (Notified in March 2015), Koderma, Latehar, Lohardaga, Palamu, Pakur, Ramgarh (Notified in April 2015), Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

⁶ Bahragora (East Singhbhum), Bansjore (Simdega), Chas More (Bokaro), Chauparan (Hazaribag), Chirkunda (Dhanbad), Dhulian (Pakur), Manjhatoli (Gumla), Meghatari (Koderma) and Murisemar (Garhwa).

(MVIs) who are responsible to inspect the vehicles and also to issue certificates of fitness to transport vehicles.

4.3.3 Audit objectives

We conducted the Performance Audit to ascertain whether:

- the system for levy and collection of Government revenue was adequate to enforce the provisions of Acts, Rules and departmental instructions;
- pollution standards specified for motor vehicles were strictly adhered to; and
- internal control measures in the Department were effective for enforcement of laws, rules and departmental instructions to safeguard evasion of revenue.

4.3.4 Audit criteria

We conducted the Performance Audit with reference to the provisions made under the following Acts and Rules:

- Motor Vehicle Act, 1988;
- Central Motor Vehicle Rules, 1989;
- Jharkhand Motor Vehicle Taxation Act, 2001;
- Jharkhand Motor Vehicle Taxation Rules, 2001;
- Jharkhand Motor Vehicles Rules, 2001; and
- Departmental instructions.

4.3.5 Audit scope and coverage

The Performance Audit covering the working of Transport Department with a view to ascertain the efficiency and effectiveness of the Transport Department in ensuring levy/collection of the taxes/fees in accordance with the provisions of the Act/Rules and compliance with pollution standards during the period 2009-10 to 2013-14 was conducted between October 2014 and June 2015. We selected 11 District Transport Offices⁷ out of 24 District Transport Offices alongwith office of the Transport Commissioner, Jharkhand, Ranchi for the Performance Audit. Out of 11 District Transport Offices, five were selected on higher revenue collection and six on the basis of random sampling method without replacement.

4.3.6 Audit methodology

We test checked taxation register, registration register, trade tax register/files, permit register, bank statement, certificate of fitness register, recording of present address register etc. in selected districts and in the office of the Transport commissioner. Further, we obtained the computerised data of the selected District Transport Offices, from the National Informatics Centre (NIC), Jharkhand State Unit, Ranchi. The computerised data was cross-checked with manual records maintained in the districts.

⁷ Bokaro, Dhanbad, Dumka, Garhwa, Godda, Hazaribag, Jamshedpur, Lohardaga, Pakur, Palamu and Ranchi.

An entry conference was held on 09 February 2015 with the Secretary, Transport Department, Government of Jharkhand in which the audit objectives, scope of audit and its methodology was discussed in detail. An exit conference was held on 10 August 2015 with the Secretary, Transport Department, Government of Jharkhand in which the findings, conclusion and recommendations of the Performance Audit were discussed. The views of Government/Department have been incorporated in the report.

4.3.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department, Jharkhand State Pollution Control Board and the NIC, Jharkhand State Unit, Ranchi in providing necessary information and records for audit.

4.3.8 Revenue contribution of Transport Department

Receipts under the Major Head '0041-Taxes on Vehicles' consist of tax, additional motor vehicles tax, fees and penalties.

According to the provisions of the Bihar Financial Rules (BFR), Vol.-I, as adopted by the Government of Jharkhand, the responsibility for the preparation of estimates of revenue vests with the Finance Department (FD). The Secretary of Transport Department is responsible for compilation of the correct estimates and sending it to Finance Department on the date fixed by the later.

Actual receipts under the Major Head-'0041 Taxes on Vehicles' against revised estimates (REs) during the period 2009-10 to 2013-14 along with total tax revenue and total revenue of the state during the same period is exhibited in the **Table – 4.3.8**.

Table – 4.3.8

(₹ in crore)							
Year	Revised estimates	Actual receipts	Total tax revenue of the State	Total revenue of the State	Percentage of variation (col. 2 to 3)	Percentage contribution by Taxes on vehicles to total revenue of the State (col. 3 to 5)	Percentage contribution by Taxes on vehicles to tax revenue of the State (col. 3 to 4)
1	2	3	4	5	6	7	8
2009-10	500.00	234.21	4,500.12	6,754.27	(-) 53	3.47	5.20
2010-11	440.00	312.37	5,716.63	8,519.52	(-) 29	3.67	5.46
2011-12	356.00	391.92	6,953.89	9,992.11	(+) 10.09	3.92	5.64
2012-13	550.00	465.36	8,223.67	11,759.30	(-) 15.39	3.96	5.66
2013-14	639.40	494.79	9,379.79	13,132.50	(-) 22.62	3.77	5.28

Source: Finance Account, Government of Jharkhand and the revised estimates as per the statement of Revenue and Receipts of Government of Jharkhand.

The above table indicates that the Department could not achieve the revised budget estimates except during 2011-12. However, the actual receipts increased by 111.26 per cent during 2013-14 as compared to 2009-10. The shortfall in actual compared to the revised budget estimates ranged between 53 per cent and 15.39 per cent during the period 2009-10 and 2013-14. In response of our query regarding preparation of budget estimates the

Department stated (June 2015) that the budget estimates were prepared by the Finance Department.

4.3.9 Arrears pending collection

Under the provisions Section 21 of the JMVT Act, 2001 any tax, fee and penalty may be recovered in the same manners as arrears of land revenue. As per Board of Revenue's instructions under the Public Demand Recovery Act, 1914, the Requisition Officer and the Certificate Officer are jointly responsible for the punctual disposal of certificate cases and are bound to bring to each other's notice and if necessary to the Collector for undue delay in executing the certificate.

Details of certified arrears were called for from selected District Transport Offices and Transport Commissioner Office. According to the information furnished (between November 2014 and June 2015), the position of certified arrears and their disposal during the period 2009-10 to 2013-14 is given in the **Table – 4.3.9**.

Table – 4.3.9

Year	Opening balance		Addition during the year		Disposal during the year		Closing balance		Percentage of disposal
	Case	Amount	Case	Amount	Case	Amount	Case	Amount	
2009-10	20,214	107.05	570	2.70	82	0.69	20,702	109.06	0.41
2010-11	20,702	109.05	256	1.02	59	0.24	20,899	109.84	0.28
2011-12	20,899	109.82	1,233	10.02	76	0.96	22,056	118.88	0.36
2012-13	22,056	118.88	509	1.83	242	0.57	22,323	120.14	1.10
2013-14	22,323	120.14	779	3.12	210	1.03	22,892	122.23	0.94
Total			3,347	18.69	669	3.49			

The above table indicates that the disposal of certificate cases was very poor which ranged from 0.28 to 1.10 *per cent*. We further observed that even though the Department vested the responsibility of Certificate Officers to the District Transport Officers in August 2013, the disposal of cases during the year 2013-14 had not increased. Age-wise break up of certified arrear, though called for (June 2015) had not been furnished by the Department (October 2015). However, certified arrear of the Department as on 31 March 2015 was ₹ 215.34 crore as mentioned in paragraph 1.2 of this report.

After we pointed out the matter (between November 2014 and June 2015) the DTOs (between November 2014 and June 2015) stated that action would be taken for speedy disposal of certificate cases. The Transport Secretary assured (August 2015) that dedicated retired officers would be deployed for disposal of certificate cases. Further reply has not been received (October 2015).

We recommend that the Government should take appropriate steps to reduce the arrears by fixing the target for recovery for all field units.

Audit Findings

We reviewed the working of Transport Department and noticed that in the selected districts 11,46,256 new vehicles were registered during the period. Major irregularities were noticed in respect of 1,172 personalised vehicles out of 10,653, in 2,781 transport vehicles out of 20,151 and in 2,593 trailers out of

5,970 test checked. These deficiencies alongwith others are discussed in the succeeding paragraphs.

Non-levy of tax

4.3.10 Non-levy of one-time tax on personalised vehicles

One-time tax and penalty from 1,178 personalised vehicles was not levied.

4.3.10.1 One-time tax and penalty of ₹ 3.06 crore, though leviable on the defaulting personalised vehicle with seating capacity of six to 10, was not levied by the District Transport Officers.

We noticed from test check of the Taxation Register and the computerised data in selected District Transport Offices between June 2014 and June 2015 that in case of 1,172 out of 10,653 private vehicles whose tax validity expired between July 2005 and November 2014. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 or the cancellation of registration under Section 55 of MV Act, 1988 was found on records. The DTOs neither reviewed the DCB Registers periodically nor the software had provisions for auto generation of demand notice to defaulters. This resulted in non-levy of one-time tax of ₹ 2.92 crore including interest of ₹ 1.26 crore as provided in Section 2(g) of the Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011 and Section 7 of JMVT Act, 2001. Besides, tax of ₹ 14.45 lakh including penalty of ₹ 9.63 lakh upto 22 May 2011 was also leviable under Section 5 of JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001.

4.3.10.2 We noticed (February 2015) in District Transport Office, Pakur that in case of 6 out of 118 personalised vehicles test checked, with seating capacity of 6 to 10 seats, instead of one-time tax, yearly tax of ₹ 37,374 was realised from the vehicle owners. This resulted in short levy of Government revenue of ₹ 1.03 lakh, including interest of ₹ 22,900.

After we pointed out the cases (between November 2014 and June 2015), six DTOs⁸ intimated (August 2015) that demand notices had been issued against defaulter vehicle owners and four DTOs⁹ realised an amount of ₹ 22.73 lakh in 88 cases. The Transport Secretary directed (August 2015) the DTOs to identify heavy defaulter and start intensive drive for realization of arrear taxes. Further reply has not been received (October 2015).

4.3.11 Incorrect determination of seating capacity

Fixation of seating capacity of public service vehicles was not done as per their wheelbase leading to short levy of taxes of ₹ 12.22 lakh.

We test checked the registration register and taxation register alongwith verification of the computerised data of selected districts and noticed in eight District Transport Offices¹⁰ between June 2014 and June 2015 that out of

⁸ Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

⁹ Dhanbad, Jamshedpur, Palamu and Ranchi.

¹⁰ Bokaro, Dumka, Garhwa, Godda, Hazaribag, Jamshedpur, Palamu and Ranchi.

1,304 transport vehicles test checked, 160 vehicles paid taxes for the period from May 2011 to March 2015 adopting seating capacity lower than the seating capacity as per their wheelbase. The Act provides that taxes shall be paid by the owner of a public service vehicle on the basis of seating capacity determined on the criteria of wheelbase. This indicated that the DTO did not enforce the provisions of Section 7(3) of the JMVT (Amendment) Act, 2011 during realisation of tax from public service vehicles which resulted in short levy of taxes amounting to ₹ 12.22 lakh.

After we pointed out the cases (between June 2014 and June 2015), the five DTOs¹¹ intimated (August 2015) that demand notice for differential tax had been issued and DTO, Palamu intimated (August 2015) recovery of ₹ 41,980 in nine cases. Further reply has not been received (October 2015).

4.3.12 Wheelbase of public service vehicles not recorded

We test checked registration register alongwith verification of facts in computer system of selected districts and noticed in seven District Transport Offices¹² between January and May 2015 that out of 2,916 public service vehicles test checked, wheelbase of 1,330 public service vehicles was not recorded in the computer system. In absence of wheelbase, correct determination of seating capacity could not be ascertained as well as this indicated weak internal control mechanism on the part of the Department.

After we pointed out the cases (between January and May 2015), the DTOs stated (between January and May 2015) that necessary instructions would be given to computer operators in these regard. Further reply has not been received (October 2015).

4.3.13 Non-categorisation of public service vehicles

Categorisation of public service vehicles as express, semi-deluxe, deluxe and AC deluxe bus was not made after four years of enforcement of the Act.

We noticed (April 2015) during review of the policies made by the department that classification of public service vehicles has not yet been made though the provision came into effect from 23 May 2011. Section 7(3) of the JMVT (Amendment) Act, 2011 provided for fixation of seating capacity of public service vehicles on their wheelbase. Further, buses were to be classified as express, semi-deluxe, deluxe and AC deluxe bus on the basis of age of the vehicles and passenger amenities and taxed accordingly so as to generate additional revenue. The adjoining States, Chhatisgarh, Madhya Pradesh and Bihar have categorised the public service vehicles and taxing accordingly. Further, Section 5 of the JMVT Act, 2001 provides that every owner of a transport vehicle is required to pay road tax and additional motor vehicles tax at the rates specified therein.

After we pointed out the matter (April 2015), The Transport Secretary stated in exit conference (August 2015) that notification for categorisation of buses

¹¹ Bokaro, Garhwa, Jamshedpur, Palamu and Ranchi.

¹² Bokaro, Dumka, Garhwa, Hazaribag, Lohardaga, Palamu and Ranchi.

would be issued with concurrence of the Cabinet. Further reply has not been received (October 2015).

We recommend that the Government should make the field of wheelbase mandatory in the software and categorise public service vehicles on the basis of age and passenger amenities.

4.3.14 Non-assignment of local registration mark

Vehicles arrived from other States were not assigned local registration mark of the State leading to non-levy of revenue of ₹ 16.42 lakh.

We noticed from scrutiny of tax position of transport vehicles of selected districts between November 2014 and June 2015 that out of 3,297 transport vehicles test checked, 2,774 vehicles remained in the district for a period beyond 12 months with registration number of previous States without being assigned local registration mark contrary to the provisions of Section 47 of the MV Act, 1988 and Rules made thereunder. The Act states that when a motor vehicle registered in one State and has been kept in another State, for a period exceeding 12 months, the owner shall apply to new registering authority for the assignment of a new registration mark. If the owner fails to apply within 12 months, he is required to pay a fine, which extends to ₹ 100 for the first and ₹ 300 for second or subsequent offences. No action was taken by the DTOs to assign local registration mark to vehicles migrated from other States. This indicated lack of monitoring on the part of DTOs to identify such vehicles which resulted in non-levy of revenue in the shape of fees ₹ 13.64 lakh and fine ₹ 2.77 lakh.

After we pointed out the cases (between November 2014 and June 2015), the DTOs stated (between November 2014 and June 2015) that concerned vehicle owners would be instructed for getting local registration marks through local newspaper/media, while six DTOs¹³ had given notice through Press Communique in this regard. Further reply has not been received (October 2015).

4.3.15 Non-renewal of certificate of registration

Certificates of registration of private vehicles were not renewed after expiry of their validity resulting in non-levy of ₹ 36.02 lakh.

We noticed from test check of registration register alongwith computerised data between October 2014 and June 2015 in selected districts that 1,051 out of 1,191 personalised vehicles test checked did not apply for renewal of registration after their validity. Under the provisions of Section 41(7) of the MV Act, 1988 a certificate of registration, other than a transport vehicle, shall be valid for a period of 15 years from the date of issue of such certificate and shall be renewable for next five years. Rule 52 of the CMV Rules, 1989, provides that an application for renewal of certificate of registration shall be made to the Registering Authority in Form-25 accompanied by appropriate fee as specified in Rule 81 and tax appended to Schedule I (Part A) under Section 7 of the JMVT Act, 2001. In none of these cases, change of address of the

¹³ Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

owners under Section 9 of the JMVT Act, 2001 or the cancellation of registration under Section 55 of the MV Act, 1988 was found on record. The office did not issue notice to the concerned owners to apply for renewal of certificate of registration. This resulted in non-levy of Government revenue of ₹ 36.02 lakh in shape of tax alongwith registration fee and fitness fee.

After we pointed out the cases (between October 2014 and June 2015), the DTOs stated (between October 2014 and June 2015) that vehicle owners would be intimated through local newspaper/media for renewal of registration of vehicles whose registration validity have expired, while six DTOs¹⁴ had given notice through Press Communique in this regard. The Transport Secretary directed the DTOs to start intensive drive for realization of arrear taxes (August 2015). Further reply has not been received (October 2015).

We recommend that the Government may consider periodic review of registered personalised vehicles to identify vehicles whose registration validity have expired.

Collection of taxes

4.3.16 Non-collection of taxes on transport vehicles

Tax and penalty of ₹ 23.11 crore, though realisable from the defaulting vehicle owners, was not collected by the District Transport Officers.

We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in selected districts between June 2014 and June 2015 that the owners of 2,781 vehicles out of 20,151 vehicles test checked did not pay tax for the period between June 2009 and June 2015. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 or surrender of documents for securing exemption from payment of tax under Section 17 was found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, as such they did not have the details of the number of defaulting vehicle owners and taxes to be realised from them. The District Transport Officers neither raised demand for tax and penalty against the defaulting vehicle owners nor the software had provision for auto generation of demand notices resulting in non-levy of tax of ₹ 23.11 crore including penalty of ₹ 15.40 crore.

After we pointed out the cases (between June 2014 and June 2015), six DTOs¹⁵ intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 96.02 lakh had been realised in 154 cases by four DTOs¹⁶. The Transport Secretary instructed the DTOs to identify heavy defaulters and start intensive drive against them for realisation of arrear taxes (August 2015). Further reply has not been received (October 2015).

¹⁴ Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

¹⁵ Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

¹⁶ Bokaro, Dhanbad, Jamshedpur and Ranchi.

4.3.17 Non-collection of taxes on trailers

Tax and penalty of ₹ 3.40 crore, though realisable from the defaulting trailer owners, was not realised by the District Transport Officers.

We noticed from test check of the Taxation Register and the computerised data in selected districts between June 2014 and June 2015 that the owners of 2,593 trailers out of 5,970 trailers test checked did not pay tax for the period between March 2010 and March 2015. In none of these cases, change of address of the owners under Section 9 of the JMVT Act, 2001 was found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, as such they did not have the details of the number of defaulting trailer owners and taxes to be realised from them. Failure of the Department to enforce the provisions of the Act/Rules resulted in non-levy of tax of ₹ 3.40 crore including penalty of ₹ 2.27 crore. Moreover, these defaulter vehicles were plying on road without fitness certificate thereby not complying with pollution standards.

After we pointed out the cases (between June 2014 and June 2015), six DTOs¹⁷ intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 11.30 lakh had been realised in 90 cases by four DTOs¹⁸. The Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes. He further stated that one time tax for 5/10 years would be proposed. Further reply has not been received (October 2015).

We recommend that the Government may institute a mechanism for periodic review of DCB register to monitor collection of revenue from defaulter vehicles.

4.3.18 Non-renewal of authorisation of National Permit

Subsequent authorisation during currency of national permits of transport vehicles was not made which resulted in non-realisation of consolidated fee and authorisation fee of ₹ 40.95 lakh.

We noticed in April 2015 from the National Permit Register in the office of the Transport Commissioner, Jharkhand that in 138 cases out of 1,980 cases test checked, subsequent authorisation for national permit for the period between April 2011 and March 2014 was not renewed during the periodicity of permits as laid down in Section 81 of the MV Act, 1988 and Rule 87 of the CMV Rules, 1989. The authorisation is a continuous process which is to be renewed each year unless the permit expires or is surrendered by the permit holder. There was nothing on record that the validity of permits of these vehicles had expired or surrendered their permits. We also observed that there was absence of mechanism for monitoring of the subsequent authorisation during currency of national permits in the office of the Transport Commissioner. Further, the owner of the vehicle, having national permit have to pay authorisation fee along with consolidated fee annually to operate

¹⁷ Bokaro, Dhanbad, Garhwa, Jamshedpur, Palamu and Ranchi.

¹⁸ Bokaro, Dhanbad, Jamshedpur and Ranchi.

throughout the country. This resulted in non-realisation of consolidated fee and authorisation fee of ₹ 40.95 lakh (Consolidated fee of ₹ 38.60 lakh and authorisation fee of ₹ 2.35 lakh).

After we pointed out the cases (April 2015), the Department stated (April 2015) that concerned Regional Transport Authorities have been instructed to issue demand notices for realisation of arrears. Further reply has not been received (October 2015).

The Government may institute a mechanism for monitoring of subsequent authorisation during currency of national permits.

4.3.19 Irregularities in transaction with Bank

4.3.19.1 Non-realisation of interest due to delay in deposit of revenue collected by banks

The collecting bank did not credit interest of ₹ 7.29 crore for delayed transfer of collected revenue into Government account.

We test checked of bank statements of remittances of revenue collected in selected districts and noticed between June 2014 and June 2015 in the office of Transport Commissioner, Jharkhand and eight District Transport Offices¹⁹ that the collecting banks i.e. Bank of India, Punjab National Bank, State Bank of India and Hazaribag Central Co-operative Bank did not credit a sum of ₹ 751.26 crore for year 2012-13 to 2013-14 into SBI, Doranda Branch, for credit into Government Account within the prescribed time, contrary to the provisions of Rule 37 of the Bihar Financial Rules (adopted by the Government of Jharkhand) and instructions of Transport Commissioner, Jharkhand (January 2001) and thus liable to pay penal interest of ₹ 7.29 crore as per instructions of the Reserve Bank of India (RBI). The delay ranged from one month to 11 months. This indicated that the Department did not monitor and also did not effectively pursue the matter of payment of interest with the collecting banks.

After we pointed out the cases (between June 2014 and June 2015), the Under Secretary and DTOs stated between (June 2014 and June 2015) that correspondence with bank authorities would be made for realisation of interest. The Transport Secretary directed (August 2015) the DTOs to keep periodical watch over the transfer of Government revenue by bank. Further reply has not been received (October 2015).

4.3.19.2 Time barred bank draft

A sum of ₹ 88.33 lakh received from vehicle owners through bank draft became time-barred.

We reviewed the bank statement furnished for the years 2013-14 by banks in selected districts and noticed in April 2015 that in the office of the Transport Commissioner, Jharkhand a sum of ₹ 88.33 lakh receipted from vehicle owners through bank draft became time-barred. As per RBI guidelines with

¹⁹ Bokaro, Dhanbad, Dumka, Garhwa, Hazaribag, Lohardaga, Pakur and Ranchi.

effect from April 1, 2012, the validity of period of Cheques Demand Drafts, Pay Orders and Banker's Cheques has been reduced from six months to three months, from the date of issue of the instrument. The office did not verify the due amount actually credited into the Government account. There was no mechanism to detect time barred bank drafts and amount involved therein as bank draft register was not maintained. Thus, failure to exercise internal control mechanism by the office resulted in non-credit of ₹ 88.33 lakh into Government account.

After we pointed out the matter (April 2015), the Under Secretary stated (April 2015) that necessary steps would be taken. The Transport Secretary stated (August 2015) that time barred drafts would be revalidated. Further reply has not been received (October 2015).

4.3.20 Vehicular pollution

There was an overall increase of 62.20 per cent in number of vehicles registered during 2009-10 to 2013-14.

We noticed from scrutiny of data received from Transport Commissioner, Jharkhand of the selected districts that there was an overall increase of 62.20 per cent in number of vehicles registered during 2009-10 to 2013-14, detailed in the **Table – 4.3.20(i)**.

Table – 4.3.20(i)

year	No. of vehicles registered	Percentage increase with respect to 2008-09
2008-09	1,57,697	--
2009-10	1,89,050	19.88
2010-11	2,30,214	45.99
2011-12	2,30,611	46.24
2012-13	2,40,599	52.57
2013-14	2,55,782	62.20
Total	11,46,256	

The JSPCB measures concentrations of foreign substances in the air at various location of Jharkhand. The constituent of Sulphur Dioxide (SO₂), Nitrogen Dioxide (NO₂) and Respirable Suspended Particulate Matter (RSPM) in four districts²⁰ compare to Nation Ambient Air Quality Standards (NAAQS) are depicted in the **Table – 4.3.20(ii)**.

Table – 4.3.20(ii)

Name of district	Sampling date	SO ₂ (in µg/m ³)	NO ₂ (in µg/m ³)	RSPM (in µg/m ³)
NAAQS		80.00	80.00	100.00
Dhanbad	27.06.2014	13.16	32.15	218.13
Hazaribag	27.03.2014	24.00	32.25	118.46
Jamshedpur	29.03.2014	49.76	58.20	170.16
Ranchi	27.03.2014	19.60	31.90	217.00

Source: Jharkhand State Pollution Control Board.

RSPM values have exceeded the NAAQS (100µg/m³), SO₂ and NO₂ are within the limit. One of the reasons for high level of RSPM may be due to increase in number of vehicles.

²⁰ Dhanbad, Hazaribag, Jamshedpur and Ranchi.

After we pointed out the matter (April 2015), the Department stated that enforcement, traffic and transport officers were directed to keep watch over polluting vehicles but necessary apparatus for checking of smoke emission of vehicles were not provided to them. The Department also accepted that no public awareness programme on vehicular pollution was organised by the Department.

4.3.20.1 Non-phasing out of old vehicles

The Department had no policy to discourage plying of old vehicles to check vehicular pollution.

The old vehicles are more prone to emit larger quantity of vehicular pollutants. It was noticed that total number of registered vehicles upto March 2014 in the State was 34,51,564 which included 9,09,001 vehicles more than 15 years old. Some of the States like Bihar and Delhi have adopted measures to phase out old vehicles by levying additional tax (Green Tax) and provide fiscal incentives and interest subsidy on loans for purchase of new vehicles. We observed that the Department had not adopted any policy to discourage plying of old vehicles to check vehicular pollution, instead the Act provides for rebate of 10 to 30 *per cent* on additional motor vehicles tax to old vehicles.

After we pointed the matter (April 2015), the Department stated (April 2015) that no such policy had been adopted by the Department to discourage plying of old vehicles on road. The Transport Secretary stated (August 2015) that proposal for levy of green tax was being worked out. Further reply has not been received (October 2015).

We recommend that the Government may consider to adopt policy to discourage plying of old vehicles.

4.3.20.2 Lack of information of polluting vehicles

There was no database of Vehicles having pollution certificates. The transport offices have no information of vehicles plying with or without PUC.

Under the provisions of Rule 115(7) of the CMV Rules, 1989, every registered motor vehicle shall carry a valid 'Pollution under control' (PUC) certificate issued by agencies authorised for this purpose by the State Government after the expiry of a period of one year from the date on which the motor vehicle was first registered. The validity of the certificate shall be for six months. Pollution Testing Centre are authorised on payment of security deposit of ₹ 10,000 and fee of ₹ 2,000 (Rule 252 D of the JMV Rules, 2001). These centres issue pollution under control certificate on payment of prescribed fee in Form P.C. in respect of vehicle if the standard of pollution in relation to such vehicle is found within the prescribed limit under Rule 115 (2).

We noticed that the Department had authorised 39 private pollution testing centers in 11 districts of the State and the rest 13 districts had no centre. Out of selected districts, there were 30 pollution testing centers authorised in seven

districts²¹ only. The Rules does not have provision for submission of report/returns regarding PUC certificate to the concerned transport offices. Further, 24 working centers had reported that 4.42 lakh vehicles were checked during the period from 2009-10 to 2013-14 and 4.09 lakh PUC certificate were issued. During the same period 8.84 lakh new vehicles were registered in these districts. Thus, the transport offices did not have any information of vehicles plying with or without PUC.

After we pointed out the matter (between October 2014 and June 2015), the DTOs stated (between October 2014 and June 2015) that there was no database of vehicles having PUC certificate and these centers did not furnish any report to the concerned transport offices. The Transport Secretary stated (August 2015) that advertisement for commissioning of pollution centers had been made and possibility of introduction of CNG/LPG fuel was also being explored. Further reply has not been received (October 2015).

We recommend that the Government may consider to make mandatory field of PUC certificate in VAHAN software and ensure establishment of pollution testing centres in all the districts of the State.

4.3.20.3 Non-strengthening of traffic police

Inadequate manpower and lack of pollution checking equipment affected the work of traffic police.

To nab the violators of vehicular emission norms, Traffic Police requires sufficient number of manpower and pollution checking equipments.

We noticed from scrutiny of data furnished by Deputy Superintendent of Police (Traffic), Dhanbad and Bokaro that pollution checking equipments like smoke meter, gas analyser, breath analyser, smart card reader etc. were not provided to them. Non-providing of anti-pollution mask for traffic police personnel were also of alarming safety concern. The Traffic police was also inadequately staffed, as detailed in the **Table – 4.3.20.3.**

Table – 4.3.20.3

Sl. No.	District	Dy. SP		Sergeant Major		SI/ASI		Jamadar		Hawaldar /Constable		Driver		Total	
		SS	MIP	SS	MIP	SS	MIP	SS	MIP	SS	MIP	SS	MIP	SS	MIP
1	Bokaro	1	1	4	4	9	9	6	6	250	85	4	4	274	109
2	Dhanbad	1	1	4	3	9	6	6	0	250	129	4	2	274	141
3	Ranchi	2	2	-	-	9	7	-	-	639	259	5	5	655	273
	Total	4	4	8	7	27	22	12	6	1,139	473	13	11	1,203	523

As clear from the above table, there was shortage of 680 Traffic Police in Bokaro, Dhanbad and Ranchi. Out of the selected districts, two districts, Hazaribag and Jamshedpur had not provided the sanctioned strength of Traffic Police.

Lack of pollution checking equipment and inadequate manpower in traffic police led to ineffective action on vehicles not following the emission norms.

We recommend that the Government may consider deployment of adequate traffic personnel along with required equipment to effectively monitor pollution standards.

²¹ Bokaro, Dhanbad, Dumka, Hazaribag, Jamshedpur, Palamu and Ranchi.

4.3.21 Internal control mechanism

The department is required to institute an internal control mechanism for its efficient and cost effective functioning by ensuring proper enforcement of laws, rules and departmental instructions. The internal control also help in creation of reliable financial and management information system for prompt and efficient decision making and adequate safeguard against non/short collection and evasion of revenue. The internal controls instituted should also be reviewed and updated from time to time to maintain their effectiveness. Internal control includes internal audit, inspection by higher authorities and maintenance of prescribed registers.

4.3.21.1 Non-formation of project monitoring units

The Department could not monitor the work of computerisation due to non-formation of PMU.

The Government of Jharkhand implemented *VAHAN* and *SARATHI* application in active collaboration with State Unit of NIC in August 2004 to ensure increase in Government revenue, provide better citizen services, enforce better control, monitor quick implementation of Government policies from time to time and provide instant information, if needed, to any other Government Departments. Further, as per the approved project proposal for computerisation of Department, a project monitoring unit (PMU) was to be created under the Transport Department for monitoring the implementation of this project by hiring suitable technical and non-technical manpower. NIC would extend technical support as and when required.

During the course of test check of records of the office of Transport Commissioner, we noticed in April 2015 that PMU was not created till the date of audit. It was also noticed (between November 2014 and June 2015) that there were following drawbacks in the prevailing software:

- The defaulter list generated by the software was not reliable as current tax payment status could not be fetched;
- Dealer-wise count of registered vehicles was not generated;
- The system exhibited incorrect validity of tax position at the time of renewal of RC; and
- Facility of auto generation of demand notices not provided.

The creation of PMU in time would have minimised the above deficiencies in the software. After we pointed out (June 2015) the matter, the Department stated (June 2015) that formation of PMU was under process. The Transport Secretary stated (August 2015) that PMU was being established in consultation with NIC, Jharkhand and would be functional in six months. Further reply has not been received (October 2015).

4.3.21.2 Internal audit

The Finance Department conducted internal audit in six transport offices during 2009-10 to 2013-14.

Internal audit is generally defined as control of all controls as it is a means for an organisation to assure itself that the prescribed systems were functioning reasonably well.

As informed by the Transport Department, there is no internal audit wing of its own. However, the Finance Department acts as an internal auditor. The internal audit parties are required to conduct cent *per cent* audit of all account records. We called for the information from selected districts regarding internal audit conducted during 2009-10 to 2013-14. On the basis of information, it was found that Finance Department had not conducted audit for various financial years in five Transport Offices for the different period between 2009-10 and 2013-14, details in the **Table – 4.3.21.2**.

Table – 4.3.21.2

Sl. No.	Name of Office	Period due for audit by the Finance Department	Period audited by the Finance Department
1	2	3	5
1	DTO, Bokaro	2009-10 to 2013-14	NIL
2	DTO, Dhanbad	2009-10 to 2013-14	2009-10 and 2010-11
3	DTO, Dumka	2009-10 to 2013-14	NIL
4	DTO, Garhwa	2009-10 to 2013-14	NIL
5	DTO, Godda	2009-10 to 2013-14	2009-10
6	DTO, Hazaribag	2009-10 to 2013-14	NIL
7	DTO, Jamshepur	2009-10 to 2013-14	2009-10
8	DTO, Lohardaga	2009-10 to 2013-14	2009-10
9	DTO, Pakur	2009-10 to 2013-14	2009-10 and 2010-11
10	DTO, Palamu	2009-10 to 2013-14	2009-10
11	DTO, Ranchi	2009-10 to 2013-14	NIL

The report on internal audit had not been provided to us. Inadequate number of internal audit inspections resulted in the Department remaining unaware of the areas of malfunctioning in the system and therefore, not being able to take remedial action.

The Transport Secretary accepted (August 2015) that the auditors of Finance Department conduct the internal audit and there was no separate internal audit wing of the Department.

4.3.21.3 Inspection by departmental officers

There was no norm fixed for inspection of field offices by the departmental authorities.

Inspection of the subordinate offices by the higher departmental authorities is an important tool to ensure proper functioning of the offices.

Information furnished by the selected offices revealed that during 2009-10 to 2013-14 inspection of these offices was not conducted by the departmental higher authorities. On our query regarding inspection of district offices, the

Department stated in June 2015 that there was no norm fixed for inspection of field offices by the departmental authorities.

4.3.21.4 Non-maintenance of registers

Demand collection and balance register

Under the provisions of Rule 23 of the JMVT Rules, 2001, a taxation register in Form 'M' and a demand register in Form 'N' for transport vehicles shall be maintained by the taxing officers. Each vehicle will have separate page earmarked for it. The Demand register shall be updated on 1st October and 31st March each year to keep a watch over tax defaulting vehicles and raise demand notices against vehicle owners. Further, the Department had issued strict instructions in the light of audit observation in March 2000 and August 2005 to field offices to maintain and update Demand collection and balance registers.

We noticed between November 2014 and June 2015 from scrutiny of records of selected districts that Taxation register and Demand register were not being maintained/updated by the offices.

The Transport Secretary stated (August 2015) in the Exit conference that the datas were stored in the system. However, the authorities could not keep proper watch over the defaulting vehicles and failed to raise the demand notices promptly as discussed in paragraphs-4.3.16 and 4.3.17.

Bilateral agreement register

As per the reciprocal agreement with Orissa (January 2003) and bilateral agreements with West Bengal (January 2003) and Bihar (April 2007), double point taxation system was adopted for public service vehicles. Under this system all vehicles operating in the other State shall be liable to pay all the taxes leviable in that State. As per terms of mutual inter-State agreements, the permit issuing authority after being satisfied that update tax has been paid, shall issue and countersign the permit of vehicle. Motor Vehicle Taxes in Jharkhand is levied under the provisions of Section 5 of the JMVT Act, 2001 and Rules made thereunder.

We noticed in April 2015 from scrutiny of records relating to vehicles plying under bilateral agreements in the office of Transport Commissioner that taxation register was not maintained to keep a watch on payment of taxes. Road tax and additional road tax is based on seating capacity and model of the vehicle but none of these details were recorded in the permit register. In absence of proper maintenance of registers, the office did not have information about tax due from defaulting vehicles. As such, the office failed to exercise the necessary checks to prevent defaulter vehicles from plying.

After we pointed out the matter (April 2015), the Department stated that necessary action would be taken in this regard. Further reply has not been received (October 2015).

4.3.22 Non-deposit of service tax in appropriate head

The amount of service tax of ₹ 3.07 crore collected along with issue/renewal of fitness fee was deposited under head “0041-Taxes on vehicles” instead of “0044-Service Tax”.

We test checked the certificate of fitness register maintained by Motor Vehicle Inspectors and noticed between November 2014 and June 2015 in selected District Transport Offices that during the years 2009-10 to 2013-14 total revenue realised on account of fitness of vehicles was ₹ 27.67 crore including service tax and cess of ₹ 3.07 crore. Under the provisions of service tax rules read with executive instruction of the Transport Commissioner, Jharkhand, Ranchi issued vide letter no. 125/06-1434 dated 02.12.2006 and 125/2006-385 dated 29.05.2007, service tax at the rate of 12 *per cent* and education cess at the rate of two *per cent* on service tax was leviable at the time of issue of certificate of fitness. The MVIs were directed to open a service tax registration number and deposit the collected amount of service tax under the head “0044-Service Tax. However, the amount collected as service tax was deposited under head “0041-Taxes on vehicles” instead of “0044-Service Tax”, which was irregular. We also noticed that the amount of service tax was levied at the rate of 12.50 *per cent* instead at the rate of 12.36 *per cent*.

Similar issue was pointed out in Paragraph 4.8.9.14 of the Audit Report (Revenue Receipts) for the year ending 31 March 2011, the Government instructed (November 2011) NIC to make change in the table structure so that the amount of service tax could be calculated separately and transferred to the appropriate head. However, nature of lapses are still persisting which point to weak internal control of the Department.

4.3.23 Smart Card

4.3.23.1 Non-renewal of contract for smart card

The Department neither renewed/invited fresh tender of contract for issue of driving licence and certificate of registration in smart card nor discontinued the work of existing vendor.

The Transport Department partially outsourced the computerised system under VAHAN and SARATHI application software by executing an agreement with M/s Venketesh Udyog and M/s AKS Smart Card Systems Ltd. on 16 September, 2004 for issuance of Smart card based Registration Certificate. The duration of contract was for five years from the date of first issuance of cards. The project was to be completed within 16 weeks after taking up the work in 18 districts of the State. As per term of contract the duration of contract varied from office to office. Later, the name of agency was changed to M/s Amity Info Systems Limited on 26 July 2006.

We reviewed the agreement file in the office of Transport Commissioner and noticed that the term of contract with the vendor expired between September and December 2009 but the vendor continued with the allotted work without renewal of agreement even after lapse of five years. Unauthorised continuance of work by the vendor was neither objected by the Department nor any action taken to renew the contract/invite fresh tender. Such unauthorised work was

fraught with the risk of loss of revenue and misuse of vital data, besides leading to the possibility of legal complications.

After we pointed out the matter (April 2015), the Department stated that action was being taken to retender. The Transport Secretary stated (August 2015) that the process of e-tendering will be finalised by December 2015. Further reply has not been received (October 2015).

4.3.23.2 Non-issue of certificate of registration in Smart Card

The Government was deprived of revenue amounting to ₹ 9.43 lakh due to non-issuance of smart card based certificate of registration.

We test checked the Registration Register in selected districts and noticed (January 2015) in District Transport Office, Pakur that 4,714 certificates of registration were not issued in Smart Card during the period 2012-13 and 2013-14 even though *VAHAN* package was installed in the office, defeating the purpose for which the software was installed. Thus, lapses on the part of Government in implementation of issuance of Smart Card based registration certificate deprived it of revenue to the tune of ₹ 9.43 lakh as leviable under Rule 81 of CMV Rules, 1989.

After we pointed out the cases (January 2015), the DTO stated (February 2015) that the matter would be referred to the department. The Transport Secretary stated (August 2015) that the process of e-tendering will be finalized by December 2015 covering all the districts. Further reply has not been received (October 2015).

4.3.24 Fitness certification of vehicles

Under the provision of Section 56 of the M V Act, 1988, a transport vehicle shall not be deemed to be validly registered unless it carries certification of fitness issued by the prescribed authority or by an authorised testing station. Under Rule 259 of the Jharkhand Motor Vehicle Rules, 2001, Motor Vehicle Inspector are authorised to issue certificate of fitness of transport vehicles to the effect that the vehicle complied for the time being with all the requirements of Motor Vehicle Act and Rules made there under after carrying out necessary inspection. Further, Rule 63 of the CMV Rules 1989, stipulates that testing stations are authorised on security deposit of ₹ one lakh by the State Government to operate for issue or renew certificate of fitness to a transport vehicle on payment of fee for grant/renew of letter of authority of ₹ 5,000 (Rule 81 of the CMV Rules, 1989). While considering an application for grant/renewal of letter of authority, the registering authority will examine the minimum qualification of the staff, premises of the station, inspection lane, testing equipments and lanes.

4.3.24.1 Necessary apparatus for inspection of vehicles were not provided to Motor Vehicle Inspectors.

We noticed (June 2015) in the office of Transport Commissioner that necessary apparatus and premises for inspection of vehicles were not provided to Motor Vehicle Inspectors for issuing Certificate of fitness. Issuance of

Certificate of fitness in absence of infrastructure may not be in accordance with the prescribed norms.

4.3.24.2 The letter of authority of authorised testing station was renewed even though the requisite apparatus did not comply with the prescribed standards.

We noticed during scrutiny of files of six authorised testing stations in the office of Transport Commissioner in April 2015 that the DTO, Ranchi and MVI, Ranchi jointly conducted inspections of premises of one of the stations in April 2011 and July 2013 and reported that the requisite apparatus did not comply with the prescribed standards. However, the letter of authority of this centre was renewed by the Department in July 2013 for a further period upto May 2018 keeping in abeyance the inspection report.

After we pointed out the case (April 2015), the Department stated (April 2015) that action would be taken after examination. Further reply has not been received (October 2015).

4.3.24.3 There was no provision for share of Government on charges levied by private authorised testing centres for issuance of certificate of fitness.

We noticed between November 2014 and June 2015 that there were seven authorised testing stations working in four districts²². During the period 2009-10 to 2013-14, these stations issued 38,701 Certificate of fitness to transport vehicles thereby charged ₹ 1.46 crore. There was no provision for share of Government in this collection. The agency acquired letter of authority for 5 years on payment of fee of ₹ 5,000 only and did business of ₹ 1.46 crore.

After we pointed out the cases (between November 2014 and June 2015), the Department stated (February 2015) that the matter would be looked into whether surcharge could be imposed on testing fee. The Transport Secretary accepted (August 2015) that Certificate of fitness of vehicles were being issued by MVIs without having adequate equipments. Regarding levy of surcharge on fitness fee collected by private testing station, it was stated that legal aspects would be explored. Further reply has not been received (October 2015).

4.3.25 Non-using of departmental money receipts

Traffic Police, Ranchi was not using departmental money receipt for compounding of offences for violating the provisions of MV Act.

Transport Department vide its Notification No. 953 dated 14.9.2009, vested the power of compounding of offences under various sections of Motor Vehicles Act, 1988 to Traffic Police not below the rank of Sub-Inspector in six cities²³ of Jharkhand. The Notification instructed the Traffic Police Officers to obtain Money Receipts, Seizure Receipts etc. from the Transport Department, Jharkhand, Ranchi and the amount of fine and penalty so imposed was to be deposited in the Government account at State Bank of India, Doranda, Ranchi.

²² Dhanbad, Jamshedpur, Lohardaga and Ranchi.

²³ Bokaro, Deoghar, Dhanbad, Jamshedpur, Hazaribag and Ranchi.

We noticed from scrutiny of records of the office of the Transport Commissioner, Jharkhand in April 2015 that Traffic Police, Ranchi was not using departmental money receipt for compounding of offences; instead they had printed separate money receipt. Though, the matter was previously pointed out in compliance audit, yet the practice continued. It indicated lack of control of the department over the collection and deposit of revenue made by Traffic Police, Ranchi. However, an amount of ₹ 4.15 crore pertaining to collection made during 2005 to 2013 was deposited into Government Account during the period between 2010 and 2013 after delay extending upto more than five years.

After we pointed out the matter (April 2015), the Department stated that correspondence would be made with the Superintendent of Police, Traffic, Ranchi. The Transport Secretary stated (August 2015) that instructions had been issued to Traffic Police, Ranchi to use departmental money receipts. Further reply has not been received (October 2015).

4.3.26 Human resource management

Human resource is very important for efficient and effective working of an organisation/department. It includes sufficient man-power and proper training/eligibility for working in prevailing condition/working environment.

Sanctioned strength and men-in-position of selected districts as furnished by the District Transport Offices in the **Table – 4.3.26**.

Table – 4.3.26

Post	Sanctioned Strength	Men-in-position	Shortage in per cent
District Transport Officer	11	11	0
Motor Vehicle Inspector	24	06	75.00
Clerk	63	43	31.75
Computer operator	--	42	--
Other	23	17	26.09

We noticed from the above table that there was acute shortage of ancillary staff in the District Transport Offices. There were 43 clerks working in these offices out of which 23 were on deputation from other Departments.

4.3.26.1 No separate cadre for departmental officers

District Transport Officers are primarily responsible for enforcement of the laws, rules, departmental instructions and levy/collection of Government dues, but there was no separate cadre for departmental officers. The officers of Personnel & Training Department were deployed to execute the work of Transport Officers. Non-formulation of Departmental cadre may have adverse effect on administration of provisions of Act/Rules and consequent loss of Government revenue.

4.3.26.2 Acute shortage of Motor Vehicles Inspectors

Motor Vehicle Inspectors (MVIs) assist District Transport Officers in all technical matters relating to road transport. They are responsible for checking of fitness of vehicles and grant/renewal of certificate of fitness. We noticed that there were only six MVIs against the sanctioned strength of 24. Each MVI

performed his duties in more than two districts. Shortage in this cadre led to excess workloads which adversely affect their performances. In this regard the Chief Secretary, Government of Jharkhand directed (January 2014) the Department to fill the vacant post of MVIs on deputation basis until regular appointment is made. However, shortage in this cadre persisted (October 2015).

4.3.26.3 Work done on contractual basis

The Government of Jharkhand implemented *VAHAN* and *SARATHI* application in August 2004 as an integrated effort to computerise all activities of Transport Department. According to the implementation plan, training on the application software to the staff/officer of District Transport Office was to be imparted by the NIC. However, no training schedule was framed to make officials well acquainted with the software. As such, even after a lapse of more than 10 years, major work of the Department were executed by persons engaged on contractual basis or daily wages basis, which may lead to serious irregularities.

We recommend that the Government may consider establishing an Internal Audit wing and formulation of provisions for inspection of field offices by departmental authorities. Human Resources need to be strengthened by constituting their own cadre, organise proper training and provide adequate infrastructure and apparatus to transport personnel.

4.3.27 Conclusion

During Performance Audit we observed the following:

- Non-levy and collection of taxes from defaulter transport and personalised vehicles, defaulter national permit holders, non-renewal of registration, non-assignment of local registration mark and non-issuance of certificate of registration in smart card;
- Non-classification of public service vehicles and non-formation of policies for phasing out of old vehicles, imposition of green tax, pollution awareness programme etc. to control vehicular pollutions. Necessary apparatus and premises for inspection of vehicles were not provided to Motor Vehicle Inspectors for issuing certificate of fitness; and
- There is no internal audit wing in the department, internal audit is done by Finance Department, due to inadequate internal audit the Department remained unaware of the areas of malfunctioning in the system. Inadequate working strength, absence of proper training and non-formulation of departmental cadre affected to enforce the provisions of Act/Rules.

4.4 Non-observance/compliance of the provisions of Acts/Rules

The Jharkhand Motor Vehicles Taxation (JMVT) Act, 2001, Motor Vehicles Act, 1988, Bihar Financial Rules (as adopted by the Government of Jharkhand) and Rules made thereunder provide for:

- (i) *payment of motor vehicles tax by the owner of the vehicle at the prescribed rate;*
- (ii) *timely deposit of collected revenue into the Government account;*
- (iii) *payment of registration fee at the prescribed rate;*
- (iv) *issue and renewal of authorisation of national permit; and*
- (v) *issue and renewal of driving licence.*

We noticed that the Transport Department did not observe the provisions of the Act/Rules in the cases mentioned in the succeeding paragraphs.

4.5 Non-collection of taxes on vehicles

Tax and penalty of ₹ 5.49 crore, though realisable from the defaulting vehicle owners, was not realised.

4.5.1 We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in seven District Transport Offices²⁴ between July 2014 and March 2015 that the owners of 648 vehicles out of 12,151 vehicles test checked did not pay tax between December 2010 and March 2015. In none of these cases was change of address of the owners or surrender of documents for securing exemption from payment of tax under Section 17 of the JMVT Act, 2001 found on record. As such, they were liable to pay tax and penalty under Section 5 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of the JMVT Rules, 2001, therefore they did not have the details of the number of defaulting vehicle owners and taxes to be realised from them. The District Transport Officers did not raise demand for tax and penalty against the defaulting vehicle owners which resulted in non-levy of tax of ₹ 3.92 crore including penalty of ₹ 2.62 crore.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 5.64 lakh had been realised in 10 cases. The Transport Secretary instructed the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes (August 2015). Further reply had not been received (October 2015).

4.5.2 We noticed from test check of the Taxation Register, DCB Registers, Surrender Registers and the computerised data in seven District Transport Offices²⁵ between July 2014 and March 2015 that the owners of 1,155 trailers out of 5,903 trailers test checked did not pay tax between March 2010 and March 2015. In none of these cases was change of address of the owners

²⁴ Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikela-Kharsawan.

²⁵ Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikela-Kharsawan.

found on record. As such, they were liable to pay tax and penalty under Section 5 of the JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001. The DTOs also did not update the DCB Register periodically as per Rule 23 of JMVT Rules, 2001, therefore they did not have the details of the number of defaulting trailer owners and taxes to be realised from them. The District Transport Officers did not raise demand for tax and penalty against the defaulting trailer owners which resulted in non-levy of tax of ₹ 1.57 crore including penalty of ₹ 1.05 crore.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma intimated (August 2015) that demand notices had been issued against defaulting vehicle owners and ₹ 55,800 had been realised in eight cases. The Transport Secretary instructed (August 2015) the DTOs to identify heavy defaulters and start intensive drive against them for realization of arrear taxes. He further stated that one time tax for 5/10 years would be proposed. Further reply had not been received (October 2015).

4.6 Non-levy of one time tax on personalised vehicles

One-time tax and penalty of ₹ 97.50 lakh, though realisable from the defaulting personalised vehicle with seating capacity of six to 10, was not levied.

We noticed from test check of the Taxation Register and the computerised data in seven District Transport Offices²⁶ between July 2014 and March 2015 that in case of 341 out of 4,738 private vehicles whose tax validity expired between March 2006 and August 2014. The DTOs did not review the DCB Registers periodically. This resulted in non-levy of one-time tax of ₹ 85.92 lakh including interest of ₹ 37.14 lakh as provided in Section 2(g) of the Jharkhand Motor Vehicles Taxation (Amendment) Act, 2011 and Section 7 of JMVT Act 2001. Besides, tax of ₹ 11.58 lakh including penalty of ₹ 7.72 lakh upto 22 May 2011 was also leviable under Section 5 of the JMVT Act, 2001 and Rule 4 of the JMVT Rules, 2001.

After we pointed out the cases (between July 2014 and March 2015), the DTO, Koderma stated (August 2015) that an amount of ₹ 55,750 had been realised in two cases. The Transport Secretary directed the DTOs to identify heavy defaulter and start intensive drive for realization of arrear taxes (August 2015). Further reply had not been received (October 2015).

4.7 Non-realisation of interest due to delay in deposit of revenue collected by banks

The collecting bank did not credit interest of ₹ 21.36 lakh for delayed transfer of collected revenue into Government account within the prescribed time.

We noticed during the test check of bank statements of remittances of revenue collected in the office of District Transport Office, Sahibganj in March 2015 that the collecting bank i.e. State Bank of India, Sahibganj did not credit a sum of ₹ 21.12 crore for years 2012-13 and 2013-14 into SBI, Doranda Branch, for

²⁶ Chaibasa, Deoghar, Giridih, Jamtara, Koderma, Sahibganj and Saraikele-Kharsawan.

credit into Government Account within the prescribed time, contrary to the provisions of Rule 37 of the Bihar Financial Rules (adopted by the Government of Jharkhand) and instructions of Transport Commissioner, Jharkhand (January 2001) and is liable to pay penal interest of ₹ 21.36 lakh as per instructions of the Reserve Bank of India (RBI). The delay ranged from one month to 10 months. This indicated that the Department did not monitor and also did not effectively pursue the matter of payment of interest with the collecting banks.

The Transport Secretary directed the DTOs to keep periodical watch over the transfer of Government revenue by banks (August 2015). Further reply had not been received (October 2015).

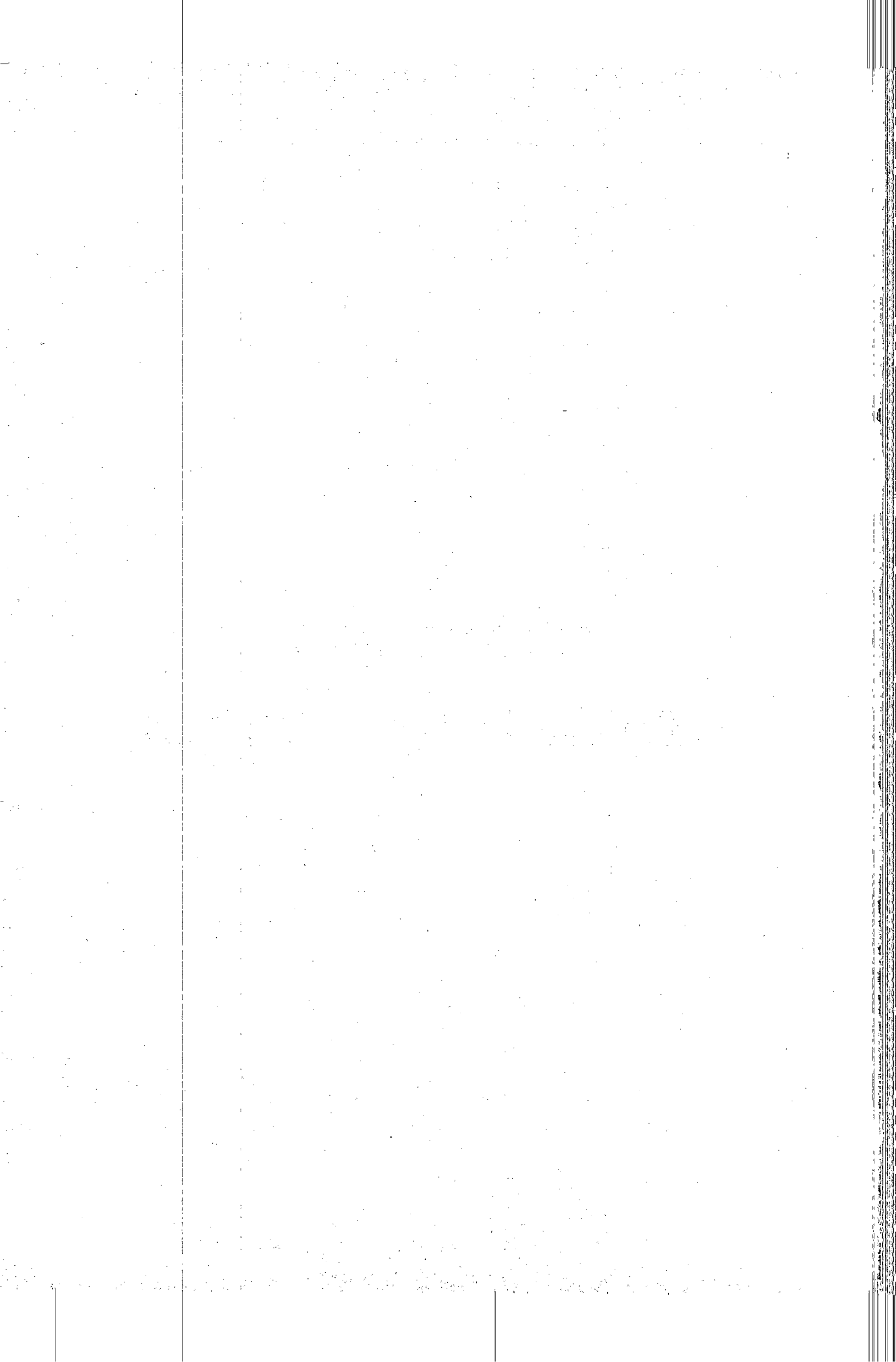
4.8 Short registration of trailers

Short registration of trailers against tractors deprived the Government revenue of ₹ 15.72 lakh.

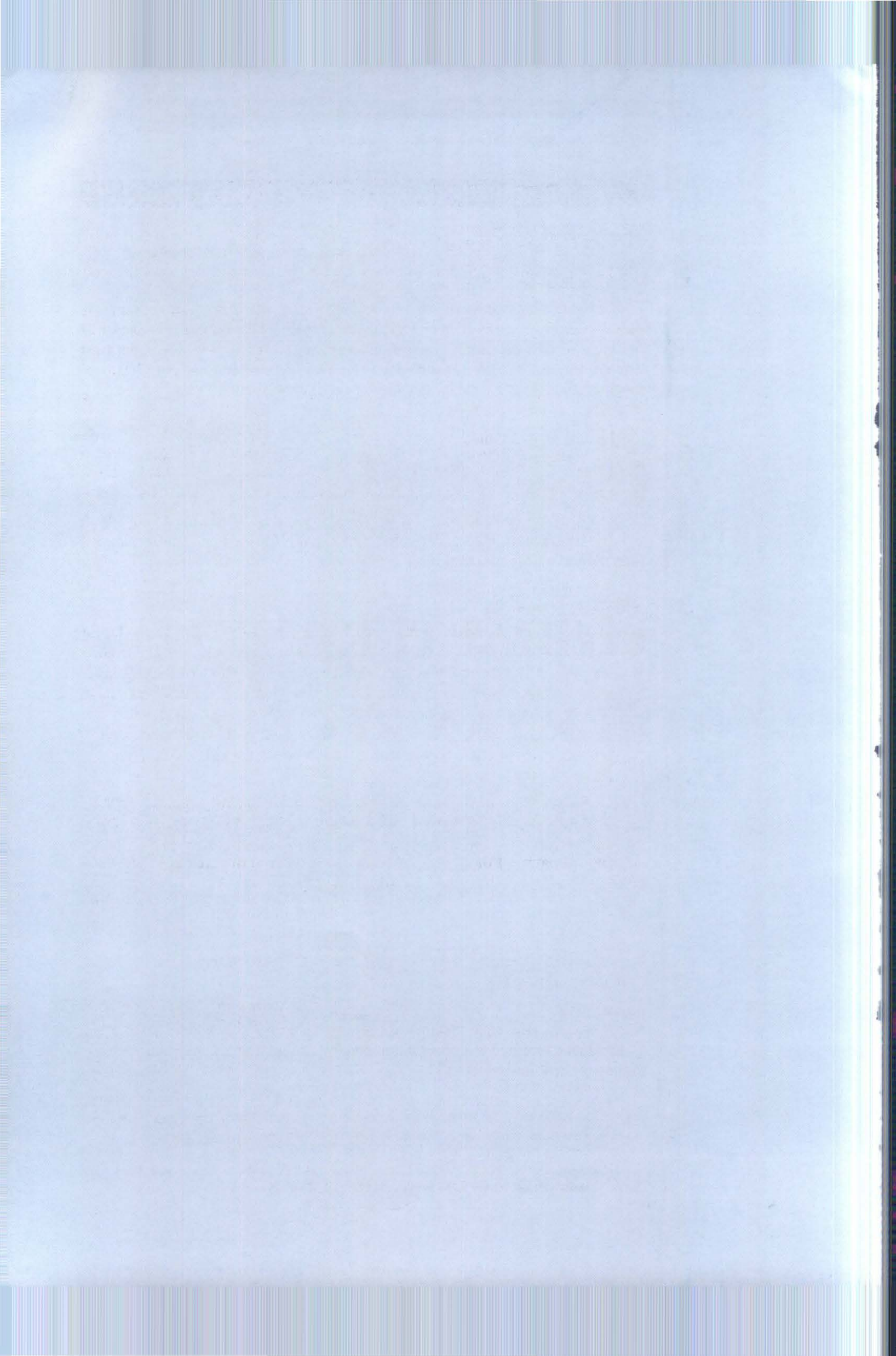
We noticed from test check of Taxation and Registration Register alongwith list of vehicles registered during 2009-10 to 2013-14 in District Transport Office, Sahibganj in March 2015 that number of trailers registered during the years was only between 35 *per cent* and 48 *per cent* of the number of tractors registered as compared to three²⁷ adjoining districts which was 100 *per cent*. Against 1,061 tractors only 406 trailers were registered keeping in abeyance the instruction issued in July 2007 by the Transport Department wherein it was directed to ensure registration of both tractor and trailer. Section 4 provides that a motor vehicle used for transporting agricultural produces shall not be deemed to be used solely for the purposes of agriculture. In absence of trailer, the utility of tractor does not hold much importance. The vehicle owners tend to conceal annual tax of ₹ 2,400, payable under Section 5 of the JMVT Act 2001 by not registering the trailers. Thus, due to short registration of trailers, the Government was deprived of revenue of ₹ 15.72 lakh.

The Transport Secretary directed DTOs to ensure registration of both tractor and trailer. It was also stated that the feasibility of levy of clubbed tax on both would be explored. However, no action was taken by the DTO to adhere to the Departmental instruction. Further reply had not been received (October 2015).

²⁷ Deoghar, Dumka and Jamtara.



CHAPTER-V
OTHER TAX RECEIPTS



CHAPTER – V: OTHER TAX REVENUE

A. LAND REVENUE

5.1 Tax administration

The legal framework of Revenue and Land Reforms Department¹ is administered by the Secretary/Commissioner. All important cases of settlement, framing of policies and sanction of alienation of Government land are decided at the Government level. The State is divided into five divisions² each headed by a Divisional Commissioner and 24 districts³ each headed by a Deputy Commissioner. At the district level the Deputy Commissioner is assisted by the Additional Collector/Additional Deputy Commissioner (AC/ADC). Districts are divided into sub-divisions headed by a Sub-Divisional Officer (SDO) who is assisted by a Deputy Collector Land Reforms (DCLR). The sub-divisions are divided into circles each headed by a Circle Officer (CO).

The various receipts under 'Land Revenue' are land rent, *salami*⁴, commercial/residential rent, cess⁵ etc.

5.2 Results of audit

The Revenue and Land Reform Department collected ₹ 83.54 crore during 2014-15. During the period 2014-15 we test checked the records of 20 units out of 307 units of Land Revenue with revenue collection of ₹ 5.69 lakh, revealed non/short levy of cesses and/or interest on arrears of cess, non/short fixation of *salami* and commercial rent, non-settlement of vested lands etc. involving ₹ 3.89 crore in 178 cases. This indicates the near abdication of duty of collection of Land Revenue by 20 units as detailed in **Table – 5.2**.

Table – 5.2

Sl. No.	Categories	Number of cases	(₹ in crore)
			Amount
1	Non-settlement of vested lands	16	0.10
2	Non-settlement of <i>sairats</i>	9	0.02
3	Other cases	153	3.77
Total		178	3.89

¹ The Bihar Tenancy Act, 1885, Chotanagpur Tenancy Act, 1908, Santhal Parganas Act, 1949, Bihar Land Reforms Act, 1950, Bihar Land Reforms (Fixation of Ceiling Area and Acquisition of Surplus Land) Act, 1961, Bihar Bhoodan Act, 1954, Bihar Government Estate (*Khas Mahal*) Manual, 1953, Bihar Public Land Encroachment Act, 1956, Bengal Cess Act, 1880 and Executive orders issued by the Revenue and Land Reforms Department,

² South Chotanagpur (Ranchi), North Chotanagpur (Hazaribag), Santhal Parganas (Dumka), Palamu (Medininagar) and Kolhan (Chaibasa).

³ Bokaro, Chatra, Dhanbad, Dumka, Deoghar, East Singhbhum, Garhwa, Godda, Giridih, Gumla, Hazaribag, Jamtara, Koderma, Khunti, Latehar, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi, Sahebganj, Saraikela-Kharsawan, Simdega and West Singhbhum.

⁴ *Salami* is the market value of the land.

⁵ Education cess: 50 per cent, Health cess: 50 per cent, Agriculture Development cess: 20 per cent and Road cess: 25 per cent of the rent (Total 145 per cent).

During the course of the year, the Department accepted 22 cases of non-renewal of lease amounting to ₹ 2.24 crore.

In this chapter we present a few illustrative cases having recoverable financial implication of ₹ 2.24 crore. These are discussed in the following paragraphs.

Audit observations**5.3 Non-observance of the provisions for Salami**

The Bihar Government Estates (Khas Mahal) Manual, 1953 and instructions issued from time to time, as adopted by the Government of Jharkhand, provide for:

- (i) *levy of salami on fresh leases equal to prevailing market value of land besides annual rent at the rate of two and five per cent for residential and commercial purposes respectively of such salami; and*
- (ii) *levy of salami, penal rent and interest on non-renewal of lease.*

The Revenue and Land Reforms Department did not observe diligently the provisions of the Acts/Rules resulting in non/short realisation of Government revenue as mentioned in the succeeding paragraphs:

5.4 Non-realisation of revenue due to non-renewal of lease

Government was deprived of revenue on account of *salami*, penal rent and interest due to non-renewal of lease.

We test checked the lease records of Anchal Office, Simdega, out of 12 Anchal Offices in Simdega district under Deputy Collector Land Reforms (DCLR) in October 2014 and noticed that 22 leases out of 102 leases involving 2.44 acres of land had expired between 1960 and 1996. We observed that neither the lessees applied for renewal of leases within the prescribed time nor the Department reviewed lease records and issued notices to the lessees to apply for renewal. However, on the basis of a survey conducted by DCLR, notices were served by the Department to the leaseholders for renewal of leases in 2002-03. Accordingly, the leaseholders submitted their willingness for renewal of leases, but the leases had not been renewed (April 2015). In fact, land holders were required to be treated as trespassers under the provisions of Rule 9 of Bihar Government Estates (*Khas Mahal*) Manual and the Rules framed thereunder (as adopted by the Government of Jharkhand), which stipulates that a lessee continuing to occupy leasehold property without payment of rent and without renewal of lease as a trespasser and has no claim for renewal on past terms and conditions. Thus, failure on the part of the Department to review the concerned records periodically and take action for renewal of expired leases within the prescribed time in accordance with the above provisions resulted in non-realisation of Government revenue of ₹ 2.24 crore on account of *salami*, penal rent and interest.

After we pointed out the matter, the DCLR, Simdega stated in October 2014 that action was being taken for renewal of leases. Further reply has not been received (October 2015).

We reported the matter to the Government in May 2015; their reply has not been received (October 2015).

B. STAMP DUTY AND REGISTRATION FEES

5.5 Tax administration

The levy and collection of Stamp duty and Registration fees in the State of Jharkhand is governed by the Indian Stamp Act, 1899 and rules made thereunder and the Registration Act, 1908. On creation of the State of Jharkhand, with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand.

5.6 Results of audit

The Stamp and Registration Department collected ₹ 530.67 crore during 2014-15. We test checked the records of 14 units out of 46 units relating to Stamp duty and Registration fees. The test checked units revealed short levy of Stamp duty and Registration fees, undervaluation of properties etc. involving ₹ 2.33 crore in 626 cases, as detailed in **Table – 5.6**.

Table – 5.6

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Short levy of Stamp duty and Registration fees	26	0.39
2	Undervaluation of properties	7	0.42
3	Other cases	593	1.52
Total		626	2.33

During the course of the year, the Department accepted 37 cases of short levy of Stamp duty and Registration fees etc. amounting to ₹ 35 lakh pointed out during 2014-15.

In this chapter we present illustrative cases having financial implications of ₹ 29 lakh which have been discussed in the succeeding paragraphs.

5.7 Non-observance of provisions of Acts/Rules

The Indian Stamp Act, 1899 (IS Act), the Registration Act, 1908 and Bihar Registration Rules, 1937, Bihar Registration Manual, 1946 and Bihar Stamp (Prevention of under valuation of instruments) Rules, 1995 (as adopted by the Government of Jharkhand) made thereunder provide for:

- (i) *payment of Registration fees at the prescribed rate; and*
- (ii) *payment of Stamp duty by the executants at the prescribed rate.*

We noticed that the Registration Department did not observe the provisions of the Act/Rules in cases mentioned below:

5.8 Misclassification of deeds of conveyance as Development Agreements

Misclassification of 11 deeds of conveyance as development agreements in a District Sub Registrar Office resulted in short levy of Stamp duty and Registration fees amounting to ₹ 19.46 lakh.

We test checked (July 2014) Book-I, Fee Books and Valuation Registers of office of the District Sub Registrar (DSR), Dhanbad and found that 11 development agreements were registered in this office during 2012-13. In lieu of the consideration to be received, the owners of land were entitled to a part of the developed land. The developers were entitled to dispose of their shares of developed land in such a manner as they deemed fit without requiring any consent from the owners. Our scrutiny of documents further revealed that owners of land authorised the developers to take possession of the land with right to construct, develop and deal with the land in accordance with the terms and conditions of the agreements. As such, these documents were required to be registered as deeds of conveyance instead of development agreements because classification of an instrument depends upon the nature of the transaction recorded therein as stipulated in Section 2 (10) of the IS Act, 1899. But these documents were registered on incorrect consideration value, i.e., on advance payments made by developers to the owners of land instead of value of land transferred to the developer as per guideline register. The Department levied Stamp duty and Registration fees of ₹ 4.61 lakh on advances of simple agreements of ₹ 20.91 lakh instead of ₹ 24.07 lakh on consideration value of ₹ 3.44 crore. This resulted in short levy of Stamp duty and Registration fees amounting to ₹ 19.46 lakh including Registration fee of ₹ 8.34 lakh at a consideration arrived at by applying the market value of the land in accordance with the provisions of the Bihar Stamp (Prevention of undervaluation of instruments) Rules, 1995.

After we pointed out the cases in August 2014, the DSR, Dhanbad stated in June 2015 that notices have been issued and an amount of ₹ 2 lakh has been recovered in two cases. Further reply has not been received (October 2015).

We reported the matter to the Government in April 2015; their reply has not been received (October 2015).

Similar issue was pointed out in Paragraph Nos. 6.7.4 of Audit Report (Revenue Sector) for the year ended 31 March 2013, the Government accepted our observation and amended the table of fees under the Registration Act,

1908 (xvi of 1908) in October 2014 by inserting a provision under E(1) for levy of registration fees at the rate of two *per cent* of the total estimated cost of the building/apartment/construction project as approved by the competent authority.

5.9 Non-levy of Stamp duty and Registration fees on leases

Absence of a mechanism of inter-departmental exchange of data/information resulted in non-registration of leases executed by Anchal office, Municipal Council, Panchayats etc. and consequential non-levy of Stamp duty and Registration fees of ₹ 9.77 lakh.

We obtained information from six offices⁶ regarding settlement of *sairats* (the right and interest in respect of revenue earning *hat, bazaar, mela*, trees, ferries etc.) and cross verified (between June and October 2014) with the records of concerned four DSRs⁷ which revealed that between 2012-13 and 2013-14, out of 29 *sairats*, 17 *sairats* were settled with different bidders for more than one year or on year to year basis. But these were not registered as per the provisions of the Registration Act, which stipulates that leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent is to be compulsorily registered. Thus, non-registration of these documents resulted in non-levy of Stamp duty and Registration fees amounting to ₹ 9.77 lakh including Registration fee of ₹ 4.88 lakh.

After we pointed out the cases between June and October 2014, DSRs stated between June and November 2014 that correspondence would be made with the concerned Departments and action would be taken accordingly. Further reply has not received (October 2015).

We reported the matter to the Government in April 2015; their reply has not been received (October 2015).

Similar issue was pointed out in Paragraph Nos. 5.11 of Audit Report (Revenue Sector) for the year ended 31 March 2014: the Government accepted our observation and stated (June 2014) that the concerned deed had not been presented for registration. The Deputy Commissioners of the concerned districts have been instructed to get the lease agreements registered before settlement of lease property.

⁶ Anchal Adhikari, Chatra and Koderma, Municipal Council, Chatra, Nagar Panchayat Khunti, Koderma and Simdega.

⁷ Chatra, Khunti, Koderma and Simdega.

C. TAXES AND DUTIES ON ELECTRICITY**5.10 Tax administration**

The Commercial Taxes Department is responsible for levy and collection of Electricity Duty under the provisions of Jharkhand Electricity Duty (Amendment) Act, 2011. The Secretary-cum-Commissioner of Commercial Taxes, assisted by an Additional Commissioner, three Joint Commissioners of Commercial Taxes (JCCT), three Deputy Commissioners of Commercial Taxes (DCCT) and two Assistant Commissioners of Commercial Taxes (ACCT) is responsible for administration of the Act and Rules. The State is divided into five Commercial Taxes Divisions⁸ each under the charge of a JCCT (Admn.) and 28 circles, each under the charge of a DCCT/ACCT of the circle. The DCCT/ACCT assisted by Commercial Taxes Officers, is responsible for levy and collection of Electricity Duty.

5.11 Results of audit

Collection of Electricity Duty (ED) during the period 2014-15 was ₹ 175.40 crore. Our test check of records relating to ED in three Commercial Taxes Circles⁹ out of 28 Commercial Taxes Circles in 2014-15 revealed non/short levy of duty and surcharge etc. involving ₹ 22.86 crore in 15 cases as mentioned in Table – 5.11.

Table – 5.11

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Short levy of Electricity Duty	6	15.26
2	Non/short levy of surcharge	6	7.30
3	Other cases	3	0.30
Total		15	22.86

During the course of the year, the Department accepted short levy of Electricity Duty and surcharge etc. amounting to ₹ 1.39 crore in one case pointed out during 2014-15.

In this part of the chapter, we present few illustrative cases having financial implication of ₹ 11.18 crore, which have been discussed in the succeeding paragraphs.

⁸ Dhanbad, Hazaribag, Jamshedpur, Ranchi and Santhal Parganas (Dumka).

⁹ Hazaribag, Jharia and Tenughat.

5.12 Non-observance of provisions of Acts/Rules

The Bihar Electricity Duty (BED) Act, 1948 and Rules made thereunder, as adopted by the Government of Jharkhand, provide for payment of electricity duty at the rate of 15 paise per unit for mining purposes and surcharge at the rate of 2 paise per unit of electrical energy used or consumed. The rate was revised from June 2011, i.e. electricity duty at the rate of 20 paise per unit for mining purposes and Section 3A of the BED Act, 1948, which provide for levy of surcharge at the rate of 2 paise per unit of electrical energy used or consumed was deleted by Jharkhand Electricity Duty (Amendment) Act, 2011. The BED Act, 1948 and Bihar Electricity Duty (BED) Rules 1949 as adopted by Jharkhand Government did not provide for a time limit for finalisation of assessment. However, Rule 12 (as amended) of the Jharkhand Electricity Duty (Amendment) Rules 2012, put into force with effect from 18 June 2012 provides for the assessment of the assesseees within 18 months of filing of the Annual Returns.

We noticed that the Commercial Taxes Department did not observe the provisions of the Act/Rules in the case mentioned in the succeeding paragraph.

5.13 Non-levy of penalty for non/short payment of electricity duty and surcharge

Penalty of ₹ 7.35 crore though leviable under the provision of the BED Act for non/short payment of electricity duty and surcharge was not levied.

We noticed from the assessment records between February and December 2014 in three commercial taxes circles¹⁰ that seven assesseees paid electricity duty and surcharge of ₹ 8.67 crore for consumed electrical energy of 122.49 crore units for the period between 2005-06 and 2012-13 against demand of ₹ 12.37 crore. Thus, there was non/short payment of electricity duty and surcharge amounting to ₹ 3.70 crore for which assesseees were liable to pay penalty as per provisions of the Section 5A (2) of the BED Act, 1948 up to five *per cent* but not less than two and half *per cent* for each of the first three months or part thereof following the due date and up to ten *per cent* but not less than five *per cent* for each subsequent month or part thereof. The assessing authorities (AAs) also did not raise demand for payment of penalty resulting in non-levy of penalty of ₹ 7.35 crore (**Appendix-XV**).

As per provision of Section 7 of the BED Act, 1948, any duty or penalty imposed under the Act, which remains unpaid shall be recovered as if it were an arrear of land revenue.

After we pointed out the matter, AAs stated between February 2014 and January 2015 that the cases would be reviewed. The Assessing Authority, Tenughat reviewed the case and issued demand notices amounting to ₹ 1.39 crore in case of one assessee in July 2014. Further reply has not been received (October 2015).

¹⁰ Hazaribag, Jharia and Tenughat out of 28 circles in the State.

We reported the matter to the Government in May 2015; their reply has not been received (October 2015).

Similar issue was pointed out in Paragraph Nos. 6.10.16.2 of Audit Report (Revenue Sector) for the year ended 31 March 2013, the Government accepted our observation and stated that notices have been issued to the assesseees for further action.

5.14 Non/short levy of electricity duty and surcharge

Electricity duty was levied at the rates applicable for industrial purpose instead of mining purpose and surcharge was not levied.

5.14.1 We test checked the assessment records between February and December 2014 in three Commercial Taxes Circles¹¹ and noticed that five assesseees consumed 29.91 crore units of electrical energy for mining purposes during the period from 2006-07 to 2012-13. It has been judicially held¹² that the process of mining comes to an end only when the ore extracted from the mines is washed, screened, dressed and then stacked at the mining site. But the AAs levied electricity duty at lesser rate, applicable for industrial purpose, than that applicable for mining purposes which resulted in short levy of electricity duty amounting to ₹ 2.44 crore.

After we pointed out the matter, AAs stated between February 2014 and January 2015 that the cases would be reviewed. Further reply has not been received (October 2015).

5.14.2 We test checked the assessment records between October and November 2014 in Commercial Taxes Circle, Jharia and noticed that three assesseees filed returns showing consumption of electrical energy of 69.17 crore units during the period between 2006-07 and 2010-11. We further noticed that the assesseees paid electricity duty of ₹ 6.71 crore for electricity consumed but did not pay surcharge as per provision of the Bihar Electricity Duty Act, as adopted by the Government of Jharkhand, which provides that surcharge at the rate of two *paisa* per unit of energy consumed or sold shall be payable in addition to duty payable. The assessing authority also did not raise demand for payment of surcharge resulting in non-levy of surcharge of ₹ 1.39 crore.

After we pointed out the matter, the AA stated in November 2014 that the cases would be reviewed. Further reply has not been received (October 2015).

We reported the matter to the Government in May 2015; their reply has not been received (October 2015).

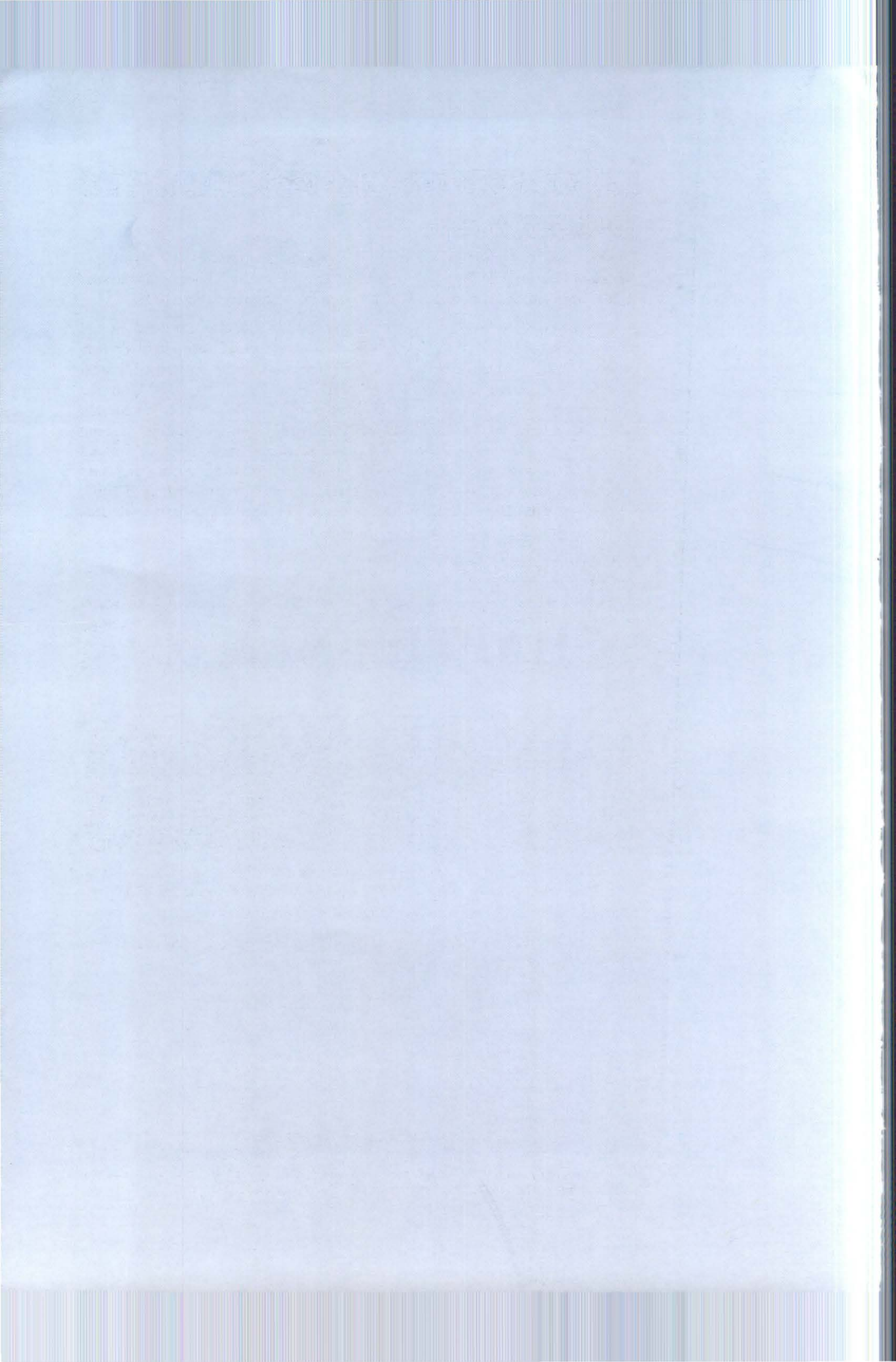
Similar issue was pointed out in Paragraph Nos. 6.10.12.2 and 6.10.12.3 of Audit Report (Revenue Sector) for the year ended 31 March 2013, the Government accepted our observation and stated that notices have been issued to the assesseees for further action.

¹¹ Hazaribag, Jharia and Tenughat.

¹² Chowgule and Co. vs Union of India (1981) 47 STC-124 SC.

The main focus of the Department is concentrated on administration of VAT/CST for which the assessments are to be finalised in a time bound manner. This indicated lack of commitment towards administration of the BED Act.

CHAPTER-VI
MINING RECEIPTS



CHAPTER-VI: MINING RECEIPTS

6.1 Tax administration

The levy and collection of royalty in the State is governed by the Mines and Minerals (Development and Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Jharkhand Minor Mineral Concession Rules, 2004.

At the Government level, the Secretary, Mines and Geology Department and at the department level, the Director of Mines is responsible for administration of the Acts and Rules. The Director of Mines is assisted by an Additional Director of Mines (ADM) and Deputy Director of Mines (DDM) at the headquarters' level. The State is divided into six circles¹, each under the charge of a DDM. The circles are further divided into 24 district mining offices², each under the charge of a District Mining Officer (DMO)/Assistant Mining Officer (AMO). The DMOs/AMOs are responsible for levy and collection of royalty and other mining dues. They are assisted by Mining Inspectors (MIs). DMOs and MIs are authorised to inspect the lease hold areas and review production and dispatch of minerals.

6.2 Results of audit

Test check during 2014-15 of the records of 18 units with revenue collection of ₹ 2,775.32 crore, out of 50 units relating to the Mines and Geology Department revealed non/short levy of royalty, dead rent, penalty and other irregularities involving ₹ 407.42 crore in 298 cases as mentioned in the Table – 6.2.

Table – 6.2

Sl. No.	Categories	(₹ in crore)	
		No. of cases	Amount
1	Non/short levy of royalty	38	361.19
2	Short levy of royalty due to downgrading of coal	5	27.75
3	Non-institution of certificate proceedings	1	0.96
4	Other cases	254	17.52
Total		298	407.42

During the course of the year, the Department accepted under-assessments and other deficiencies amounting to ₹ 2.20 crore in 68 cases pointed out by us during 2014-15. The Department recovered ₹ 13 lakh in seven cases.

In this chapter a few illustrative cases having recoverable financial implication of ₹ 367.20 crore have been discussed.

¹ Chaibasa, Daltonganj, Dhanbad, Dumka, Hazaribag and Ranchi.

² Bokaro, Chatra, Chaibasa, Daltonganj, Deoghar, Dhanbad, Dumka, Garhwa, Giridih, Godda, Gumla, Hazaribag, Jamshedpur, Jamtara, Khunti, Koderma, Latehar, Lohardaga, Pakur, Ramgarh, Ranchi, Sahebganj, Saraikela-Kharsawan and Simdega.

6.3 Non-observance of the provisions of Acts/Rules

The Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Minerals Concession (MC) Rules, 1960 provide for payment of royalty on the minerals removed and consumed from the leased area at the rates prescribed, within the due dates.

The Mines and Geology Department did not observe the provisions of the Acts/Rules with regard to application of correct rate of royalty, scrutiny and verification of monthly returns etc. in the cases mentioned in paragraphs 6.4 to 6.10 which resulted in non/short levy/realisation of ₹ 367.20 crore.

6.4 Short levy of royalty due to application of incorrect rate

Non-observance of the provisions of the Act/Rules and notifications issued by the Ministry of Coal, Government of India with regard to application of correct rate of royalty resulted in short levy of royalty of ₹ 338.59 crore.

6.4.1 We test checked (between October 2014 and January 2015) the monthly returns of 139 leases of coal in four Mining Offices³ and noticed that 23 lessees had dispatched 136.66 lakh MT of coal during the period between 2009-10 and 2013-14. On these dispatches royalty of ₹ 308.79 crore was levied instead of ₹ 644.94 crore that was to be levied on the basis of basic pit head price of Run of Mines (ROM) coal notified by the Coal India Limited (CIL) as required under the notifications issued by the Ministry of Coal, Government of India and on the basis of sale price of tailings coal. The respective DMOs/AMOs failed to compute royalty on the basis of above provisions. This resulted in short levy of royalty amounting to ₹ 336.15 crore due to application of incorrect rate as mentioned in the **Table – 6.4.1**.

Table – 6.4.1

(₹ in lakh)

Sl. No.	Name of the office No. of leases	Name of the mineral Period	Quantity dispatched (In lakh MT)	Royalty leviable Royalty levied	Short levied	Remarks
1	Bokaro 2	Coal 2013-14	2.04	516.72 384.47	132.25	Royalty was not calculated on the basis of basic pit head price of ROM coal as notified by the CIL between January 2012 and May 2013.
2	Dhanbad 18	Coal 2013-14	13.87	4,007.64 3,239.79	767.85	
3	Hazaribag 2	Coal 2013-14	4.01	739.34 548.14	191.20	
4	Ramgarh 1	Coal 2009-10 to 2013-14	116.74	59,230.52 26,706.93	32,523.59	Royalty was neither levied on the basis of price of Steel Grade-I coal notified by the CIL between December 2007 and May 2013 nor on Sale price of Tailings coal.
Total	23		136.66	64,494.22 30,879.33	33,614.89	

After we pointed out the cases between October 2014 and January 2015, the DMOs stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

³ Bokaro, Dhanbad, Hazaribag and Ramgarh.

6.4.2 We test checked (March 2015) the monthly returns of 10 leases of iron ore in District Mining Office, Chaibasa and noticed that a lessee had dispatched 14.29 lakh MT of iron ore during 2013-14, on which royalty of ₹ 42.34 crore was levied instead of ₹ 44.07 crore leviable on the basis of grade wise monthly average All India sale price of iron ore, published by the Indian Bureau of Mines (IBM) to be referred when average price for a particular grade of mineral for the State is not published under the provisions of Rule 64D (i) of the MC Rules, 1960. The DMO did not enforce provisions of the Rules for application of correct rates. This resulted in short levy of royalty of ₹ 1.73 crore.

After we pointed out the case (March 2015), the DMO stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

6.4.3 We test checked (March 2015) the monthly returns of 41 leases of bauxite in District Mining Offices, Gumla and Lohardaga and noticed that 10 lessees had dispatched 10.60 lakh MT of bauxite during 2013-14, on which royalty of ₹ 11.29 crore was levied instead of ₹ 12 crore leviable on the basis of London Metal Exchange price, as prescribed under provisions of second schedule of the MMDR Act, 1957 and Rule 64D (iv) of the MC Rules, 1960. The DMOs did not enforce provisions of the Rules for application of correct rates. This resulted in short levy of royalty of ₹ 70.56 lakh mentioned in the **Table – 6.4.3**.

Table – 6.4.3

(₹ in lakh)

Sl. No.	Name of the office No. of leases	Name of the mineral Period	Quantity dispatched (In lakh MT)	Royalty leviable Royalty levied	Short levied	Remarks
1	Gumla 2	Bauxite 2013-14	0.42	<u>45.99</u> 45.30	0.69	Royalty was not calculated on the basis of alumina content as per mining plan on the mineral dispatched to alumina and aluminium metal extraction industry.
2	Lohardaga 8	Bauxite 2013-14	10.18	<u>1,153.84</u> 1,083.97	69.87	
Total	10		10.60	<u>1,199.83</u> 1,129.27	70.56	

After we pointed out the cases (March 2015), the DMOs stated that action would be taken after verification of the matter. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

Similar issue featured in Paragraph No. 7.7 of Audit Report (Revenue Sector) for the year ended 31 March 2013, where the Government informed that demand had been raised for ₹ 32.08 crore, out of which ₹ 4.23 crore had been recovered. However, the nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the Department to prevent recurring leakage of revenue.

6.5 Short levy of royalty due to downgrading of coal

Non-verification of grades of coal shown in the monthly returns with the grades declared under the provisions of Colliery Control Rules, 2004 resulted in short levy of royalty of ₹ 27.60 crore.

We test checked (between November 2014 and March 2015) the monthly returns submitted by 115 collieries with Demand, Collection and Balance (DCB) Register in four District Mining Offices⁴ (DMO) and noticed that in 2013-14 four collieries⁵ had downgraded the coal of 50.55 lakh MT in their monthly returns as declared under the provisions of Rule 4 (2) of the Colliery Control Rules, 2004. The DMOs were negligent not to verify the grades with those declared by the collieries and levied the royalty on the grades shown in the monthly returns. This resulted in short levy of royalty of ₹ 27.60 crore as mentioned in the **Table – 6.5**.

Table – 6.5

Sl. No.	Name of the office No. of leases	Period	Quantity dispatched (In lakh MT)	Declared grade Downgraded grade	₹ in lakh	
					Royalty leviable Royalty levied	Short levied
1	Dhanbad 1	2013-14	1.77	ST-II(DF) W-II	1,012.78 637.95	374.83
2	Pakur 1	2013-14	48.64	G-8 G-9, G-10, G-11 & G-12	8,419.65 6,053.93	2,365.72
3	Ramgarh 1	2013-14	0.10	G-3 G-5	53.83 38.75	15.08
4	Ranchi 1	2013-14	0.04	G-4 G-5	21.64 17.36	4.28
Total	4		50.55		9,507.90 6,747.99	2,759.91

After we pointed out the cases between November 2014 and March 2015, the DMOs stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

6.6 Short levy of royalty

Non-levy of royalty on the mineral removed from lease hold area as per the provisions of MMDR Act, 1957 and MC Rules, 1960 resulted in short levy of royalty of ₹ 38.34 lakh.

We test checked (February 2015) the lease records of three lessees of major minerals in District Mining Office, Jamshedpur and noticed that between 2012-13 and 2013-14 a lessee had removed 8.28 lakh MT of copper ore from leased area. However, DMO levied royalty of ₹ 13.23 crore on 7.67 lakh MT of processed copper dispatched from the concentrator plant located outside the leased area instead of 8.28 lakh MT of copper ore removed from lease hold area as provided in Section 9 of the MMDR Act, 1957. In case of copper ore, the royalty was leviable on the basis of London Metal Exchange price as

⁴ Dhanbad, Pakur, Ramgarh and Ranchi.

⁵ Bhowra(S) 3 PIT OCP, Panem Coal Mines, Sirka and Churi.

prescribed under second schedule of the Act and Rule 64D of the MC Rules. Thus, royalty of ₹ 13.62 crore was leviable on 8.28 lakh MT of copper ore resulting in short levy of royalty of ₹ 38.34 lakh.

After we pointed out the case in February 2015, the Assistant Mining Officer stated that matter would be examined. Further reply has not been received (October 2015).

The matter was reported to the Government in June 2015; their reply has not been received (October 2015).

6.7 Non/Short levy of dead rent

Non-levy of dead rent on non-operational lease holders as per the provisions of MMDR Act, 1957 resulted in non/short levy of dead rent of ₹ 20.05 lakh.

We test checked (between August 2014 and March 2015) the monthly returns of 91 lessees with Demand, Collection and Balance (DCB) Register in four Mining Offices⁶ and noticed that in case of 38 leases, covering an area of 1,750.069 hectares, the lessees did not extract minerals during 2012-13 and 2013-14 and were liable to pay dead rent under the provisions of Section 9A of the MMDR Act, 1957. The DMOs were negligent and did not exercise periodical checks of DCB Register; consequently a partial demand of dead rent of ₹ 2.61 lakh could be raised in six cases only instead of ₹ 22.66 lakh leviable under the above provisions of the Act. This resulted in non/short levy of dead rent of ₹ 20.05 lakh.

After we pointed out the cases (between August 2014 and March 2015), the DMOs stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

6.8 Non-levy of penalty for illegal mining

Non-levy of penalty for extraction of mineral after expiry of lease as prescribed under the JMMC Rules, 2004 led to non-levy of penalty of ₹ 18.35 lakh.

We test checked (March 2015) the Renewal Application Register along with lease files of 33 leases of minor minerals in the District Mining Office, Gumla and noticed that a lessee, whose lease period was to be expired in July 2008 had applied for renewal of lease within the prescribed period. As such, the extended validity of this lease extended upto October 2008 as provided in Rule 23(2)(e) of the Jharkhand Minor Mineral Concession (JMMC) Rules, 2004. It was further revealed from the demand file, Raising and Dispatch (R&D) Register and DCB Register that the lessee had extracted and dispatched (between February 2009 and March 2014) 6,510.94 cum of stone boulder after expiry of extended validity (between February 2009 and March 2014),

⁶ Gumla, Latehar, Lohardaga and Ranchi.

thus, attracted the provisions of illegal mining under Rule 54(8). As such, the ex-lessee was liable to pay penalty of ₹ 21.81 lakh including royalty on dispatched quantity. The DMO was negligent not to monitor Renewal Application Register along with lease file, R&D Register and DCB Register and levied royalty of ₹ 3.46 lakh instead of penalty of ₹ 21.81 lakh which resulted in non-levy of penalty of ₹ 18.35 lakh.

After we pointed out the matter in March 2015, the Assistant Mining Officer stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

6.9 Short realisation of settlement amount for *Balu Ghats*

Auction money along with interest of ₹ 17.72 lakh could not be realised from two settlees of *balu ghats* (sand pier) under Jharkhand Minor Mineral Concession (JMMC) Amendment Rules.

We test checked (February 2015) the records pertaining to settlement of *balu ghats* in District Mining Office, Godda and noticed that two *balu ghats* were settled (June 2011) in favour of highest bidders at a settlement amount of ₹ 28.57 lakh and ₹ 25.32 lakh respectively for the period from June 2011 to March 2014. Further, it was noticed that the settlement holders paid ₹ 38.29 lakh against total dues of ₹ 53.89 lakh. The DMO failed to raise demand on residual amount of ₹ 15.60 lakh as required under the provisions of Rule 12 of the JMMC Amendment Rules, 2010. Besides, as per the terms and conditions of settlement the settlement holders were also liable to pay interest of ₹ 2.12 lakh at the rate of 24 *per cent* per annum on the balance amount.

After we pointed out the cases in February 2015, the Assistant Mining Officer (AMO) stated that action would be taken as per the provisions of the Rules. Further reply has not been received (October 2015)

We reported the matter to the Department in June 2015; their reply has not been received (October 2015).

6.10 Non-levy of penalty for non/delayed submission of monthly returns

Non-levy of penalty of ₹ 7.01 lakh for non/delayed submission of monthly returns by the lessees of minor mineral under the provisions of JMMC Rules, 2004.

We test checked (between September 2014 and March 2015) the monthly returns, R&D Registers and DCB Registers of 155 lessees of minor mineral in four Mining Offices⁷ and noticed that 28 lessees had not submitted 198 numbers of monthly returns and submitted 104 monthly returns with delays ranging between 12 days and 53 months for the period 2009-10 to 2013-14. The DMOs failed to levy penalty of ₹ 7.01 lakh for non/delayed submission of

⁷ Chaibasa, Dumka, Pakur and Sahibganj.


returns at the rate of ₹ 20 per day per return, limited to ₹ 2,500 for each return under the provisions of Rules 41 (3) and 42(2) of the JMMC Rules, 2004.

After the cases were pointed out (between September 2014 and March 2015), the District Mining Officers/Assistant Mining Officers stated that action would be taken after verification. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).

Similar issue featured in Paragraph No. 7.4.14 of Audit Report (Revenue Sector) for the year ended 31 March 2012. The Government stated that a demand for an amount of ₹ 2.28 lakh had been raised. However, the nature of lapses/irregularities are still persisting which shows ineffectiveness of the internal control system of the Department to prevent recurring leakage of revenue.

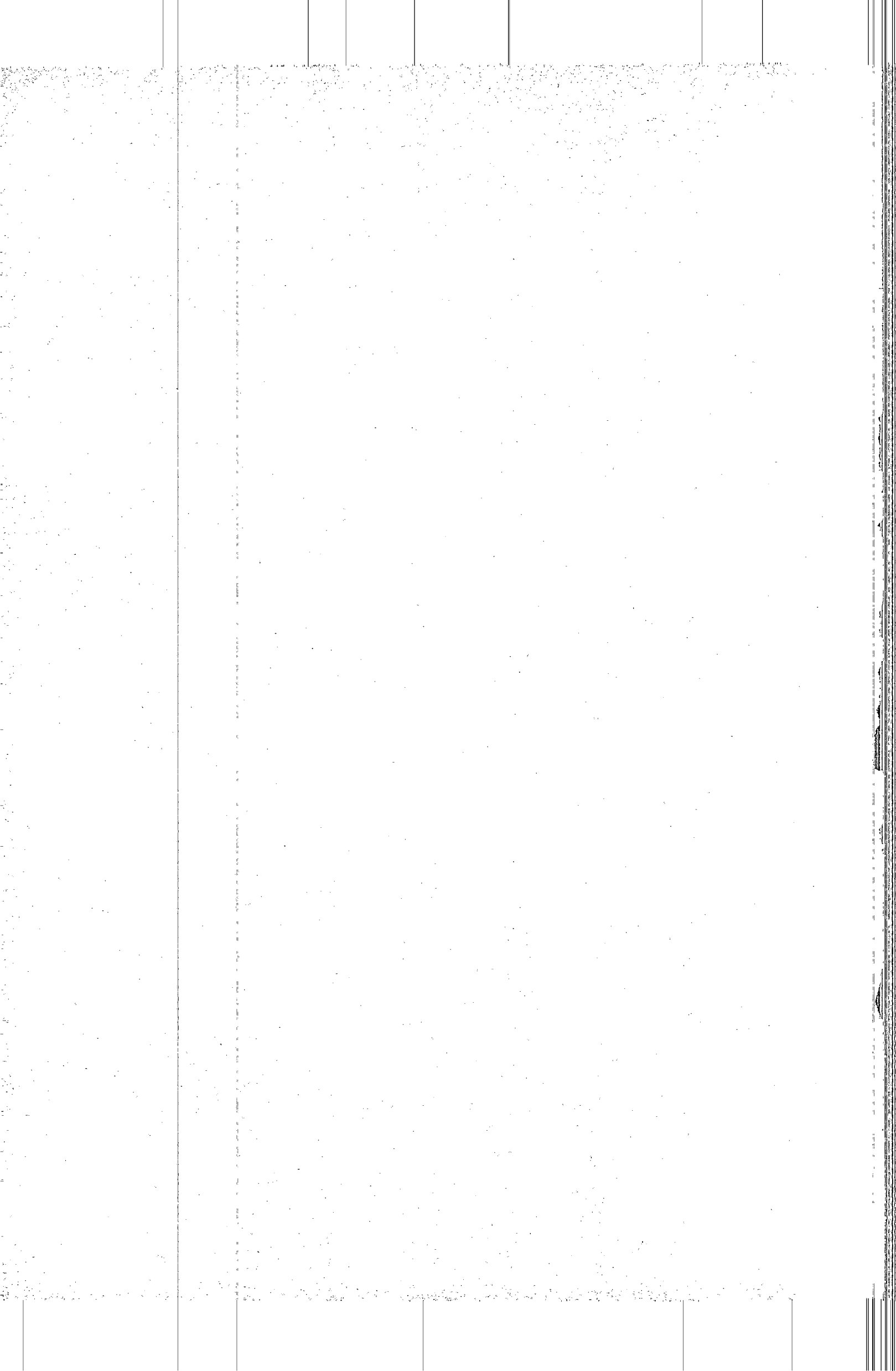
Ranchi
The 29 November 2015


(S. Ramann)
Accountant General (Audit)
Jharkhand

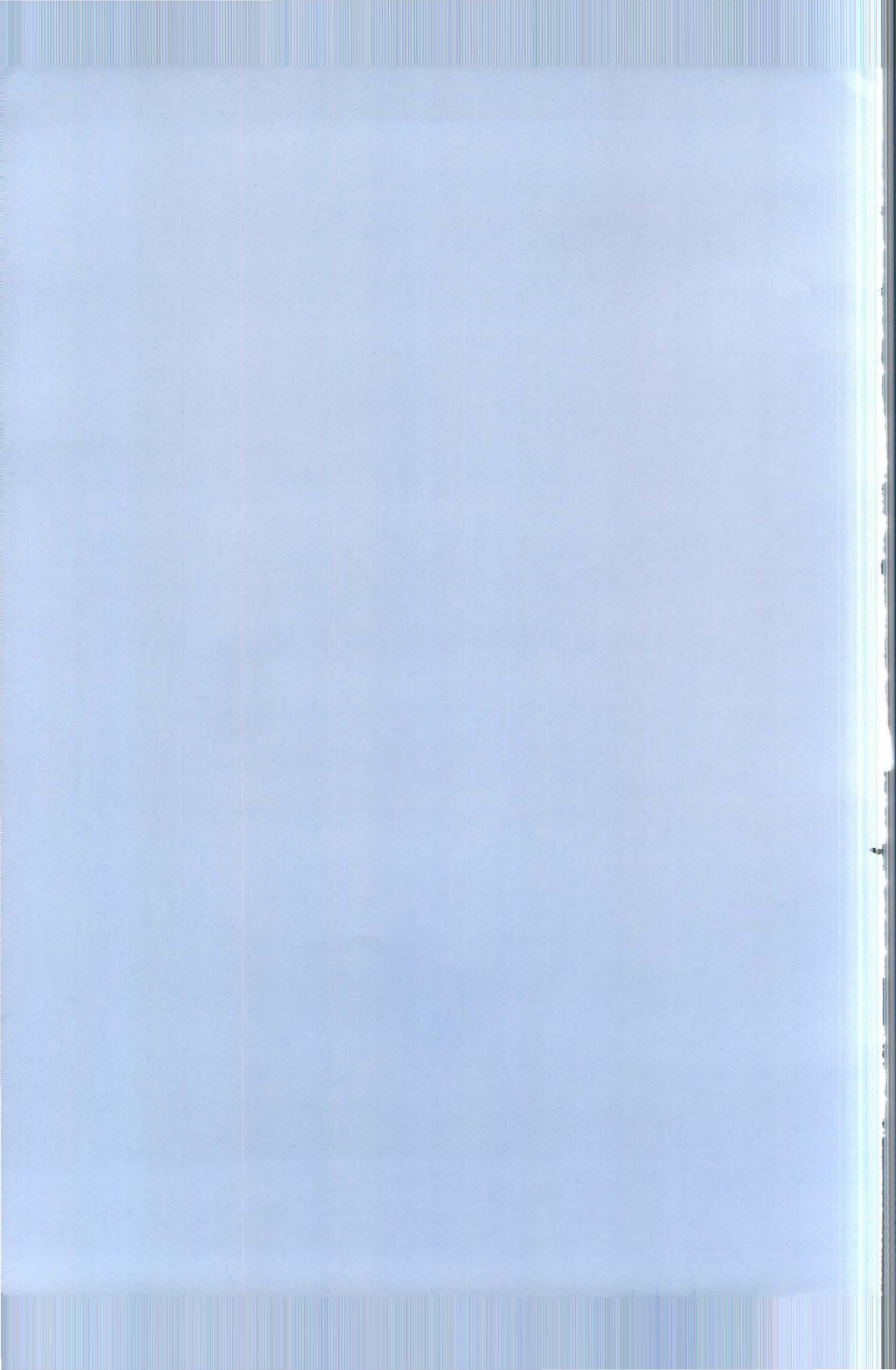
Countersigned

New Delhi
The 02 DECEMBER 2015


(Shashi Kant Sharma)
Comptroller and Auditor General of India



APPENDICES



Appendix-I (Referred to in Paragraph No. 2.3.10.3 of the Report)

Non-detection of unregistered works contractors

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the contractor	Period	Source Dealer (Assessment record)/ TIN	Amount received (Rs.)	Rate (%)	Tax	Penalty	Total
1	Ranchi East	Lal Babu Singh	2008 -09	NBCC Ltd./2008010080	7,05,052.00	12.50	88,131.50	88,131.50	1,76,263.00
2	Jamshedpur	A.S. Corporation	2010-11	L&T Ltd. /20300800003	43,065.00	12.50	5,383.13	5,383.13	10,766.25
3	Jamshedpur	Anand Enterprises	2010-11	L&T Ltd. /20300800003	6,77,679.00	12.50	84,709.88	84,709.88	1,69,419.75
4	Jamshedpur	Anil Kumar Pandey	2010-11	L&T Ltd. /20300800003	10,98,510.00	12.50	1,37,313.75	1,37,313.75	2,74,627.50
5	Jamshedpur	Astik Sharma	2010-11	L&T Ltd. /20300800003	27,64,882.00	12.50	3,45,610.25	3,45,610.25	6,91,220.50
6	Ranchi East	Axis	2010-11	NBCC Ltd./2008010100	7,34,520.00	12.50	91,815.00	91,815.00	1,83,630.00
7	Jamshedpur	B.S. Construction	2010-11	L&T Ltd. /20300800003	1,10,920.00	12.50	13,865.00	13,865.00	27,730.00
8	Jamshedpur	Binay Singh	2010-11	L&T Ltd. /20300800003	5,44,813.00	12.50	68,101.63	68,101.63	1,36,203.25
9	Jamshedpur	Chiranjeeb Mukherjee	2010-11	L&T Ltd. /20300800003	6,64,954.00	12.50	83,119.25	83,119.25	1,66,238.50
10	Ranchi East	Cutting Engineering	2009-10	NBCC Ltd./2008010084	15,44,325.00	12.50	1,93,040.63	1,93,040.63	3,86,081.25
11	Ranchi East	Dinesh Sharma	2009-10	NBCC Ltd./2008010091	45,41,955.00	12.50	5,67,744.38	5,67,744.38	11,35,488.75
12	Ranchi East	Garg Construction	2010-11	NBCC Ltd./2008010102	34,15,307.00	12.50	4,26,913.38	4,26,913.38	8,53,826.75
13	Ranchi East	Gill Construction	2008 -09	NBCC Ltd./2008010069	63,82,970.00	12.50	7,97,871.25	7,97,871.25	15,95,742.50
			2009-10	NBCC Ltd./2008010081	66,97,314.00	12.50	8,37,164.25	8,37,164.25	16,74,328.50
			2010-11	NBCC Ltd./2008010095	52,63,905.00	12.50	6,57,988.13	6,57,988.13	13,15,976.25
14	Jamshedpur	Gulabi Rani Choudhury	2010-11	L&T Ltd. /20300800003	12,33,271.00	12.50	1,54,158.88	1,54,158.88	3,08,317.75
15	Ranchi East	Hari Om Construction	2008 -09	NBCC Ltd./2008010078	3,79,663.00	12.50	47,457.88	47,457.88	94,915.75
16	Ranchi East	Hi Tech Engineering Consultant	2009-10	NBCC Ltd./2008010085	11,22,639.00	12.50	1,40,329.88	1,40,329.88	2,80,659.75
17	Ranchi East	IFFU Brothers	2010-11	NBCC Ltd./2008010097	81,900.00	12.50	10,237.50	10,237.50	20,475.00
18	Ranchi East	Kanpura Construction	2008 -09	NBCC Ltd./2008010079	3,23,474.00	12.50	40,434.25	40,434.25	80,868.50
			2009-10	NBCC Ltd./2008010094	23,47,793.00	12.50	2,93,474.13	2,93,474.13	5,86,948.25
19	Ranchi East	Kolkata Engineering Services	2010-11	NBCC Ltd./2008010098	14,82,552.00	12.50	1,85,319.00	1,85,319.00	3,70,638.00
20	Ranchi East	Krishna Kumar	2008 -09	NBCC Ltd./2008010076	5,42,073.00	12.50	67,759.13	67,759.13	1,35,518.25
21	Ranchi East	Mahto Enterprises	2008 -09	NBCC Ltd./2008010072	25,78,750.00	12.50	3,22,343.75	3,22,343.75	6,44,687.50
22	Jamshedpur	Md Issa Khan & Sons	2010-11	L&T Ltd. /20300800003	4,40,526.00	12.50	55,065.75	55,065.75	1,10,131.50
23	Jamshedpur	Multitech Enterprises	2010-11	L&T Ltd. /20300800003	27,53,966.00	12.50	3,44,245.75	3,44,245.75	6,88,491.50
24	Ranchi East	N B Rout	2008 -09	NBCC Ltd./2008010074	11,56,059.00	12.50	1,44,507.38	1,44,507.38	2,89,014.75

Appendix-I (Referred to in Paragraph No. 2.3.10.3 of the Report)

Non-detection of unregistered works contractors

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the contractor	Period	Source/Dealer (Assessment record)/ TIN	Amount received (Rs.)	Rate (%)	Tax	Penalty	Total
			2009-10	NBCC Ltd./2008010083	4,33,635.00	12.50	54,204.38	54,204.38	1,08,408.75
25	Jamshedpur	Om Enterprises	2010-11	L&T Ltd. /20300800003	10,24,702.00	12.50	1,28,087.75	1,28,087.75	2,56,175.50
26	Jamshedpur	Om Sai Construction	2010-11	L&T Ltd. /20300800003	8,28,655.00	12.50	1,03,581.88	1,03,581.88	2,07,163.75
27	Jamshedpur	Panchdeep Construction Ltd.	2010-11	L&T Ltd. /20300800003	10,08,585.00	12.50	1,26,073.13	1,26,073.13	2,52,146.25
28	Ranchi South	Parmanand Chowdhry	2010-11	NPCC Ltd./20120100538	1,99,22,043.00	12.50	24,90,255.38	24,90,255.38	49,80,510.75
29	Ranchi East	Perfect Utility Services	2009-10	NBCC Ltd./2008010089	17,43,132.00	12.50	2,17,891.50	2,17,891.50	4,35,783.00
30	Jamshedpur	Pradeep Engineering Works	2010-11	L&T Ltd. /20300800003	8,15,614.00	12.50	1,01,951.75	1,01,951.75	2,03,903.50
31	Ranchi East	Professional Marketing & Research Group	2010-11	NBCC Ltd./2008010099	78,552.00	12.50	9,819.00	9,819.00	19,638.00
32	Ranchi East	R P Singh	2009-10	NBCC Ltd./2008010093	89,83,912.00	12.50	11,22,989.00	11,22,989.00	22,45,978.00
			2010-11	NBCC Ltd./2008010103	5,00,409.00	12.50	62,551.13	62,551.13	1,25,102.25
33	Jamshedpur	R.K. Electrical,	2010-11	L&T Ltd. /20300800003	1,47,604.00	12.50	18,450.50	18,450.50	36,901.00
34	Ranchi East	Ramesh Prasad Singh	2009-10	NBCC Ltd./2008010087	20,47,480.00	12.50	2,55,935.00	2,55,935.00	5,11,870.00
35	Jamshedpur	Rams Enterprises	2010-11	L&T Ltd. /20300800003	2,68,232.00	12.50	33,529.00	33,529.00	67,058.00
36	Ranchi East	Ravi Construction Co.	2009-10	NBCC Ltd./2008010090	9,79,190.00	12.50	1,22,398.75	1,22,398.75	2,44,797.50
			2010-11	NBCC Ltd./2008010105	75,60,656.00	12.50	9,45,082.00	9,45,082.00	18,90,164.00
37	Ranchi East	Ray Electricals	2010-11	NBCC Ltd./2008010104	7,16,460.00	12.50	89,557.50	89,557.50	1,79,115.00
38	Jamshedpur	S.P. Enterprises	2010-11	L&T Ltd. /20300800003	1,83,110.00	12.50	22,888.75	22,888.75	45,777.50
39	Jamshedpur	S.S. Enterprises	2010-11	L&T Ltd. /20300800003	2,00,000.00	12.50	25,000.00	25,000.00	50,000.00
40	Ranchi South	Sanjeev Kumar	2010-11	NPCC Ltd./ 20120100538	50,18,942.00	12.50	6,27,367.75	6,27,367.75	12,54,735.50
41	Jamshedpur	Santosh Kumar Singh	2010-11	L&T Ltd. /20300800003	87,19,625.00	12.50	10,89,953.13	10,89,953.13	21,79,906.25
42	Jamshedpur	Satyen Engineering Co.	2010-11	L&T Ltd. /20300800003	4,96,242.00	12.50	62,030.25	62,030.25	1,24,060.50
43	Jamshedpur	Saurav	2010-11	L&T Ltd. /20300800003	5,99,530.00	12.50	74,941.25	74,941.25	1,49,882.50
44	Jamshedpur	Shaw builders	2010-11	L&T Ltd. /20300800003	50,10,950.00	12.50	6,26,368.75	6,26,368.75	12,52,737.50
45	Jamshedpur	Shivam Construction	2010-11	L&T Ltd. /20300800003	4,69,076.00	12.50	58,634.50	58,634.50	1,17,269.00
46	Ranchi East	Shivendra Kumar Beghel	2008 -09	NBCC Ltd./2008010073	13,97,472.00	12.50	1,74,684.00	1,74,684.00	3,49,368.00
47	Jamshedpur	Sita Ram Rabi Das	2010-11	L&T Ltd. /20300800003	20,54,464.00	12.50	2,56,808.00	2,56,808.00	5,13,616.00
48	Ranchi East	Sportina Exim Pvt Ltd	2009-10	NBCC Ltd./2008010088	38,50,488.00	12.50	4,81,311.00	4,81,311.00	9,62,622.00

Appendix-I (Referred to in Paragraph No. 2.3.10.3 of the Report)

Non-detection of unregistered works contractors

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the contractor	Period	Source Dealer (Assessment record)/ TIN	Amount received (Rs.)	Rate (%)	Tax	Penalty	Total
49	Ranchi East	Super India Engineering	2008 -09	NBCC Ltd./2008010070	2,68,818.00	12.50	33,602.25	33,602.25	67,204.50
			2009-10	NBCC Ltd./2008010082	2,63,633.00	12.50	32,954.13	32,954.13	65,908.25
			2010-11	NBCC Ltd./2008010096	2,89,780.00	12.50	36,222.50	36,222.50	72,445.00
50	Jamshedpur	Taleshwar Saw	2010-11	L&T Ltd. /20300800003	56,410.00	12.50	7,051.25	7,051.25	14,102.50
51	Jamshedpur	TK Ghosh	2010-11	L&T Ltd. /20300800003	59,30,503.00	12.50	7,41,312.88	7,41,312.88	14,82,625.75
52	Ranchi East	Translec System (I) Pvt Ltd	2008 -09	NBCC Ltd./2008010077	56,43,453.00	12.50	7,05,431.63	7,05,431.63	14,10,863.25
			2009-10	NBCC Ltd./2008010086	1,35,57,858.00	12.50	16,94,732.25	16,94,732.25	33,89,464.50
53	Jamshedpur	Tridev	2010-11	L&T Ltd. /20300800003	4,77,214.00	12.50	59,651.75	59,651.75	1,19,303.50
54	Ranchi East	TRU Build	2008 -09	NBCC Ltd./2008010075	17,46,515.00	12.50	2,18,314.38	2,18,314.38	4,36,628.75
Total					15,29,25,781.00		1,91,15,722.63	1,91,15,722.63	3,82,31,445.25

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)
Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
1	Adityapur	Gajanand Udyog Pvt. Ltd./ 20490901506	2011-12/ 31.10.2014	31,28,29,732.00	15,75,05,204.00	15,53,24,528.00	14	2,17,45,433.92	4,34,90,867.84	6,52,36,301.76	The dealer had shown inter-State sales of ₹ 15.75 crore on which the assessment was finalised, however, as per receipt of 'C' forms and sales made through road permit Blue, the dealer had actually sold goods for ₹ 31.28 crore.
2	Adityapur	Tayo Rolls Limited/ 20210900011	2010-11/ 28.2.2013	88,80,36,745.08	72,34,59,000.00	16,45,77,745.08	4	65,83,109.80	1,31,66,219.61	1,97,49,329.41	As per trading account the dealer had accounted for purchase of ₹ 72.35 crore on which the assessment was finalised, however, as per the annual return, the dealer had purchased goods valued at ₹ 88.80 crore.
3	Adityapur	Jamna Auto Industries Ltd./ 20590905570	2010-11/ 18.2.2014	5,46,34,590.62	5,28,59,606.00	17,74,984.62	12.5	2,21,873.08	4,43,746.15	6,65,619.23	The dealer had shown stock transfer of ₹ 5.29 crore for which the dealer had furnished 8 declarations in form 'F' for ₹ 5.28 crore and the rest amount of ₹ 25,433 (not supported by F form) was levied to tax at the State rate. However, scrutiny of road permit blue revealed that the dealer in addition to the above had sold goods valued at ₹ 18.00 lakh which were not supported by declaration in

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											form 'F' resulting in suppression of sales turnover of ₹ 17.75 lakh.
4	Adityapur	Jyoti Cero Rubber/ 20130901025	2010-11/ 19.2.2014	60,11,086.00	36,16,342.44	23,94,743.56	4	95,789.74	1,91,579.48	2,87,369.23	The sales turnover as returned by the dealer and accepted by the assessing authority for sales not supported by C form was ₹ 36.16 lakh, however, scrutiny of blue road permit revealed that the actual sales turnover not supported by 'C' was ₹ 60.11 lakh.
5	Dhanbad	Oriental Coke Industries/ 20261700573	2010-11/ 30.9.2013	7,37,15,584.21	6,82,12,320.11	55,03,264.10	4	2,20,130.56	4,40,261.13	6,60,391.69	The purchase turnover according annual return and JVAT-409 was ₹ 7.37 crore, however, the dealer had accounted for purchase in the trading account to ₹ 6.82 crore only on which the assessment was finalised.
6	Dhanbad	Anil Traders/ 20421700194	2010-11/ 21.6.2012	71,38,606.00	64,44,347.00	6,94,259.00	12.5	86,782.38	1,73,564.75	2,60,347.13	The total inter-State sales through road permit blue and receipt of 'C' forms worked out to ₹ 71.39 lakh, however, the dealer had accounted for inter-State sales of ₹ 64.44 lakh on which the assessment was finalised.

**Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)
Suppression of purchase/sale turnovers**

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
7	Giridih	Atibir Industries Co. Ltd/ 20092300951	2010-11/ 10.2.2014	88,38,26,134.00	67,88,25,505.32	20,50,00,628.68	4	82,00,025.15	1,64,00,050.29	2,46,00,075.44	The dealer had deducted amount of ₹ 16.90 crore being iron ore fines transferred to iron ore after screening but the dealer had not shown any transfer (receipt) of goods in the manufacturing account and had accounted for purchase of iron ore to the tune of ₹ 29.48 crore only being goods (raw material) purchased during the year. Further, from the annual return it was noticed that during 2010-11, the dealer had shown purchase of ₹ 71.48 crore, however, the dealer has accounted for purchase in its manufacturing account to the tune of ₹ 67.88 crore only. Thus there was suppression of purchase turnover of ₹ 20.50 crore (₹ 16.90 crore + ₹ 3.60 crore).

Audi Report for the year ended 31 March 2015 on Revenue Sector

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
8	Giridih	Santpuria Alloys Pvt. Ltd/ 20692300621	2010-11/ 27.1.2014	44,47,96,985.73	35,92,15,141.93	8,55,81,843.80	4	34,23,273.75	68,46,547.50	1,02,69,821.26	The dealer had shown consumption of Iron Ore as 74,560.15 MT valued at ₹ 35.92 crore on which the assessment was finalised, however, from the Audit Report and Statement of Accounts for the year ended 31 March 2012 (Notes on account- Other notes) placed on record it was seen that during 2010-11, the valuation of consumption of raw materials (iron ore) was shown for 74,560.150 MT valued at ₹ 44.48 crore only. Thus, the dealer had suppressed turnover of ₹ 8.56 crore (₹ 44.48 crore – ₹ 35.92 crore).
9	Giridih	Lal Ferro Alloys Co. Pvt. Ltd/ 20492305167	2010-11/ 4.3.2014	1,07,93,223.00	0.00	1,07,93,223.00	4	4,31,728.92	8,63,457.84	12,95,186.76	From the scrutiny of details of road permit pink utilised by the dealer it was seen that the dealer had sold Rejected Iron Ore for ₹ 1.08 crore but the sale of Rejected Iron Ore was not reflected in the manufacturing/trading A/c.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
10	Giridih	Venkateshwara Sponge & Iron Co. Pvt. Ltd./ 20372305303	2009-10/ 28.2.2013	68,08,570.00	0.00	68,08,570.00	4	2,72,342.80	5,44,685.60	8,17,028.40	On actual totalling of the trading account, it was noticed that the credit side of the trading account was deficient by ₹ 68.09 lakh resulting in suppression of sales turnover.
11	Jamshedpur Urban	Tata Consultancy Services Ltd./ 20181002314	2010-11/ 11.12.2013	3,06,51,303.00	2,98,52,603.00	7,98,700.00	12.5	99,837.50	1,99,675.00	2,99,512.50	During 2010-11, the dealer had shown inter-State purchase of ₹ 2.99 crore (CST purchase: ₹ 2.86 crore + Import: ₹ 0.13 crore) in the trading account on which the assessment was finalised. However, from the JVAT-409 and annual return it was seen that the dealer had also received goods (stock transfer) valued at ₹ 7.99 lakh from its branches which was not accounted for in the trading account.
12	Jamshedpur Urban	Geetanjali Jewellery Retail Pvt. Ltd./ 20371005794	2010-11/ 15.3.2014	7,55,42,830.00	5,51,00,989.00	2,04,41,841.00	1	2,04,418.41	4,08,836.82	6,13,255.23	The dealer during 2010-11 had shown receipt of goods through stock transfer to the tune of ₹ 5.51 crore. However, from the annual return for 2010-11 and statement of stock receipt from Mumbai it was noticed that the dealer had actually

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											received goods valued at ₹ 7.55 crore.
13	Jamshedpur Urban	Tractor India Ltd/ 20051005704	2010-11/ 12.3.2014	5,93,97,304.83	4,41,91,650.49	1,52,05,654.34	4	6,08,226.17	12,16,452.35	18,24,678.52	During 2010-11, the dealer had shown inter-State purchase and stock transfer receipt of ₹ 4.42 crore on which the assessment was finalised. However, scrutiny of road permit (504G) revealed that the dealer had actually purchased/ received goods valued at ₹ 5.94 crore.
14	Jamshedpur Urban	Sreeleathers/ 20601000434	2010-11/ 6.6.2013	6,86,03,203.00	6,28,65,838.00	57,37,365.00	12.5	7,17,170.63	14,34,341.25	21,51,511.88	The dealer in contravention to the provisions of Section 2 (xlvi) of the JVAT Act, 2005, had included VAT and CST in the trading account resulting in suppression of sales turnover.
			2011-12/ 16.12.2013	6,86,53,993.00	6,15,06,228.00	71,47,765.00	14	10,00,687.10	20,01,374.20	30,02,061.30	The dealer in contravention to the provisions of Section 2 (xlvi) of the JVAT Act, 2005, had included VAT and CST in the trading account resulting in suppression of sales turnover.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
15	Jamshedpur Urban	IVRCL Infrastructure Projects Ltd./ 20581002094	2010-11/ 24.3.2014	74,82,06,206.00	71,16,27,243.00	3,65,78,963.00	12.5	45,72,370.38	91,44,740.75	1,37,17,111.13	The gross turnover excluding E1 sale was determined at ₹ 71.16 crore on which the assessment was finalised. However, from the details of JVAT-400 (TDS) furnished by the dealer, the actual receipt of payment was ₹ 74.82 crore from different agencies for works undertaken during 2010-11 on which tax of ₹ 1.50 crore was deducted as TDS.
16	Jamshedpur	The Tinplate Company of India Ltd./ 20210800004	2010-11/ 05.03.2014	6,30,44,25,980.00	3,00,89,24,704.00	3,29,55,01,276.00	4	13,18,20,051.04	26,36,40,102.08	39,54,60,153.12	On the basis of consumption of materials, manufacturing expenses and gross profit as declared by the dealer, the sales turnover without tax worked out to ₹ 630.44 crore, however, the company has disclosed sales turnover (without tax) of ₹ 300.89 crore only on which the assessment was finalised. Thus, the dealer company has suppressed sales turnover of ₹ 329.55 crore.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
17	Jamshedpur	TRF Limited/ 20300800003	2010-11/ 19.3.2014	7,26,26,77,000.00	5,22,05,65,939.00	2,04,21,11,061.00	4	8,16,84,442.44	16,33,68,884.88	24,50,53,327.32	On the basis of information available on assessment records, the total taxable turnover of goods worked out to ₹ 726.27 crore whereas, the dealer had shown taxable turnover to the tune of ₹ 522.06 crore only on which the assessment was finalized. Thus, there was suppression of taxable turnover of ₹ 204.21 crore.
18	Jamshedpur Urban	IFB Industries Ltd/ 20261005175	2009-10/ 28.2.2013	2,35,86,471.26	2,26,71,104.13	9,15,367.13	12.5	1,14,420.89	2,28,841.78	3,43,262.67	According to details of 504G, the dealer had purchased goods from outside the State for ₹ 2.36 crore, however, the dealer had accounted for ₹ 2.27 crore only on which the assessment was finalised.
19	Chaibasa	Poddar Minerals/ 20921200369	2010-11/ 3.10.2013	12,01,80,507.55	11,70,09,261.00	31,71,246.55	4	1,26,849.86	2,53,699.72	3,80,549.59	According to details of 504B, the dealer had sold goods outside the State for ₹ 12.02 crore, however, the dealer had accounted for ₹ 11.70 crore in the annual return only on which the assessment was finalised.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
20	Chaibasa	Metalsa India Pvt. Ltd./ 20081205781	2010-11/ 3.3.2014	8,36,74,931.83	7,11,30,145.00	1,25,44,786.83	4	5,01,791.47	10,03,582.95	15,05,374.42	According to details of 504B, the dealer had sold goods outside the State for ₹ 8.37 crore, however, the dealer had accounted for ₹ 7.11 crore in the annual return only on which the assessment was finalised.
21	Ramgarh	SS Agrawal/ 20591903568	2011-12/ 5.2.2014	19,52,600.00	11,29,026.00	8,23,574.00	14	1,15,300.36	2,30,600.72	3,45,901.08	According to usage of road permit green and C forms, the dealer had actually purchased goods valued at ₹ 19.52 lakh but accounted for ₹ 11.29 lakh in the trading account on which the assessment was finalised.
22	Ramgarh	Nanak Ferro Alloys Pvt. Ltd./ 20761905221	2010-11/ 25.3.2014	11,35,70,063.16	10,32,37,658.96	1,03,32,404.20	4	4,13,296.17	8,26,592.34	12,39,888.50	According to details of 504G, the dealer had purchased goods from outside the State for ₹ 11.36 crore, however, the dealer had accounted for ₹ 10.32 crore only on which the assessment was finalised.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
23	Ramgarh	Chhinamastika Cement & Ispat Pvt. Ltd./ 20411903172	2010-11/ 27.3.2014	22,05,81,496.82	21,32,67,607.00	73,13,889.82	4	2,92,555.59	5,85,111.19	8,77,666.78	According to annual return the total purchase of raw material was ₹ 22.06 crore but the dealer accounted for ₹ 21.33 crore (₹ 18.94 crore + ₹ 2.39 crore) only. Thus, there was suppression of purchase turnover of ₹ 73.14 lakh.
24	Ramgarh	Jindal Steel & Power Ltd./ 20021905607	2009-10/ 4.3.2013 and 28.6.2014	45,84,60,979.00	43,20,04,573.00	2,64,56,406.00	4	10,58,256.24	21,16,512.48	31,74,768.72	The dealer had actually received goods (raw materials and capital goods) on stock transfer valued at ₹ 45.85 crore but accounted for receipt of ₹ 43.20 crore only in the annual return. Thus, stock receipt of ₹ 2.65 crore was however not accounted for.
25	Ramgarh	Gulf Oil Corporation Ltd./ 20721903244	2010-11/ 30.1.2014	6,64,45,765.00	5,78,06,181.00	86,39,584.00	12.5	10,79,948.00	21,59,896.00	32,39,844.00	According to details of 504G, the dealer had purchased goods from outside the State for ₹ 6.64 crore, however, the dealer had accounted for ₹ 5.78 crore only on which the assessment was finalised.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
26	Ramgarh	Bhuwania Associates/ 20541903634	2010-11/ 24.3.2014	18,81,99,710.34	14,28,00,152.26	4,53,99,558.08	4	18,15,982.32	36,31,964.65	54,47,946.97	According to the purchase statement, the actual purchase of raw materials was ₹ 18.82 crore but the dealer accounted for ₹ 14.28 crore in the trading account on which the assessment was finalised.
27	Ramgarh	Tractor India Ltd/ 20641906618	2010-11/ 28.3.2014	7,60,87,972.50	1,10,93,916.84	6,49,94,055.66	4	25,99,762.23	51,99,524.45	77,99,286.68	According to details of 504B, the dealer had sold/transferred goods outside the State for ₹ 7.61 crore, however, the dealer had accounted for ₹ 1.11 crore only on which the assessment was finalised.
28	Ranchi East	Micro Computer/ 20560200206	2010-11// 26.3.2014	13,99,64,932.31	13,39,04,703.71	60,60,228.60	4	2,42,409.14	4,84,818.29	7,27,227.43	According to details of 504G, the dealer had purchased goods from outside the State for ₹ 14.00 crore, however, the dealer had accounted for ₹ 13.39 crore only on which the assessment was finalised.
29	Ranchi East	Swastik Metal Pvt. Ltd./ 20260200759	2010-11/ 15.6.2013	9,95,88,306.87	9,03,55,855.99	92,32,450.88	4	3,69,298.04	7,38,596.07	11,07,894.11	The dealer incorrectly deducted the amount of Excise Duty of ₹ 92.32 lakh from purchases made resulting in suppression of purchase turnover.

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Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/S)/ TIN	Period/Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(C)	Total tax and penalty leviable	Remarks
30	Ranchi East	Essar Project (I) Ltd./ 20820206683	2010-11/ 28.3.2014	14,18,76,044.62	0.00	14,18,76,044.62	4	56,75,041.78	1,13,50,083.57	1,70,25,125.35	According to details of road permit green, the dealer had made stock receipt of electrical goods for consumption in works contract worth ₹ 14.19 crore but had not accounted in the annual return nor reflected in the trading account on which the assessment was finalised.
31	Ranchi East	BPCL/ 20430200811	2010-11/ 31.3.2014	40,18,19,704.00	9,72,59,013.56	30,45,60,690.44	4	1,21,82,427.62	2,43,64,855.24	3,65,47,282.85	The dealer had actually sold/transferred goods outside the state through road permit blue to the tune of ₹ 40.19 crore but the assessment under CST Act was finalised for ₹ 9.73 crore only.
32	Adityapur	Garg Engineers Ltd/ 20210901854	2009-10/ 16.6.2012	21,02,22,559.00	20,84,77,291.15	17,45,267.85	12.5	2,18,158.48	4,36,316.96	6,54,475.44	On the basis of information/ documents furnished by the dealer, the gross turnover of the dealer including excise duty was worked out to ₹ 21.02 crore but the dealer had accounted for gross turnover of ₹ 20.85 crore only on which the assessment was finalised.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
33	Adityapur	AMI Enterprises Pvt. Ltd/ 20850901502	2010-11/ 4.10.2013	10,85,16,714.46	9,55,03,534.90	1,30,13,179.56	4	5,20,527.18	10,41,054.36	15,61,581.55	According to the annual return and purchase statement the actual purchase of goods was ₹ 10.85 crore but the dealer had accounted for ₹ 9.55 crore in its JVAT-409 on which the assessment was finalised.
34	Ranchi West	Abhijeet Projects Ltd./ 20720306092	2010-11/ 21.3.2014	1,60,84,16,645.93	38,16,88,211.00	1,22,67,28,434.93	4	4,90,69,137.40	9,81,38,274.79	14,72,07,412.19	The dealer had availed exemption on transit sale of ₹ 326.77 crore against purchase of ₹ 175.70 crore (supported with Form E-1) and the dealer had earned profit of ₹ 151.07 crore. Further, the profit on E1 sales not supported by E1 forms worked out to ₹ 7.57 crore (Sale: ₹ 32.54 crore - Purchase: ₹ 24.97 crore). Furthermore, profit on other vatable goods worked out to ₹ 2.20 crore (Sale: ₹ 5.38 crore - Purchase: ₹ 3.18 crore). Thus, the total profit worked out to ₹ 160.84 crore but the dealer reflected total profit of ₹ 38.17 crore only in its trading account resulting in suppression of sales

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											turnover of ₹ 122.67 crore.
35	Ranchi West	Solar Industries India Ltd./ 20050301512	2010-11/ 29.3.2014	29,43,06,889.00	0.00	29,43,06,889.00	12.5	3,67,88,361.13	7,35,76,722.25	11,03,65,083.38	From the quarterly returns it was noticed that the dealer had made stock transfer of goods within State to the tune of ₹ 29.43 crore but did not incorporate it in the trading account nor furnished any JVAT-506 for such transfer. The assessing authority also did not discuss such transaction or exemption granted on it in the assessment order resulting in suppression of sales turnover.
36	Ranchi West	Pepsico India Holding Pvt. Ltd./ 20530402128	2009-10/ 30.10.2013	48,36,92,045.61	45,87,36,951.70	2,49,55,093.91	4	9,98,203.76	19,96,407.51	29,94,611.27	The dealer during 2009-10 had utilised 3808 number of JVAT-504P for sale of goods within the state to the tune of ₹ 48.37 crore (including tax) but had accounted for ₹ 45.87 crore (including tax) only in its trading account on which the assessment was finalised.

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Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
37	Ranchi West	Spice Mobile Ltd./ 20770301892	2009-10/ 18.12.2013	33,21,84,750.00	32,76,21,547.90	45,63,202.10	4	1,82,528.08	3,65,056.17	5,47,584.25	The dealer during 2009-10 had paid entry tax of ₹ 1.33 crore (@ 4% on purchase/receipt of goods from outside the State. Thus, the total purchase worked out to ₹ 33.22 crore but the dealer accounted for purchase of ₹ 32.76 crore only in its trading account on which the assessment was finalised.
38	Ranchi West	Saraswati Enterprises/ 20140302431	2010-11/ 3.6.2013	59,21,820.18	17,37,292.49	41,84,527.69	4	1,67,381.11	3,34,762.22	5,02,143.32	Scrutiny of details of road permit green revealed that the dealer had actually purchased goods valued at ₹ 59.22 lakh from outside the State but accounted for ₹ 17.38 lakh only in the trading account on which the assessment was finalised.

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
39	Ranchi West	Jyoti Laboratories/ 20420401073	2010-11/ 2.6.2013	8,53,37,696.18	2,10,64,498.09	6,42,73,198.09	12.5	80,34,149.76	1,60,68,299.52	2,41,02,449.28	The dealer in its trading account has shown receipt of goods from outside the State, taxable at the rate of 12.5%, to ₹ 2.11 crore on which the assessment was finalised. However our scrutiny of details of road permit green revealed that the dealer had actually received goods taxable at the rate of 12.5 per cent (Detergent etc.) to the tune of ₹ 8.53 crore.
40	Ranchi South	Gondwana Ceramic Works Pvt. Ltd./ 20500101590	2010-11/ 20.9.2013	85,77,527.00	60,26,258.75	25,51,268.25	4	1,02,050.73	2,04,101.46	3,06,152.19	Scrutiny of details of C forms received, usage of road permit blue revealed that the dealer had actually sold goods outside the State to the tune of ₹ 85.78 lakh but had accounted for ₹ 60.26 lakh only on which the assessment was finalised.
41	Ranchi South	Kent RO System Ltd./ 20580106518	2010-11/ 7.3.2014	6,94,22,128.00	6,73,13,527.00	21,08,601.00	12.5	2,63,575.13	5,27,150.25	7,90,725.38	Scrutiny of details of road permit green revealed that the dealer had actually purchased goods valued at ₹ 6.94 crore from outside the State but accounted for ₹ 6.73 crore only in the trading account

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											on which the assessment was finalised.
42	Ranchi South	GTL Ltd./ 20190106226	2010-11/ 24.1.2014	1,83,37,863.46	1,71,65,871.60	11,71,991.86	12.5	1,46,498.98	2,92,997.97	4,39,496.95	Taking the OB, purchase of materials and closing balance of materials, the actual consumption/sale of materials worked out to ₹ 1.83 crore (without profit) whereas the dealer had shown sale of materials for ₹ 1.72 crore on which the assessment was finalised.
43	Ranchi South	Genus Power Infrastructure Ltd./ 20410106397	2010-11/ 14.3.2014	16,26,76,076.92	15,27,45,855.92	99,30,221.00	12.5	12,41,277.63	24,82,555.25	37,23,832.88	Taking the OB, purchase of materials and closing balance of materials, the actual consumption/sale of materials worked out to ₹ 16.27 crore whereas the dealer had shown sale of materials for ₹ 15.27 crore on which the assessment was finalised.
44	Ranchi South	Miki Wire Works Pvt. Ltd./ 20810100401	2010-11/ 27.2.2012	1,00,00,60,150.25	87,81,79,520.53	12,18,80,629.72	4	48,75,225.19	97,50,450.38	1,46,25,675.57	As per annual return the dealer had purchased goods valued at ₹ 100.01 crore whereas the dealer had shown purchase of ₹ 87.82 crore only in the trading account.

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Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
			2011-12/ 30.4.2014	79,14,93,042.28	70,80,24,726.81	8,34,68,315.47	5	41,73,415.77	83,46,831.55	1,25,20,247.32	As per annual return the dealer had actually purchased goods valued at ₹ 79.15 crore whereas the dealer had shown purchase of ₹ 70.80 crore only in the trading account on which the assessment was finalised.
45	Ranchi South	SKM Enterprises/ 20280100256	2011-12/ 4.10.2014	66,67,77,589.74	58,13,58,848.80	8,54,18,740.94	14	1,19,58,623.73	2,39,17,247.46	3,58,75,871.19	According to the details of road permit pink, the actual sales turnover of branches excluding Ranchi worked out to ₹ 66.68 crore, however the dealer had shown sales turnover (branches) of ₹ 58.14 crore only in the trading account on which the assessment was finalised.
46	Ranchi South	Indian Oil Corporation Ltd./ 20960100755	2010-11/ 27.3.2014	43,30,39,07,506.41	42,17,73,85,965.24	1,12,65,21,541.17	4	4,50,60,861.65	9,01,21,723.29	13,51,82,584.94	There was a difference of ₹ 112.65 crore between the debit and credit side of the trading account on which the assessment was finalised. Thus, either sales turnover or closing stock was suppressed by ₹ 112.65 crore.
47	Ranchi South	Usha Martin Ltd. (WRP Division)/ 20650100392	2011-12/ 22.10.2014	57,34,50,946.66	43,09,61,581.00	14,24,89,365.66	5	71,24,468.28	1,42,48,936.57	2,13,73,404.85	The dealer had not accounted for the CST paid for ₹ 3.97 crore. Further, from the road permit

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)

Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											green it was seen that the dealer had imported goods valued at ₹ 52.36 crore but the dealer had accounted for ₹ 43.10 crore in the trading account. Furthermore, the dealer had purchased goods within the State on the strength of road permit green (prescribed for purchase from outside the State) which was not accounted for in the purchases (within State) as shown in the trading account on which the assessment was finalised.
48	Bokaro	SAIL, Bokaro Steel Plant/ 20581402316	2011-12/ 30.3.2015	77,73,60,66,129.00	75,69,66,12,687.00	2,03,94,53,442.00	2	4,07,89,068.84	8,15,78,137.68	12,23,67,206.52	The dealer had returned inter-State sales on concessional rate for ₹ 7569.66 crore (excluding tax) on which the assessment was finalised and tax was levied accordingly. However, we noticed that the dealer had actually furnished C forms valued at ₹ 7,773.61 crore (excluding tax). Thus, there was suppression of sales turnover ₹ 203.95 crore.

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Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
49	Bokaro	SAIL, Branch Sales Office/ 20671402315	2010-11/ 31.3.2014	4,28,89,58,908.75	4,07,59,31,746.12	21,30,27,162.63	4	85,21,086.51	1,70,42,173.01	2,55,63,259.52	The dealer company during 2010-11 had shown stock receipt of goods from outside the State to the tune of ₹ 697.74 crore, of which, ₹ 407.59 crore related to its 3 units, whereas, but from the requisition of form F it was noticed that the dealer had actually received goods worth ₹ 428.90 crore from the above 3 units on which the assessment was finalised.
50	Bokaro	Prem Industries/ 20251401382	2010-11/ 17.8.2013	2,74,82,125.04	2,56,57,126.80	18,24,998.24	12.5	2,28,124.78	4,56,249.56	6,84,374.34	The dealer during 2010-11 had shown purchase from outside the State to ₹ 2.57 crore on which the assessment was finalised. However, our scrutiny of requisition of C forms and purchases made through road permit green (for which no C was requisitioned) revealed that the dealer had actually received goods to the tune of ₹ 2.75 crore.
51	Bokaro	Hindustan Auto Agency/ 20741402810	2010-11/ 3.6.2013	1,71,23,74,460.43	1,59,89,64,227.82	11,34,10,232.61	12.5	1,41,76,279.08	2,83,52,558.15	4,25,28,837.23	Scrutiny of green road permit utilised by the dealer, requisition/usage of

Appendix-II (Referred to in Paragraph No. 2.3.11.1 of the Report)
Suppression of purchase/sale turnovers

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax leviable	Penalty leviable u/s 37(6)	Total tax and penalty leviable	Remarks
											C forms revealed that the dealer had actually purchased goods from outside the State worth ₹ 171.24 crore but accounted for ₹ 159.90 crore in the trading account on which the assessment was finalised.
52	Bokaro	Chas Metal Centre/ 20501405222	2010-11/ 1.3.2014	21,11,259.00	9,03,482.05	12,07,776.95	4	48,311.08	96,622.16	1,44,933.23	The dealer was assessed to turnover of ₹ 9.03 lakh which were not supported by C forms, however, our scrutiny of road permit blue revealed that the dealer had actually sold goods worth ₹ 21.11 lakh for which no C forms were received.
53	Bokaro	MECON Ltd/ 20611402639	2010-11/ 28.3.2014	20,04,56,395.00	17,75,11,630.00	2,29,44,765.00	4	9,17,790.60	18,35,581.20	27,53,371.80	Scrutiny of quarterly returns revealed that the dealer company had actually purchased goods worth ₹ 20.05 crore from outside the State but accounted for ₹ 17.75 crore on which the assessment was finalised.
Total				1,53,13,34,89,790.03	1,40,82,80,14,242.41	12,30,54,75,547.62		52,41,80,138.34	1,04,83,60,276.69	1,57,25,40,415.03	

Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)

Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
1	Adityapur	Ahluwalia Contracts India Ltd./ 20660905523	2010-11/ 29.3.2014	42,26,70,208.00	39,00,77,040.00	3,25,93,168.00	12.5	40,74,146.00	81,48,292.00	1,22,22,438.00	The dealer had shown gross turnover of ₹ 39.01 crore on which the assessment was finalised, however, our cross verification of records with Director, Airport Authority of India, Ranchi revealed that the dealer, during 2010-11, had actually received payment of ₹ 42.27 crore.
2	Adityapur	ASL Industries P. Ltd./ 20910900887	2010-11/ 6.1.2014	47,83,43,368.92	47,41,26,225.66	42,17,143.26	12.5	5,27,142.91	10,54,285.82	15,81,428.72	The dealer had shown intra-State sales of ₹ 53.23 crore, of which sales to M/s Tata Motors, Jamshedpur was shown as ₹ 47.41 crore. However, our cross verification of records with M/s Tata Motors revealed that the dealer had actually sold goods to M/s Tata Motors valued at ₹ 47.83 crore.
3	Adityapur	AZTEC Engineers/ 20760900824	2010-11/ 22.10.2013	5,38,34,506.33	5,19,61,542.40	18,72,963.93	12.5	2,34,120.49	4,68,240.98	7,02,361.47	The dealer had shown intra-State sales of ₹ 6.19 crore, of which, sales to M/s Tata Motors, Jamshedpur was shown as ₹ 5.20 crore. However, our cross verification of records with M/s Tata Motors revealed that the dealer had actually sold goods to M/s Tata Motors valued at ₹ 5.38 crore.

Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)

Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
4	Ramgarh	CCL, Kuju Area/ 2021905510	2009-10/ 17.1.2014	21,94,49,000.00	19,50,99,859.00	2,43,49,141.00	4	9,73,965.64	19,47,931.28	29,21,896.92	Cross verification of the records of another dealer (M/s CCL Argada Area) revealed that the dealer had shown receipt of goods from Kuju Area to the tune of ₹ 21.94 crore but the dealer had shown goods transferred to Argada Area valued at ₹ 19.51 crore only.
			2010-11/ 14.1.2014	31,64,47,000.00	0.00	31,64,47,000.00	4	1,26,57,880.00	2,53,15,760.00	3,79,73,640.00	Cross verification of the records of another dealer (M/s CCL Argada Area) revealed that the dealer had shown receipt of goods from Kuju Area to the tune of ₹ 31.64 crore but the dealer had not shown any goods transferred to Argada Area.
5	Deoghar	Singhson Arcon Pvt. Ltd/ 20732600523	2010-11/ 29.03.2014	50,19,480.00	5,00,000.00	45,19,480.00	12.5	5,64,935.00	11,29,870.00	16,94,805.00	The GTO of the contractor dealer was determined at ₹ 5.00 lakh on which the assessments was finalised, however, our cross verification of data revealed that the dealer had received payment of ₹ 50.19 lakh for the year 2010-11 from M/s Hindustan Steel Works Construction Limited registered in South Commercial Taxes Circle, Ranchi.

Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)

Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
6	Tenughat	Project Officer Kathara Washery/ 20602205100	2010-11/ 20.01.2014	1,56,40,200.00	0.00	1,56,40,200.00	4	6,25,608.00	12,51,216.00	18,76,824.00	The dealer company had shown receipt of goods from its branches within State as Nil on which the assessment was finalised. However, our cross verification of records of M/s CCL, Dhori Area (TIN 20312205364) registered in the same commercial taxes circle revealed that the later has shown stock transfer of goods ₹ 1.56 crore to Kathara Washery on the strength of JVAT 506.
7	Tenughat	Arti Construction/ 20732200592	2010-11/ 15.03.14	1,17,67,000.00	0.00	1,17,67,000.00	12.5	14,70,875.00	29,41,750.00	44,12,625.00	Our cross verification of data collected from the O/o the EE, RDS, Bokaro revealed that the dealer had received payment of ₹ 1.18 crore for the year 2010-11 from EE, RDS, Bokaro, however, the same was not accounted for in his accounts on which the assessment was finalised.
8	Tenughat	The Project Officer Swang Washery/ 20812205056	2010-11/ 20.01.14	12,76,61,949.00	60,96,666.90	12,15,65,282.10	4	48,62,611.28	97,25,222.57	1,45,87,833.85	Cross-verification of records of the dealer with another dealer registered in the same circle revealed that though the dealer had had issued JVAT-506 to CCL Dhori Area (TIN 20312205364) for receipt of goods valued at ₹ 12.77 crore but shown receipt from branches for ₹ 60.97 lakh only on which the assessment was finalised.

Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)

Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
9	Tenughat	Jain Infraproject Ltd./ 20812205347	2010-11/ 22.03.14	6,70,05,808.00	1,00,000.00	6,69,05,808.00	12.5	83,63,226.00	1,67,26,452.00	2,50,89,678.00	The GTO of the contractor dealer was determined at ₹ 1.00 lakh on which the assessments was finalised, however, our cross verification of data revealed that the dealer had received payment of ₹ 6.70 crore for the year 2010-11 from M/s NBCC registered in Ranchi East Commercial Taxes Circle, Ranchi.
10	Chaibasa	SAIL, Kiriburu/ 20501200794	2010-11/ 24.01.2014	2,05,76,36,181.03	1,89,70,26,914.04	16,06,09,266.99	4	64,24,370.68	1,28,48,741.36	1,92,73,112.04	Our cross-verification of data obtained from the Mining Department, Chaibasa revealed that the dealer had actually despatched iron ore of 36.61 lakh MT but had accounted for 33.75 lakh MT only on which the assessment was finalised.
11	Chaibasa	Usha Martin Ltd/ 20481205166	2010-11/ 03.02.2014	1,26,84,93,890.21	91,90,40,853.01	34,94,53,037.20	4	1,39,78,121.49	2,79,56,242.98	4,19,34,364.46	Our cross-verification of data obtained from the Mining Department, Chaibasa revealed that the dealer had actually despatched iron ore of 15.27 lakh MT but had accounted for 11.06 lakh MT only on which the assessment was finalised.

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Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)

Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
12	Ramgarh	Tarpedo Construction Pvt. Ltd./ 20831900516	2010-11/ 5.2.14	2,28,36,450.00	1,55,04,511.00	73,31,939.00	12.5	9,16,492.38	18,32,984.75	27,49,477.13	Our cross-verification of data collected from other departments revealed that the dealer had actually received payments of ₹ 1.99 crore from RWD Bokaro and ₹ 29.57 lakh from M/s Hindustan Steel Works Construction Ltd, Ranchi during 2010-11 but had returned GTO of ₹ 1.55 crore only on which the assessment was finalised.
13	Ramgarh	Abhishek Shekhar/ 20301906292	2009-10/ 9.3.2011	1,29,35,650.00	2,33,785.00	1,27,01,865.00	4	5,08,074.60	10,16,149.20	15,24,223.80	Our cross-verification of records of a dealer registered in the same circle revealed that the dealer had received payment for supply of goods for ₹ 1.29 crore from M/s TATA Steel Ltd, Ramgarh during 2009-10 but the assessment was finalised on GTO of ₹ 2.34 lakh only.
14	Ramgarh	Seela Prasad/ 20401906308	2009-10/ 6.2.2011	39,91,650.00	2,73,260.00	37,18,390.00	4	1,48,735.60	2,97,471.20	4,46,206.80	Our cross-verification of records of a dealer registered in the same circle revealed that the dealer had received payment for supply of goods for ₹ 39.92 lakh from M/s TATA Steel Ltd, Ramgarh during 2009-10 but the assessment was finalised on GTO of ₹ 2.73 lakh only.

Appendix-III (Referred to in Paragraph No. 2.3.11.2 of the Report)
Suppression of purchase/sale detected by cross-verification

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Actual turnover	Turnover accounted for	Suppression	Rate of tax (%)	Tax payable	Penalty payable u/s 37(6)	Total tax and penalty leviable	Remarks
15	Ranchi West	BEML Ltd./ 20870302322	2009-10/ 21.02.2013	4,95,93,150.00	3,34,21,178.00	1,61,71,972.00	4	6,46,878.88	12,93,757.76	19,40,636.64	The dealer had shown sale within the State to the tune of ₹ 25.96 crore, of which, sale to M/s TISCO, WBC Depot was shown as ₹ 3.34 crore only. However, our cross verification of records with TISCO, WBC Depot revealed that the purchasing dealer had deducted WCT of ₹ 9.92 lakh (@ 2%), thus, the total supply of goods worked out to ₹ 4.96 crore (₹ 3.34 crore x 50).
16	Bokaro	SAIL, Branch Sales Office/ 20671402315	2010-11/ 31.3.2014 and 14.11.2014 (revised)	5,98,86,03,052.00	5,43,70,91,802.65	55,15,11,249.35	4	5,69,77,183.95	11,39,54,367.89	17,09,31,551.84	The dealer company during 2010-11 had shown stock receipt of goods from M/s SAIL, Bokaro Steel Plant (TIN-20671402315) to the tune of ₹ 543.71 crore on which the assessment was finalised. However, we cross-verified the figures with the records of M/s SAIL, Bokaro Steel Plant and noticed that the transferee dealer had actually transferred goods worth ₹ 598.86 crore and had issued JVAT-507 for even amount.
17	Ranchi West	Dipanshu Promoter and Builder Pvt. Ltd./ 20100300369	2010-11/ 11.11.2013	21,43,97,037.00	17,93,73,665.00	3,50,23,372.00	12.5	43,77,921.50	87,55,843.00	1,31,33,764.50	According to the details of the TDS and payments received from M/s NPCC, registered in Ranchi South Circle, the dealer had received payment of ₹ 21.44 crore but the dealer had shown receipt of ₹ 17.94 crore only on which the assessment was finalised.
Total				11,33,63,25,580.49	9,59,99,27,302.66	1,73,63,98,277.83		11,83,32,289.39	23,66,64,578.78	35,49,96,868.17	

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**Appendix-IV (Referred to in Paragraph No. 2.3.12 of the Report)
Incorrect determination of GTO**

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/TIN	Period/ Date of order	Commodity	GTO determined	GTO to be determined	Short determination of GTO	Rate of Tax	Additional tax leviable	Remarks
1	Chaibasa	SAIL Gua Iron ore mines/ 20661200803	2010 -11/ 19.12.2013	Iron ore	2,11,01,46,469.26	2,28,30,38,819.00	17,28,92,349.74	4%	69,15,693.99	The AA determined GTO of ₹ 211.01crore but scrutiny of quarterly returns revealed that the actual GTO was ₹ 228.30 crore.
2	Deoghar	Mihijam Vanaspati Ltd./ 20482601582	2011 -12/ 18.07.2013	Vanaspati	86,06,86,080.29	86,81,64,821.00	74,78,740.71	5%	3,73,937.04	The dealer reflected GTO of ₹ 86.06 crore in his annual return but scrutiny of JVAT -409 shows GTO to ₹ 86.81 crore.
3	Jamshedpur Urban	Exide Industries Ltd./ 20011005329	2007-08/ 31.03.2010	Battery	41,94,88,270.33	64,33,23,513.16	22,38,35,242.83	12.50%	2,79,79,405.35	The dealer reflected GTO of ₹ 64.33crore in his annual return/JVAT-409 but the AA determined GTO to ₹ 41.95 crore.
4	Jamshedpur	L & T Finance Ltd./ 20170805360	2011 -12/ 28.12.2013	Hire purchase	4,68,11,551.00	4,82,86,368.00	14,74,817.00	5.00%	73,740.85	The AA determined GTO to ₹ 4.68 crore but as per annual return/JVAT-409 GTO comes to ₹ 4.82 crore.
5	Jamshedpur	Rohit Surfactants Pvt. Ltd./ 20390802233	2010 -11/ 31.12.2013	Detergent Powder & Cakes	99,02,72,428.00	1,08,55,40,611.86	9,52,68,183.86	12.50%	1,19,08,522.98	The AA determined the purchase turnover of ₹ 99.02 crore. However the actual purchase turnover was ₹ 108.55 crore.
6	Jamshedpur Urban	Shapoor Ji Pallon Ji & Co./ 2053100685	2010 -11/ 15.03.2014	Works Contract	47,77,95,224.41	60,11,84,944.41	12,33,89,720.00	12.50%	1,54,23,715.00	The dealer had not furnished his trading A/c. However, the GTO was to be determined on the basis of purchases made.
7	Ranchi South	Jharkhand State Electricity Board/ 20330105162	2010 -11/ 31.03.2014	Generation and distribution of Electricity	41,26,51,000.00	46,21,75,810.00	4,95,24,810.00	12.50%	61,90,601.25	In the instant case JSEB owns the meter and supplied its consumer and transferred the right to use these meters against which rent was recovered.
8	Ranchi South	K.E.C. International Ltd/ 20870105908	2010-11/ 24.02.14	Works contract	37,22,01,703.00	42,65,58,567.26	5,43,56,864.26	4,12.5%	62,44,085.06	The GTO was incorrectly determined at ₹ 37.22 crore instead of correct GTO of ₹ 42.66 crore. The difference of ₹ 5.44 crore was leviable @4 per cent on ₹ 57.41 lakh and @12.5 per cent on ₹ 4.81 crore.

**Appendix-IV (Referred to in Paragraph No. 2.3.12 of the Report)
Incorrect determination of GTO**

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/TIN	Period/ Date of order	Commodity	GTO determined	GTO to be determined	Short determination of GTO	Rate of Tax	Additional tax leviable	Remarks
9	Ranchi West	Abhijeet Projects Ltd/ 20720306092	2010-11/ 21.3.2014	Works contract	9,47,54,11,322.22	9,53,90,87,814.73	6,36,76,492.51	4.00%	25,47,059.70	The dealer had purchased goods taxable at the rate of 4 per cent for ₹ 80.02 crore and consumed the same leaving the closing balance nil. But at the time of assessment, the AA levied tax at the rate of 4 per cent on ₹ 73.66 crore only.
10	Dhanbad	EPSA India Projects Pvt. Ltd./ 20611705668	2010-11/ 21.2.2014	Works contract	31,08,68,361.00	32,92,79,336.68	1,84,10,975.68	12.5	23,01,371.96	The dealer had not furnished JVAT-409 or trading account of goods for works contract, however, the gross turnover of the dealer (works contractor) was determined at ₹ 31.09 crore, of which exemption for labour component was allowed to ₹ 30.97 crore and the balance amount of ₹ 11.68 lakh was levied to tax as sale of scrap. However, from the periodical returns it was noticed that the dealer had actually purchased goods valued at ₹ 1.84 crore which was not accounted for.
11	Dhanbad	Jagdamba Coke Industries P. Ltd./ 20751700546	2010-11/ 19.9.2013	Hard coke	25,88,64,161.00	28,82,85,675.29	2,94,21,514.29	4	11,76,860.57	According to the trading account furnished in JVAT-409, the credit side of the trading account was deficient by ₹ 2.05 crore, further, the manufacturing expenses in JVAT-409 was shown as ₹ 3.98 crore but in a statement furnished separately, the actual manufacturing expenses was ₹ 4.87 lakh. Thus, the total suppression worked out to ₹ 2.94 crore (₹ 2.05 crore + ₹ 88.77 lakh).

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Appendix-IV (Referred to in Paragraph No. 2.3.12 of the Report)

Incorrect determination of GTO

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/TIN	Period/ Date of order	Commodity	GTO determined	GTO to be determined	Short determination of GTO	Rate of Tax	Additional tax leviable	Remarks
12	Jamshedpur Urban	J K Surface Coating Pvt. Ltd./ 20881001250	2010-11/ 15.3.2014	Works contractor	3,83,03,826.23	5,86,89,361.70	2,03,85,535.47	12.5	25,48,191.93	The total taxable turnover with profit worked out to ₹ 5.87 crore whereas the dealer has shown taxable turnover of ₹ 3.83 crore only on which the assessment was finalised. Thus, the dealer had suppressed the taxable turnover of ₹ 2.04 crore.
13	Jamshedpur	Leading Construction/ 20400800724	2011-12/ 4.1.2014	Works contract	21,28,78,646.65	40,45,20,939.84	19,16,42,293.19	14	2,68,29,921.05	On the basis of information available on assessment records, the total taxable turnover (including profit) of goods consumed in sale/works contract worked out to ₹ 40.45 crore whereas, the dealer had shown taxable turnover to the tune of ₹ 21.29 crore only on which the assessment was finalised. Thus, there was suppression of taxable turnover of ₹ 19.16 crore.
Total					15,98,63,79,043.39	17,03,81,36,582.93	1,05,17,57,539.54		11,05,13,106.73	

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
1	Jamshedpur Urban	Electrocraft/ 20871001304	2008-09/ 31.03.2011	Electronics goods	1,68,80,766.06	1,68,80,766.06	1,57,24,387.11	11,56,378.95	11,56,378.95	23	2,65,967.16	14,22,346.11	The AA allowed full ITC though the dealer had availed credit notes on account of incentives/credit notes and deducted it from the purchases within the state of Jharkhand.
			2009-10/ 20.03.2013	Electronics goods	2,38,70,878.73	2,38,70,878.73	2,20,43,313.04	18,27,565.69	18,27,565.69	34	6,21,372.33	24,48,938.02	The AA allowed full ITC though the dealer had availed credit notes on account of incentives/credit notes and deducted it from the purchases within the state of Jharkhand.
2	Dhanbad	BCCL, WJ Munidih/ 20361700033	2009 -10/ 28.02.2012	Coal	36,92,655.77	35,38,139.53	1,24,317.76	34,13,821.77	35,68,338.01	22	7,85,034.36	41,98,856.13	The AA did not apportion the ITC for intra-State stock transfer in the light of judgement in writ petition no. 6285 of 2007 and also incorrectly allowed carried forward ITC of ₹ 25.42 lakh from 2008-09.
			2010 -11/ 06.08.2014	Coal	13,01,945.65	13,01,945.65	0.00	13,01,945.65	13,01,945.65	32	4,16,622.61	17,18,568.26	The AA incorrectly allowed ITC though the sales of goods were less than 5 per cent.

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Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
3	Dhanbad	Inder Hard Coke Industries/ 23391700500	2010-11/ 20.09.2013	Hard coke	2,62,304.00	2,62,304.00	0.00	2,62,304.00	0.00	0	0.00	2,62,304.00	The AA incorrectly allowed carried forward ITC of ₹ 2.62 lakh though the assessment order was revised for the year 2009-10 without carrying forward the ITC.
4	Tenughat	Industrial Chemicals/ 20682201347	2010 -11/ 22.03.2014	Industrial chemical	2,98,454.62	2,98,437.56	42,498.00	2,55,939.56	2,55,939.56	35	89,578.85	3,45,518.41	The AA allowed full ITC on the counterfoil copy of JVAT-404 amounting to ₹ 20.44 lakh.
5	Chaibasa	R K Minerals/ 20111205553	2011 -12/ 01.07.2013	Iron ore	20,37,970.75	20,37,970.75	17,52,583.14	2,85,387.61	2,85,387.61	14	39,954.27	3,25,341.88	The AA allowed full ITC on the sale made to unregistered dealers of other state U/s 8(2) of CST Act, 1956 in contravention to SO 2 dated 07.05.2011. Further, as the dealer had availed incorrect ITC of ₹ 2.85 lakh (₹ 20.38 lakh - ₹ 17.53 lakh) on which the dealer was liable to pay interest and penalty u/s 30(1)(3) of the Act.
6	Chaibasa	Devikabhai Velji/ 20121200615	2011 -12/ 03.09.2014	Iron ore	62,78,813.00	62,78,813.00	56,45,927.66	6,32,885.34	6,32,885.34	16	1,01,261.65	7,34,146.99	The AA allowed full ITC on the sale made to unregistered dealers of other state U/s 8(2) of CST Act, 1956 in contravention to SO 2 dated 07.05.2011. Further, as the dealer had availed incorrect

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
													ITC of ₹ 6.33 lakh on which the dealer was liable to pay interest and penalty u/s 30(1)(3) of the Act.
7	Chaibasa	Salasar Minerals/ 20161205561	2011 -12/ 19.08.2014	Iron ore	18,75,660.00	18,75,651.85	14,39,346.04	4,36,305.81	4,36,313.96	15	65,447.09	5,01,752.90	The AA allowed full ITC on the sale made to unregistered dealers of other state U/s 8(2) of CST Act, 1956 in contravention to SO 2 dated 07.05.2011. Further, as the dealer had availed incorrect ITC of ₹ 4.36 lakh on which the dealer was liable to pay interest and penalty u/s 30(1)(3) of the Act.
8	Ramgarh	Bharat Refractories Ltd. (IFFCO)/ 20481900078	2009 -10/ 6.3.2013/ 01.11.2014 (Revised)	Fire Bricks	1,00,92,051.00	73,84,767.00	70,09,736.00	3,75,031.00	30,82,315.00	54	16,64,450.10	20,39,481.10	The dealer did not apportion correctly on account of inter-State stock transfer amounting to ₹ 21.98 crore. Further, as the dealer had availed incorrect ITC of ₹ 30.82 lakh (₹ 1.01 crore – ₹ 70.10 lakh) on which the dealer was liable to pay interest and penalty u/s 30(1)(3) of the Act.

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
9	Ramgarh	Dayal Ferro Alloys/ 20491903128	2010 -11/ 02.01.2014	Ferro Alloys	12,84,828.00	14,75,766.00	12,84,828.00	1,90,938.00	0.00	0	0.00	1,90,938.00	Though the dealer claimed ITC of ₹ 12.84 lakh (after apportionment), the AA incorrectly allowed ITC of ₹ 14.76 lakh resulting in excess allowance of ITC of ₹ 1.91 lakh.
10	Ramgarh	Dayal Alloys and Steel Castings/ 20741903136	2010 -11/ 02.01.2014	MS Ingot	24,70,914.00	32,53,432.00	24,10,099.26	8,43,332.74	60,814.74	32	19,460.72	8,62,793.46	Though the dealer claimed ITC of ₹ 24.71 lakh (after apportionment), the AA incorrectly allowed ITC of ₹ 32.53 lakh resulting in excess allowance of ITC of ₹ 7.82 lakh. Further, we calculated the actual ITC admissible to ₹ 24.10 lakh only. Thus, there was excess allowance of ITC of ₹ 8.43 lakh. As the dealer had availed incorrect ITC of ₹ 0.61 lakh (₹ 24.71 lakh - ₹ 24.10 lakh) on which the dealer was liable to pay interest and penalty u/s 30(1)(3) of the Act.

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

SI No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
11	Jamshedpur	TML Distribution Co. Ltd/ 20490806032	2010-11/ 31.3.2014	Motor vehicles	42,31,179.86	42,31,179.86	40,97,968.13	1,33,211.73	1,33,211.73	35	46,624.11	1,79,835.84	The dealer had not shown any purchase of 4 per cent goods however, he availed ITC of ₹ 1.44 lakh but the AA allowed ITC of ₹ 1.33 lakh. Thus, the dealer had availed ITC to which he was not entitled to.
12	Dhanbad	Ronak Enterprises/ 20391705206	2010-11/ 13.6.2012	Coal	8,52,172.32	8,52,172.32	7,81,964.93	70,207.39	70,207.39	14	9,829.03	80,036.42	In contravention to the provisions of Rule 35(2)&(4), the AA allowed ITC on submission of two declaration forms in JVAT-404 issued by the same selling dealer for the same financial year. Thus, allowance of ITC of ₹ 70,207.00 was incorrect.
13	Dhanbad	Parth Ispat India Pvt. Ltd/ 20601705065	2010-11/ 29.3.2014	Railway Sleeper	55,02,649.00	53,61,944.37	52,86,684.58	75,259.79	2,15,964.42	35	75,587.55	1,50,847.34	The dealer was incorrectly allowed ITC of ₹ 75,260 for which JVAT-404 furnished pertained to 2009-10.
14	Ranchi South	Hindalco Industries Ltd/ 20530101428	2010-11/ 07/03/2014	Alumina	55,58,744.00	51,12,797.00	48,97,154.64	2,15,642.36	6,61,589.36	35	2,31,556.28	4,47,198.64	The AA allowed incorrect ITC on purchases of goods featuring in the negative list of ITC.
15	Ranchi South	Usha Martin Ltd. (WRP Division)/ 20650100392	2011-12/ 22.10.2014	Wire, wire ropes	4,69,12,347.02	4,69,12,347.02	4,60,70,866.87	8,41,480.15	8,41,480.15	29	2,44,029.24	10,85,509.39	The dealer did not apportion correctly on account of inter-State stock transfer and job work.

Audit Report for the year ended 31 March 2015 on Revenue Sector

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
16	Ranchi West	Shiv Om Mega Mart/ 20310305619	2010-11/ 7.9.2013	Readymade garments	5,07,075.63	5,07,075.63	3,90,542.55	1,16,533.08	1,16,533.08	28	32,629.26	1,49,162.34	In accordance to Section 21 of JVAT Act, the dealer was not entitled for ITC on trade discount of ₹ 29.13 lakh which was allowed by the AA. As the dealer had made purchase within the State only and had claimed ITC on the entire purchase, the dealer was not entitled for ITC on exempted amount of ₹ 29.13 lakh.
17	Ranchi West	HCL Infosystems/ 207303000171	2010-11/ 10.2.2014	IT products	7,98,23,598.49	7,90,15,395.74	7,86,37,883.69	3,77,512.05	11,85,714.80	33	3,91,285.88	7,68,797.93	The dealer had furnished 13 numbers of in JVAT-404 for ₹ 1.90.32 crore and the AA, after apportion, allowed ITC of ₹ 7.90 crore. However, the actual ITC, admissible on the basis of furnished forms, worked out to ₹ 7.86 crore only resulting in excess allowance of ITC of ₹ 3.77 lakh. Further, the dealer had availed ITC of ₹ 7.98 crore, hence the dealer was also liable to pay interest and penalty on ₹ 11.86 lakh (₹ 7.98 crore - ₹ 7.86 crore).

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
18	Ranchi West	Next Retail India Ltd/ 20820305914	2010-11/ 25.2.2014	Utensils, IT products	42,71,606.89	42,71,606.89	9,68,020.83	33,03,586.06	33,03,586.06	33	10,90,183.40	43,93,769.46	The dealer had availed and was also allowed ITC of ₹ 4.87 crore on production of 12 numbers of JVAT-404. However, our scrutiny revealed that out of the above, 6 number of forms were issued by the selling dealers at a later date(s) than the date of assessment i.e. 25.2.2014. Thus, it was evident that these forms were not furnished at the time of assessment. As such, the AA incorrectly allowed ITC of ₹ 33.04 lakh involved in these 6 forms.
19	Ranchi West	Spice Ltd./ S Mobility Ltd./ 20770301892	2010-11/ 18.12.2013	IT products	40,86,254.86	40,86,254.86	29,20,995.41	11,65,259.45	11,65,259.45	31	3,61,230.43	15,26,489.88	The dealer had availed ITC of ₹ 40.86 lakh on account of entry tax paid which was also allowed by the AA. As the dealer had stock transferred its goods outside the State, there was incorrect adjustment of entry tax of ₹ 11.65 lakh.

Appendix-V (Referred to in Paragraph No. 2.3.13.1 of the Report)

Excess allowance of ITC

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	ITC claimed by the dealer	ITC allowed	ITC to be allowed	Excess allowance of ITC	Amount of tax not paid	Extent of delay in completed months	Interest @ 1% pm	Total	Remarks
20	Bokaro	SAIL, Bokaro Steel Plant/ 20581402316	2010-11/ 22.3.2014	Iron & Steel	64,42,70,977.00	63,44,81,610.48	61,58,44,874.70	1,86,36,735.78	28426102.3	34	96,64,874.78	2,83,01,610.56	The dealer company had stock transferred (within State) its goods valued at ₹ 603.18 crore and stock transfer outside the State for ₹ 3,157.57 crore on which ITC was not admissible in full but to be apportioned which was neither accounted/ accounted short for in apportionment by the dealer nor by the assessing authority.
			2011-12/ 30.3.2015	Iron & Steel	70,12,69,965.00	68,14,38,191.14	66,75,86,118.73	1,38,52,072.41	33683846.27	35	1,17,89,346.19	2,56,41,418.60	The dealer company had stock transferred (within State) its goods valued at ₹ 587.23 crore on which ITC was not admissible in full but to be apportioned which was neither accounted for in apportionment by the dealer nor by the assessing authority.
Total					1,56,76,33,811.65	1,53,47,29,447.44	1,48,49,60,111.07	4,97,69,336.37	8,24,11,379.52		2,80,06,325.30	7,77,75,661.67	

Appendix-VI (Referred to in Paragraph No. 2.3.14.1 of the Report)
Non/short levy of tax due to misclassification of goods

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	GTO determined	Exemption disallowed/turnover levied to tax at the lower rate	Rate of tax (%) <u>leviable</u> <u>levied</u>	Tax leviable	Tax levied	Short levy of Tax	Remarks
1	Jamshedpur Urban	Mak Bros Sales/ 20471000942	2009-10/ 21.03.2013	Paints	13,17,17,659.33	2,69,47,815.51	$\frac{12.5}{4}$	33,68,476.94	10,77,912.62	22,90,564.32	On the basis of usage of road permit in 504G, the total inter-State purchase was ₹ 8.15 crore. Out of which goods of 12.5 per cent was ₹ 6.84 crore but the dealer misclassified the goods and accounted for ₹ 3.89 crore only and the rest was accounted for in purchase of 4 per cent. This resulted in misclassification of goods valued at ₹ 2.69 crore (₹ 6.84 crore - ₹ 3.89 crore - ₹ 0.26 crore for transit sale) and consequent short levy of tax due to application of incorrect rate of tax.
2	Tenughat	Balaji Traders/ 20132200243	2010 -11/ 22.08.2013	Cement & iron	62,47,524.00	12,47,524.00	$\frac{4 \& 12.5}{0.5}$	87,254.21	6,237.62	81,016.59	The dealer had opted for composition scheme u/s 58 but the turnover exceeded ₹ 50 lakh during the year and the AA levied tax @ 0.5 per cent on the exceeded turnover though tax @ 4 and 12.5 per cent was leviable on the exceeded turnover of ₹ 12.48 lakh under Rule 60 of JVAT Rules, 2006.
3	Tenughat	Kathara Washery/ 20602205100	2010 -11/ 20.01.2014	Coal briquette	1,19,30,84,429.07	49,09,549.76	$\frac{12.5}{4}$	6,13,693.72	1,96,381.99	4,17,311.73	The dealer sold coal briquettes for ₹ 49.10 lakh but the AA incorrectly levied tax @ 4 per cent on it instead of correct rate of 12.5 per cent.

**Appendix-VI (Referred to in Paragraph No. 2.3.14.1 of the Report)
Non/short levy of tax due to misclassification of goods**

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	GTO determined	Exemption disallowed/turnover levied to tax at the lower rate	Rate of tax (%) leviable levied	Tax leviable	Tax levied	Short levy of Tax	Remarks
4	Ramgarh	IAG company Ltd./ 20291903141	2010 -11/ 25.03.2014	Glass	18,87,42,899.00	4,17,80,645.00	$\frac{12.5}{4}$	52,22,580.63	16,71,225.80	35,51,354.83	The dealer sold glass which was taxable @12.5 per cent as per schedule - II Part -D of the Act but the AA levied tax @ 4 per cent on it.
5	Ranchi West	Khalari Cement Ltd./ 20580300202	2010-11/ 02.07.2013	Cement	22,59,33,346.00	2,95,07,029.00	$\frac{12.5}{4}$	36,88,378.63	11,80,281.16	25,08,097.46	The AA levied tax at the rate of 4 per cent on ₹14.93 crore, of which, goods valued at ₹ 11.98 crore was sale of clinkers (taxable at the rate of 4 per cent) and the balance sale of ₹ 2.95 crore was the sale of cement on which tax at the rate of 12.5 per cent was leviable.
6	Ranchi West	Premsons Motor Udyog Ltd./ 20900301384	2010-11/ 21.06.2013	Motor vehicles	123,01,77,915.00	3,97,52,412.54	$\frac{12.5}{4}$	49,69,051.57	15,90,096.50	33,78,955.07	The assessee was assessed to tax @ 4 per cent on ₹ 4.35 crore incorrectly though materials taxable @ 4 per cent was for ₹ 37.82 lakh only and the sale of ₹ 3,97,52,412.54 was taxable @ 12.5%.
Total					2,97,59,03,772.40	14,41,44,975.81		1,79,49,435.69	57,22,135.69	1,22,27,299.99	

Appendix-VII (Referred to in Paragraph No. 2.3.14.2 of the Report)

Short levy of tax due to application of incorrect rate

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	GTO determined	Exemption claimed by the dealer	Exemption disallowed/ turnover levied to tax at the lower rate	Rate of tax (%) leviable levied	Tax leviable	Tax levied	Short levy of Tax	Remarks
1	Ramgarh	Sahil Construction/ 20691900205	2010 -11/ 17.02.2014	Works contractor/ Suppliers	3,29,91,370.87	1,78,90,738.77	79,93,326.61	$\frac{12.5}{4}$	9,99,165.83	3,19,733.06	6,79,432.76	The contractor did not maintain labour register on regular basis. The assessing authority disallowed exemption on labour and other charges and levied tax @ 4 per cent instead of correct rate of 12.5 per cent as per proviso of Rule 22(2) of JVAT Rules, 2006.
2	Jamshedpur Urban	Shapoorji Pallonji & Co./ 2053100685	2010 -11/ 15.03.2014	Works contractor/ Suppliers	47,77,95,224.41	41,35,36,552.53	17,36,85,352.06	$\frac{12.5}{4}$	2,17,10,669.01	69,47,414.08	1,47,63,254.93	As per proviso of Rule 22(2) of JVAT Rules, 2006 the disallowed non-taxable turnover of ₹ 17.37 crore was leviable @ 12.5 per cent but the AA incorrectly levied tax @ 4 per cent.
3	Adityapur	Ahluwalia Contracts Ltd./ 20660905523	2009-10/ 29.03.2014	Works contractor/ Suppliers	20,12,87,207.00	8,03,37,421.23	1,20,50,000.00	$\frac{12.5}{4}$	15,06,250.00	4,82,000.00	10,24,250.00	As per proviso of Rule 22(2) of JVAT Rules, 2006 the disallowed non-taxable turnover of ₹ 1.21 crore was leviable @ 12.5 per cent but the AA incorrectly levied tax @ 4 per cent.
			2010 -11/ 29.03.2014	Works contractor/ Suppliers	39,00,77,040.00	17,84,34,039.00	54,40,000.00	$\frac{12.5}{4}$	6,80,000.00	2,17,600.00	4,62,400.00	As per proviso of Rule 22(2) of JVAT Rules, 2006 the disallowed non-taxable turnover of ₹ 54.40 lakh was leviable @ 12.5 per cent but the AA incorrectly levied tax @ 4 per cent.
4	Ranchi West	Liang Simplex JV/ 20190305173	2008-09/ 28/03/2011	Works contractor	1,53,45,47,302.00	4,60,36,419.00	1,38,10,925.72	$\frac{12.5}{4}$	17,26,365.72	5,52,437.00	11,73,928.68	As per proviso of Rule 22(2) of JVAT Rules, 2006 the disallowed non-taxable turnover of ₹ 1.38 crore was leviable @ 12.5 per cent but the AA incorrectly levied tax @ 4 per cent.

Appendix-VII (Referred to in Paragraph No. 2.3.14.2 of the Report)

Short levy of tax due to application of incorrect rate

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	GTO determined	Exemption claimed by the dealer	Exemption disallowed/ turnover levied to tax at the lower rate	Rate of tax (%) leviable levied	Tax leviable	Tax levied	Short levy of Tax	Remarks
5	Ranchi South	Excel Venture Construction Pvt. Ltd./ 20500100717	2011-12/ 18.06.2013	Works contractor	7,02,81,713.00	2,37,98,528.96	4,64,83,184.04	$\frac{14}{5}$	68,87,607.87	29,13,928.66	39,73,679.21	As per proviso of Rule 22(2) of JVAT Rules, 2006, the disallowed portion of labour of ₹ 3.99 crore was taxable @ 14 per cent but the AA incorrectly levied tax at the rate of 5 per cent and deduction of tax collected amounting to ₹ 27.14 lakh from GTO was also incorrect as the same was taxable at the rate of 14 per cent.
6	Ranchi South	Simplex Project Ltd./ 20590101007	2010-11/ 21.02.2014	Works contractor	4,48,89,580.00	2,30,93,311.00	45,37,683.00	$\frac{12.5}{4}$	5,67,210.38	1,81,507.32	3,85,703.05	As per proviso of Rule 22(2) of JVAT Rules, 2006, the disallowed labour charges was taxable at the rate of 12.5 per cent but the AA incorrectly levied tax at the rate of 4 per cent on disallowed turnover of ₹ 45.38 lakh.
7	Ranchi South	JSEB/ 20330105162	2010-11/ 31/03/2014	Generation and distribution of electricity	41,26,51,000.99	41,26,51,000.00	33,01,20,800.00	$\frac{12.5}{4}$	4,12,65,100.00	1,32,04,832.00	2,80,60,268.00	As per proviso of Rule 22(2) of JVAT Rules, 2006, the disallowed portion of labour component was taxable at the rate of 12.5 per cent but the AA incorrectly levied tax at the rate of 4 per cent on ₹ 33.01 crore.
Total					3,16,45,20,438.27	1,19,57,78,010.49	59,41,21,271.43		7,53,42,368.80	2,48,19,452.13	5,05,22,916.63	

Appendix-VIII (Referred to in Paragraph No. 2.3.20.2 of the Report)

Incorrect allowance of exemption under JVAT Act

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	GTO determined	Exemption claimed by the dealer	Exemption allowed	Exemptions to be allowed	Turnover liable to be taxed	Rate of tax	Tax leviable	Remarks
1	Ramgarh	Kashmir Vastralaya/ 20691906044	2010-11/ 24.09.13	Readymade, hosiery goods, cloths saree	6,79,09,956.00	2,49,27,742.00	2,49,27,742.00	80,84,691.00	1,68,43,051.00	4.00%	6,73,722.04	The dealer had made stock transfer of ₹ 2.49 crore including tax free goods of ₹ 80.85 lakh but did not produce declarations in form JVAT 506 in proof of stock transfer. The AA did not levy tax on this turnover resulting in incorrect exemption.
2	Ramgarh	Praneet Ispat Udyog Pvt. Ltd/ 20331900543	2009-10/ 14.08.13	MS Ingot & MS Bar	42,06,10,180.00	3,95,88,577.00	3,95,88,577.00	0.00	3,95,88,577.00	4.00%	15,83,543.08	The dealer claimed exemption on account of conversion charges but did not account for any labour expenses for conversion job and no goods were either found received from other party (dealer). The AA allowed conversion charges incorrectly from his trading account and did not discuss it in the assessment order.
3	Ramgarh	Praneet Ispat Udyog Pvt. Ltd/ 20331900543	2010-11/ 17.02.14	MS Ingot & MS Bar	38,64,66,659.00	2,98,79,580.00	2,98,79,580.00	0.00	2,98,79,580.00	4.00%	11,95,183.20	The dealer claimed exemption on account of labour charges but did not account for any labour expenses in the debit side of the trading account. The AA incorrectly allowed the same from the sale of goods.
4	Ranchi East	Eveready Industries Ltd./ 20950100712	2010-11/ 18.06.2013	Battery, tea, torch, coils	31,76,61,785.48	1,70,54,807.05	1,70,54,807.05	0.00	1,70,54,807.05	12.50%	21,31,850.88	The dealer claimed price difference of ₹ 1.71 crore in the credit side of the trading account which was allowed by the AA although the goods were receipted on the declaration form "F" which reduced the closing balance.
5	Ranchi West	Nestle India Ltd./ 20020400905	2010-11/ 19.9.2013	FMCG	1,19,50,22,080.87	21,68,74,575.68	21,68,74,575.68	14,93,11,812.71	6,75,62,762.97	12.50%	84,45,345.37	The dealer had claimed exemption of ₹ 21.69 crore on accounts of price subsidy and discount on invoice which was allowed by the AA. However, our scrutiny revealed that CD commission of ₹ 6.76 crore earned by the dealer as carrying and forwarding agent was incorrect shown as discount on invoice, thus there was incorrect grant of exemption on it.

Appendix-VIII (Referred to in Paragraph No. 2.3.20.2 of the Report)

Incorrect allowance of exemption under JVAT Act

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	GTO determined	Exemption claimed by the dealer	Exemption allowed	Exemptions to be allowed	Turnover liable to be taxed	Rate of tax	Tax leviable	Remarks
6	Ranchi West	Mankind Pharma Ltd/ 20480302488	2010-11/ 5.2.2014	HL Medicine	27,04,59,549.17	3,66,99,979.00	3,66,99,979.00	0.00	3,66,99,979.00	4%	14,67,999.16	The dealer had claimed exemption on bonus issue (free sample) of ₹ 3.67 crore which was allowed by the AA. However, our scrutiny of JVAT-409 revealed that the dealer had made taxable sale at MRP for ₹ 26.54 crore and tax collection on free sample was not reflected in the annexure. This indicated that bonus issue was not taxed and it reduced the closing balance.
7	Ranchi West	Novartis India Ltd./ 209103032036	2010-11/ 5.2.2014	HL Medicine	18,36,91,096.44	74,47,645.64	74,47,645.64	0.00	74,47,645.64	4%	2,97,905.83	The dealer had claimed exemption on price difference of ₹ 74.48 lakh which was allowed by the AA. However, our scrutiny revealed that the dealer had shown the price difference in the credit side of the trading account which reduced the closing balance.
8	Ranchi West	KG Sales Corporation/ 207104042223	2009-10/ 10.10.2013	Electrical goods	22,01,88,376.35	63,94,361.00	63,94,361.00	0.00	63,94,361.00	4%	2,55,774.44	The dealer had claimed exemption on price difference of ₹ 63.94 lakh which was allowed by the AA without discussing the same in the assessment order. However, our scrutiny revealed that the dealer had shown the price difference in the debit side of the trading account which reduced the closing balance.
Total					3,06,20,09,683.31	37,88,67,267.37	37,88,67,267.37	15,73,96,503.71	22,14,70,763.66		1,60,51,324.00	

Appendix-IX (Referred to in Paragraph No. 2.3.20.3 of the Report)

Incorrect allowance of exemption under works contracts

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	GTO determined	Exemption claimed by the dealer	Exemption allowed	Exemptions to be allowed	Turnover liable to be taxed	Rate of tax (%)	Tax leviable	Remarks
1	Deoghar	Diversified Vyapar Pvt. Ltd./ 20732605304	2010-11/ 17.04.2014	Works contractor/ Suppliers	10,91,10,603.00	5,26,35,727.90	5,30,06,996.58	2,98,72,958.40	2,31,34,038.18	12.50	28,91,754.77	The contractor had not maintained labour register on regular basis. Thus, the provisions of Rule 22(2) were to be applied in this case and labour and other charges were to be limited to 30 per cent of total turnover.
2	Ramgarh	Universal Agency/ 20181905167	2010-11/ 28.06.13	Works contractor/ Suppliers	5,42,07,759.00	88,34,988.00	88,34,988.00	49,29,488.58	39,05,499.42	12.50	4,88,187.43	The contractor claimed exemption on account of gross profit in excess of the profit earned as shown in the trading account.
3	Jamshedpur	Larsen & Toubro Ltd./ 20300800003	2010-11/ 23.12.13	Works contractor/ Suppliers	17,21,45,90,668.00	8,72,91,81,340.00	8,72,91,81,340.00	8,48,90,88,989.00	24,00,92,351.00	12.50	3,00,11,543.88	The contractor claimed exemption on account of payment made to sub-contractors but the sub-contractors/ service and labour charges mentioned in the assessment order including unregistered sub-contractors were without proof of labour and services which was incorrectly allowed by the AA.
4	Jamshedpur Urban	Triveni Engicons Pvt. Ltd./ 20891001002	2010 -11/ 24.03.2014	Works contractor/ Suppliers	76,85,53,589.16	2,46,51,056.01	2,46,51,056.01	0.00	2,46,51,056.01	12.50	30,81,382.00	The contractor claimed exemption on account of tax collection which was incorrectly allowed by the AA.
			2010 -11/ 24.03.2014	Works contractor/ Suppliers	76,85,53,589.16	35,98,52,282.96	35,98,52,282.96	33,07,82,230.00	2,90,70,052.96	12.50	36,33,756.62	The contractor claimed exemption on account of profit related to materials which was incorrectly allowed by the AA.
5	Jamshedpur Urban	Multi Infratech Pvt Ltd./ 20181001247	2010-11/ 11.12.13	Works contractor/ Suppliers	6,55,18,281.28	5,03,31,272.51	5,03,31,272.51	4,70,05,379.00	33,25,893.51	12.50	4,15,736.69	The contractor consumed goods of ₹ 5.03 crore during execution of works contract, but tax was levied on ₹ 4.70 crore.

Appendix-IX (Referred to in Paragraph No. 2.3.20.3 of the Report)

Incorrect allowance of exemption under works contracts

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	GTO determined	Exemption claimed by the dealer	Exemption allowed	Exemptions to be allowed	Turnover liable to be taxed	Rate of tax (%)	Tax leviable	Remarks
6	Dhanbad	EPSA India Projects/ 20611705668	2010-11/ 21.2.14	Works contractor/ Suppliers	31,08,68,361.00	30,96,99,961.00	30,96,99,961.00	9,32,60,508.00	21,64,39,453.00	12.50	2,70,54,931.63	The contractor did not furnish JVAT -409 and not maintained records for labour and services. Thus, the provisions of Rule 22(2) will apply in this case and labour and other charges would be limited to 30 per cent of the total turnover.
7	Adityapur	Praxair India Ltd. (VPSA Oxygen Plant)/ 200909011241	2010-11/ 04.07.2012	Plant Machinery, Leasing of gas etc..	14,63,03,137.00	3,39,45,045.00	3,39,45,045.00	1,68,84,000.00	1,70,61,045.00	12.50	21,32,630.63	The dealer claimed O&M charges of ₹ 3.39 crore against the allowable charges of ₹ 1.69 crore as per agreement between M/s Usha Martin and M/s Praxair.
8	Ranchi South	NPCC/ 20120100538	2010-11/ 24.3.2014	Works contract	98,18,81,664.87	90,37,71,489.00	90,37,71,489.00	80,63,52,154.00	9,74,19,335.00	12.50	1,21,77,416.88	The dealer had shown payment to sub-contractors and claimed exemption of ₹ 90.38 crore which was also allowed by the AA. However, our scrutiny revealed that the actual totalling worked out to ₹ 83.13 crore only which also included payment of ₹ 2.49 crore to unregistered dealers, thus, ₹ 9.74 crore were liable to be taxed.
9	Ranchi South	KEC International Ltd./ 20870105908	2010-11/ 24.2.2014	Works contract	37,22,01,703.00	22,56,40,857.00	18,74,68,820.50	36,98,858.50	18,37,69,962.00	12.50	2,29,71,245.25	The dealer had claimed exemption of ₹ 18.75 crore, of which payment of ₹ 18.38 crore pertained to payment to sub-contractors which was allowed by the AA. Our scrutiny revealed that the dealer had neither furnished any details of sub-contractors, nor had deducted TDS from them. The AA also did not discuss such submission in the assessment order. Thus, there was incorrect grant of exemption.

Appendix-IX (Referred to in Paragraph No. 2.3.20.3 of the Report)

Incorrect allowance of exemption under works contracts

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer (M/s)/TIN	Period/Date of assessment	Commodity	GTO determined	Exemption claimed by the dealer	Exemption allowed	Exemptions to be allowed	Turnover liable to be taxed	Rate of tax (%)	Tax leviable	Remarks
10	Bokaro	Gillaners Arbutanot & Co. Ltd./ 20521406234	2010-11/ 28.2.2014	Works Contract	16,74,03,436.00	7,34,30,645.29	6,13,75,145.29	5,02,21,030.80	1,11,54,114.49	12.50	13,94,264.31	The AA in its assessment order discussed submission of incorrect and unreliable accounts by the dealer, hence, assessment should have been finalised under Rule 22 of JVAT Rules which was however not done. Thus, the actual exemption worked out to ₹ 5.02 crore (30 per cent of GTO of ₹ 16.74 crore) whereas the AA allowed exemption of ₹ 6.14 crore.
11	Bokaro	Shri Ram EPC Ltd./ 20901405286	2010-11/ 25.3.2014	Works Contract	8,03,99,284.00	1,36,49,451.00	1,20,59,892.60	23,89,193.25	96,70,699.35	12.50	12,08,837.42	The AA while finalising the assessment under Rule 22 of JVAT Rules, 2006 incorrectly allowed exemption on the entire turnover which included turnover under CST Act also. Exemption under Rule 22 is applicable to turnover under JVAT Act only.
Total					21,03,95,92,075.47	10,78,56,24,115.67	10,73,41,78,289.45	9,87,44,84,789.53	85,96,93,499.92		10,74,61,687.49	

Appendix-X (Referred to in Paragraph No. 2.3.20.6 of the Report)

Incorrect allowance of exemption/concession against invalid forms

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Commodity	Total number of C/ F forms furnished	Value of forms furnished	Total number of forms found invalid	Transaction liable to be disallowed for levy of concessional rate of tax	Differential rate of tax (%)	Short levy of tax	Remarks
1	Ramgarh	CCL, Barka Sayal Area/ 20621905509	2010-11/ 29.11.2013	Coal	143	2,12,16,68,226.23	93	7,41,13,660.00	2	14,82,273.20	The dealer was allowed concessional rate of tax @ 2 per cent on submission of 93 numbers of declaration in Form C valued at ₹ 7.41 crore. Scrutiny revealed that the above forms did not contain the requisite information i.e, bill number and amount, period of transaction etc. As such, the forms were liable to be rejected for the purpose of levy of concessional rate of tax.
2	Dhanbad	Shri Enterprises Coal Sales Pvt. Ltd./ 20531705015	2010-11/ 8.1.2014	Coal	8	2,50,17,220.77	4	1,57,63,452.39	2	3,15,269.05	The dealer was allowed concessional rate of tax @ 2 per cent on submission of 8 numbers of declaration in Form C valued at ₹ 2.50 crore. Scrutiny revealed that out of the 4 forms valued at ₹ 1.58 crore lacked the requisite information i.e, bill number and amount, period of transaction etc were not mentioned. As such, the forms were liable to be rejected for the purpose of levy of concessional rate of tax.
3	Ranchi South	Usha Martin Ltd. (WRP Division)/ 20650100392	2011-12/ 22.10.2014	Wire, Wire ropes	1029	3,67,65,50,030.71	67	18,31,56,380.36	3	54,94,691.41	The dealer was allowed concessional rate of tax on submission of 61 number of declaration valuing ₹ 17.36 crore in form 'C' which were issued in the name of other dealer(s), hence, the forms were liable to be disallowed. Further, in case of a purchaser, the purchaser dealer had furnished 12 numbers of C Forms valued at ₹ 1.92 crore, of which, 3 numbers of forms were issued for the same quarter and 6 numbers of forms were identical forms bearing same form numbers and same invoice no. and date. The amounts of the forms were also identical. Hence forms valued at ₹ 1.40 crore were liable to be disallowed.

Appendix-X (Referred to in Paragraph No. 2.3.20.6 of the Report)

Incorrect allowance of exemption/concession against invalid forms

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Commodity	Total number of C/ F forms furnished	Value of forms furnished	Total number of forms found invalid	Transaction liable to be disallowed for levy of concessional rate of tax	Differential rate of tax (%)	Short levy of tax	Remarks
4	Bokaro	Castron Technologies/ 20461400733	2010-11/ 24.2.2014	Ferro Alloys	40	22,50,88,784.00	1	1,87,59,465.00	4	7,50,378.60	The dealer had claimed exemption from levy of tax on stock transfer outside the State for ₹ 22.51 crore for which 40 numbers of Form F were furnished which was allowed by the AA. However, we noticed that out of the above, one form valued at ₹ 1.88 crore was furnished blank i.e, without mentioning sellers name and registration number. Thus, the form was liable to be disallowed.
5	Bokaro	ABB Limited/ 20041405323	2010-11/ 28.3.2014	Works contract	33	53,46,41,778.29	30	50,05,76,919.89	2	1,00,11,538.40	The AA while finalising the assessment disallowed the claim of transit sale and levied tax of 2 per cent on ₹ 52.27 crore on the basis of submission of declarations in Form C. However, our scrutiny revealed that out of the above, sale of ₹ 50.06 crore pertained to the dealers of Jharkhand only, thus, they were liable to taxed at the rate applicable in the State i.e, 4 per cent.
6	Bokaro	SAIL, Bokaro Steel Plant/ 20581402316	2011-12/ 30.3.2015	Iron & Steel	1483	79,29,07,87,452.14	13	28,96,17,675.07	2	57,92,353.50	The dealer was allowed concessional rate of tax on submission of 1,483 numbers of declaration valuing ₹ 7,929.07 crore in Form 'C' which was allowed by the AA and tax on concessional rate was levied on it. However, our scrutiny revealed that out of the above, 13 forms valued at ₹ 28.96 crore were issued in the name of other dealer(s), hence, the forms were liable to be disallowed.

Appendix-X (Referred to in Paragraph No. 2.3.20.6 of the Report)

Incorrect allowance of exemption/concession against invalid forms

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period/ Date of assessment	Commodity	Total number of C/ F forms furnished	Value of forms furnished	Total number of forms found invalid	Transaction liable to be disallowed for levy of concessional rate of tax	Differential rate of tax (%)	Short levy of tax	Remarks
7	Bokaro	SAIL, Bokaro Steel Plant/ 20581402316	2010-11/ 22.3.2014	Iron & Steel	1498	73,11,12,15,167.00	19	84,41,83,292.81	2	1,68,83,665.86	The dealer was allowed concessional rate of tax on submission of 1,498 numbers of declaration valuing ₹ 7,311.12 crore in Form 'C' which was allowed by the AA and tax on concessional rate was levied on it. However, our scrutiny revealed that out of the above, 19 forms valued at ₹ 84.42 crore were issued in the name of other dealer(s), hence, the forms were liable to be disallowed.
8	Ramgarh	Dayal Ferro Alloys/ 20491903128	2010-11/ 2.1.2014	Ferro Alloys	65	20,21,86,398.00	5	1,44,29,441.00	4	5,77,177.64	The dealer was allowed exemption on account of stock transfer on the strength of 5 defective declaration in Form 'F' containing transaction for more than a month.
Total					4,299	1,59,18,71,55,057.14	232	1,94,06,00,286.52		4,13,07,347.65	

Appendix-XI (Referred to in Paragraph No. 2.4.2 of the Report)

Suppression of sales turnover detected in cross verification

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual receipt turnover	TTO (Material Component)	Receipts accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
1	Ranchi Special	Bhirgunath Singh/ 20080405143	2006-07/ 30.06.09	Work contractor	29,67,811.00	2077467.70	1,00,000.00	19,77,467.70	12.5	2,47,183.00	4,94,366.00	7,41,549.00	As per information collected from BCD, Ranchi, the contractor had received payment of ₹ 29.68 lakh whereas tax was levied on turnover of ₹ 1 lakh.
			2007-08/ 18.02.10		30,64,235.00	21,44,964.50	0.00	21,44,964.50	12.5	2,68,121.00	5,36,242.00	8,04,363.00	As per information collected from BCD, Ranchi, the contractor had received payment of ₹ 30.64 lakh whereas gross turnover was assessed as nil.
			2008-09/ 17.03.11		17,77,348.00	12,44,143.60	0.00	12,44,143.60	12.5	1,55,518.00	3,11,036.00	4,66,554.00	As per information collected from BCD, Ranchi the contractor had received payment of ₹ 17.77 lakh whereas gross turnover was assessed as nil.
			2009-10/ 18.03.13		22,287.00	15,600.90	0.00	15,600.90	12.5	1,950.00	3,900.00	5,850.00	As per information collected from BCD, Ranchi the contractor had received payment of ₹ 22,287 whereas gross turnover was assessed as nil.
			2010-11/ 15.03.14		6,25,966.00	4,38,176.20	0.00	4,38,176.20	12.5	54,772.00	1,09,544.00	1,64,316.00	As per information collected from BCD, Ranchi the contractor had received payment of ₹ 6.26 lakh whereas gross turnover was assessed as nil.
2	Dhanbad Urban	Shashikant Gopalka/ 20661606154	2008-09	Work contractor	40,21,674.00	28,15,171.80	0.00	28,15,171.80	12.5	3,51,896.00	7,03,792.00	10,55,688.00	As per information collected from RCD, Dhanbad the contractor had received payment of ₹ 40.22 lakh whereas gross turnover was assessed as nil.
			2009-10		38,77,505.00	27,14,253.50	0.00	27,14,253.50	12.5	3,39,282.00	6,78,564.00	10,17,846.00	As per information collected from RCD, Dhanbad the contractor had received payment of ₹ 38.78 lakh whereas gross turnover was assessed as nil.

Appendix-XI (Referred to in Paragraph No. 2.4.2 of the Report)

Suppression of sales turnover detected in cross verification

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual receipt turnover	TTO(Material Component)	Receipts accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
3	Dhanbad Urban	Subhash Singh Choudhary/ 20611600422	2010-11/ 28.02.14	Work contractor	19,30,23,060.00	19,30,23,060.00	15,58,44,692.00	3,71,78,368.00	12.5	46,47,296.00	92,94,592.00	1,39,41,888.00	As per information collected from RDSB, Bokaro the contractor had received payment of ₹ 19.30 crore whereas tax was levied on ₹ 15.58 crore only.
4	Dhanbad Urban	Ganesh Yadav/ 20621601435	2009-10/ 12.12.2012	Works contract material	7,73,77,893.00	7,73,77,893.00	50,000.00	7,73,27,893.00	12.5	96,65,986.63	1,93,31,973.25	2,89,97,959.88	Executive Engineer R.D Special Division, Koderma paid ₹ 7.74 crore for construction of bridge over river Sakri & Keso but the contractor dealer accounted for receipt of ₹ 50,000 only on which the assessment was finalised.
5	Dhanbad Urban	Jitendra Prasad Singh/ 250181601871	2007-08/	Works contract material	76,09,037.00	76,09,037.00	5,29,339.00	70,79,698.00	12.5	8,84,962.25	17,69,924.50	26,54,886.75	The contractor received payment of ₹ 76.09 lakh from EE RCD & RWD Division, Dhanbad but accounted for ₹ 5.29 lakh only in his accounts on which the assessment was finalised.
			2008-09/	Works contract material	1,10,42,906.00	1,10,42,906.00	12,30,826.00	98,12,080.00	12.5	12,26,510.00	24,53,020.00	36,79,530.00	The contractor received payment of ₹ 1.10 crore from EE RCD & RWD Division, Dhanbad but accounted for ₹ 12.31 lakh only in its accounts on which the assessment was finalised.
6	Dhanbad Urban	J.S.Brother	2008-09/ 01.04.2010	Works contract material	8,01,474.00	8,01,474.00	1,00,000.00	7,01,474.00	12.5	87,684.25	1,75,368.50	2,63,052.75	Executive Engineer R.W.D. Works Division, Dhanbad paid ₹ 8.01 lakh but the assessment was finalised on turnover of ₹ 1 lakh only.
7	Dhanbad Urban	Sonu & Saroj/ 20671601553	2008-09/ 27.03.2011	Works contract material	33,84,508.00	33,84,508.00	20,83,742.00	13,00,766.00	12.5	1,62,595.75	3,25,191.50	4,87,787.25	The contractor received ₹ 13.01 lakh from EE RWD Division, Dhanbad & ₹ 20.84 lakh from DMC Dhanbad, but accounted for ₹ 20.84 lakh in its accounts on which the assessment was finalised.

Appendix-XI (Referred to in Paragraph No. 2.4.2 of the Report)

Suppression of sales turnover detected in cross verification

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual receipt turnover	TTO(Material Component)	Receipts accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
			2009-10/ 02.11.2012	Works contract material	12,99,341.00	12,99,341.00	10,39,000.00	2,60,341.00	12.5	32,542.63	65,085.25	97,627.88	Executive Engineer R.W.D. Works Division, Dhanbad and EE, RCD, Dhanbad paid ₹ 1.56 lakh & ₹ 11.43 lakh respectively to the contractor but the contractor reflected receipt of ₹ 10.39 lakh from BCCL Basta colia Area no. IX only on which the assessment was finalised.
8	Dhanbad Urban	Ram Tahal Saran/ 20761601261	2008-09/ 28.03.2011	Works contract material	42,25,934.00	42,25,934.00	50,000.00	41,75,934.00	12.5	5,21,991.75	10,43,983.50	15,65,975.25	The contractor received payment of ₹ 42.26 lakh from EE RWD Division, Dhanbad but accounted for ₹ 50,000 only in its accounts on which the assessment was finalised.
9	Katras	Malti Enterprises/ 20871500466	2010-11/ 19.02.14	Work contractor	31,56,31,317.00	31,56,31,317.00	18,98,68,269.00	12,57,63,048.00	12.5	1,57,20,381.00	3,14,40,762.00	4,71,61,143.00	As per information collected from RDSD, Bokaro the contractor had received payment of ₹ 31.56 crore whereas tax had been levied on turnover of ₹ 18.99 crore only.
10	Katras	Sunil kumar Dasoundhi/ 20281505155	2008-09/ 29.03.11	Work contractor	1,68,0683.00	11,76,478.10	0.00	11,76,478.10	12.5	1,47,060.00	2,94,120.00	4,41,180.00	As per information collected from RWD, Dhanbad the contractor had received payment of ₹ 16.81 lakh whereas the turnover was assessed as nil.
11	Katras	Mantu Mishra/ 20231500042	2008-09/ 29.03.11	Work contractor	13,73,561.00	9,61,492.70	0.00	9,61,492.70	12.5	1,20,187.00	2,40,374.00	3,60,561.00	As per information collected from RWD, Dhanbad the contractor had received ₹ 13.74 lakh whereas the turnover was assessed as nil.
12	Hazaribag	Nirmata Engineering Construction Co./ 20172101960	2010-11/ 03.05.2013	Works contract material	1,27,28,016.00	1,27,28,016.00	0.00	1,27,28,016.00	12.5	15,91,002.00	31,82,004.00	47,73,006.00	The contractor actually received payments of ₹ 1.27 crore from M/s Hindustan Steel Works Construction Ltd., but reflected nil turnover on which the assessment was finalised.

Appendix-XI (Referred to in Paragraph No. 2.4.2 of the Report)

Suppression of sales turnover detected in cross verification

(Amount in ₹)

Sl. No.	Name of Circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual receipt turnover	TTO(Material Component)	Receipts accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
13	Chirkunda	Pradeep Structural Development Pvt Ltd /20762005325	2008-09/ 23.03.11	Civil work	2,31,23,341.00	2,31,23,341.00	0.00	2,31,23,341.00	12.5	28,90,418.00	57,80,836.00	86,71,254.00	Cross-verification of gross receipt of the contractor with the records of M/s BHEL, (registered in the same Circle), indicated actual receipt of ₹ 2.31 crore, whereas the contractor had accounted as NIL.
14	Chirkunda	Amiya Industries/ 20262005245	2009-10/ 03.09.2012	Civil work	10,22,008.00	10,22,008.00	8,63,967.00	1,58,041.00	12.5	19,755.00	39,510.00	59,265.00	Cross-verification of gross receipt of the contractor with the records of M/s Maithan Power Ltd, (registered in the same Circle), indicated actual receipt of ₹ 10.22 lakh whereas the contractor had accounted receipts of ₹ 8.64 lakh only.
15	Sahibganj	Dinesh Kumar Yadav/ 20562705245	2010-11/ 28.10.13	Work contractor	9,72,426.00	6,80,698.20	0.00	6,80,698.20	12.5	85,087.00	1,70,174.00	2,55,261.00	As per information collected from Road Division, Sahibganj, the contractor had received payment of ₹ 9.72 lakh, whereas tax was assessed on nil turnover.
16	Sahibganj	Kaisar Rabbani/ 20912705204	2010-11/ 10.05.12	Work contractor	3,95,748.00	2,77,023.60	0.00	2,77,023.60	12.5	34,628.00	69,256.00	1,03,884.00	As per information collected from Road Division, Sahibganj the contractor had received payment of ₹ 3.96 lakh whereas tax was assessed on nil turnover.
Total					67,20,48,079.00	66,58,14,305.80	35,17,59,835.00	31,40,54,470.80		3,92,56,809.25	7,85,13,618.50	11,77,70,427.75	

Appendix-XII (Referred to in Paragraph No. 2.5.1 of the Report)

Suppression of sales/purchase turnover under JVAT Act

(Amount in ₹)

Sl. No.	Name of the circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual sale/ purchase turnover	Sale/purchase accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
1	Hazaribag	CCL, Piparwar Area/ 20932105592	2009-10/ 20.04.12	Coal	26,17,53,24,000	20,97,32,19,738	5,20,21,04,262	4	20,80,84,170	41,61,68,340	62,42,52,510	As per audited annual accounts, the actual turnover was ₹ 2,617.53 crore but the dealer accounted for ₹ 2,097.32 crore on which assessment was finalised.
2	Hazaribag	Mount Shivalik Industries / 20432105609	2010-11/ 15.01.14	Beer/ IMFL	7,36,92,000	7,31,40,000	5,52,000	50	2,76,000	5,52,000	8,28,000	As per month wise receipt and requirement of Form 'F', the value of receipt of goods was ₹ 7.37 crore but the dealer had accounted for ₹ 7.31 crore in its trading account on which assessment was finalised.
3	Hazaribag	Anindita Trade & Investment Ltd/ 20052103675	2010-11/ 22.11.13	Sponge iron	1,11,04,543	30,20,306	80,84,237	4	3,23,369	6,46,738	9,70,107	As per annual return, inter-State purchase was ₹ 1.11 crore whereas in manufacturing A/c, furnished in JVAT 409, the same was shown as ₹ 30.20 lakh on which the assessment was finalised.
4	Jharia	Ganpati Minetech (P) Ltd/ 20961800292	2010-11/ 07.08.13	Rock tools, machinery spares, hardware	16,75,49,105	5,47,87,852	11,27,61,253	12.5	1,40,95,157	2,81,90,314	4,22,85,471	As per TDS statement in JVAT 404 alongwith attached statement, the sales turnover was ₹ 16.75 crore whereas sales turnover in the trading account was shown as ₹ 5.48 crore only.
5	Jharia	BCCL EWZ Area/ 20821800757	2010-11/ 21.10.13	Washing and sale of coal	1,53,38,22,101	1,45,83,79,000	7,54,43,101	4	30,17,724	60,35,448	90,53,172	Cross linking of information showed receipt of coal valued at ₹ 153.38 crore (on the basis of JVAT-506) but the dealer had accounted for receipt of coal for ₹ 145.84 crore only in the manufacturing account.
6	Jharia	BCCL Lodna Area-X/ 20801800089	2008-09/ 12.02.11	Coal	3,22,23,18,000	3,18,68,10,000	3,55,08,000	4	14,20,320	28,40,640	42,60,960	As per annual account the actual GTO was ₹ 322.23 crore but the dealer had shown GTO ₹ 318.68 crore only on which the assessment was finalised.
7	Singhbhum	Bhagwati Oxygen Ltd/ 20791101161	2010-11/ 03.03.12	Oxygen gas & industrial gas	8,70,46,789	7,87,60,617	82,86,172	4	3,31,447	6,62,894	9,94,341	As per Audit Report, the sale of manufactured and traded goods was ₹ 8.70 crore whereas the dealer reflected sales of ₹ 7.88 crore only in its accounts on which the assessment was finalised.

Appendix-XII (Referred to in Paragraph No. 2.5.1 of the Report)

Suppression of sales/purchase turnover under JVAT Act

(Amount in ₹)

Sl. No.	Name of the circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual sale/ purchase turnover	Sale/purchase accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
			2011-12/16.08.13	Oxygen gas & industrial gas	15,82,14,872	9,58,23,659	6,23,91,213	5	31,19,561	62,39,122	93,58,683	As per Audit Report, the sale of manufactured and traded goods was ₹ 15.82 crore whereas the dealer reflected sales of ₹ 9.58 crore only in its accounts on which the assessment was finalised.
8	Singhbhum	Hindustan Copper Ltd./ 20661100020	2010-11/04.03.14	Copper Concentrate	2,28,78,14,002	1,51,12,81,946	77,65,32,056	4	3,10,61,282	6,21,22,564	9,31,83,846	As per utilisation statement of declaration Form-F and cross-verification with the assessment finalised in respect of M/s India Resources Ltd. (registered in the same circle) it was noticed that the dealer had actually received copper concentrate valued at ₹ 228.78 crore but had accounted for ₹ 151.13 crore only.
9	Singhbhum	Lafarge India Pvt. Ltd./ 20521101358	2008-09/29.01.10 (14.10.14)	Cement	5,14,06,73,154	4,37,82,83,417	76,23,89,737	12.5	9,52,98,717	19,05,97,434	28,58,96,151	The dealer had not included excise duty, paid on purchase of raw material, for ₹ 76.24 crore.
			2010-11/22.03.14	Cement	6,69,43,32,047	5,86,82,28,571	82,61,03,476	12.5	10,32,62,935	20,65,25,870	30,97,88,805	The dealer had not included excise duty, paid on purchase of raw material, for ₹ 82.61 crore.
10	Pakur	Master Sunder Das & Sons/ 20881300301	2009-10/15.02.11	Stone boulder, Chips	10,20,31,132	7,50,09,002	2,70,22,130	12.5	33,77,766	67,55,532	1,01,33,298	As per statement, the actual production of stone boulders, chips etcl. was 1.63 crore cft but the dealer accounted for 1.20 crore cft only in its trading account on which the assessment was finalised.
11	Pakur	Adhinath Stone Works/ 20941300268	2010-11/04.04.12	Stone boulder, Chips	21,19,129	1,31,915	19,87,214	12.5	2,48,402	4,96,804	7,45,206	As per check post (Pakur Dhulian road) details, inter-State sale was ₹ 21.19 lakh but assessment was finalised on ₹ 1.32 lakh.
12	Dhanbad Urban	Ceat Ltd./ 20761600582	2010-11/17.06.13	Tyre, tube, flap	23,16,06,262	20,68,61,198	85,246	4	3,410	6,820	10,230	Since stock receipt of goods was ₹ 22.38 crore, the actual sale turnover should be ₹ 23.16 crore where as dealer had shown sales turnover of ₹ 20.69 crore on which the assessment was finalised.
							2,46,59,818	12.5	30,82,477	61,64,954	92,47,431	

Appendix-XII (Referred to in Paragraph No. 2.5.1 of the Report)

Suppression of sales/purchase turnover under JVAT Act

(Amount in ₹)

Sl. No.	Name of the circle	Name of dealer (M/s)/ Registration number	Period/ Date of order	Commodity	Actual sale/ purchase turnover	Sale/purchase accounted for	Suppressed turnover	Rate of tax (%)	Tax	Penalty	Total	Remarks
13	Katras	BCCL Western Washery Zone, Mahuda Washery/ 20811500790	2009-10/ 05.03.13	Washing and sale of coal	74,21,88,000	73,45,40,000	76,48,000	4	3,05,920	6,11,840	9,17,760	As pr annual audited accounts, the actual sales turnover was ₹ 74.22 crore whereas, the assessment was finalised on ₹ 73.45 crore.
14	Katras	Aditya Arav Dev Construction Co. Pvt. Ltd./ 20211500247	2009-10/ 22.11.13	Work contractor	11,21,13,495	8,47,78,658	2,73,34,837	4	10,93,393	21,86,786	32,80,179	As per utilisation of road permit (504 G) and Form 'C,' actual purchase was ₹ 11.21 crore but the dealer had accounted for ₹ 8.48 crore only in the trading account on which assessment was finalised.
15	Palamu	Ansu Foot Wear/ 20090505947	2010-11/ 18.02.14	Foot wear	60,37,202	21,79,880	38,57,322	4	1,54,293	3,08,586	4,62,879	The closing balance for 2009-10 was ₹ 60.37 lakh but the opening balance for 2010-11 was taken as ₹ 21.80 lakh only.
Total					46,74,79,85,833	38,78,52,35,759	7,96,27,50,074		46,85,56,343	93,71,12,686	1,40,56,69,029	

Appendix -XIII (Referred to in Paragraph No. 2.5.2.1 of the Report)
Incorrect determination of taxable turnover

(Amount in ₹)

Sl. No.	Name of circle	Name of dealer (M/s)/ Registration number	Period / Date of order	Commodity	Actual TTO	TTO Determined	Difference	Rate of Tax (%)	Tax	Remarks
1	Dhanbad Urban	Nagarjuna Construction Company Ltd./ 20711602501	2010-11/ 07.02.14	Work contractor	9,81,10,206.00	7,47,27,714.60	2,33,82,491.40	12.5	29,22,811.43	On the basis of JVAT-409, the TTO worked out to ₹ 9.81 crore, but assessment finalised on TTO of ₹ 7.47 crore.
2	Katras	Malti Enterprises/ 20871500466	2010-11/ 19.02.14	Work contractor	13,00,03,355.96	12,05,66,351.00	94,37,004.96	12.5	11,79,625.62	In accordance to the provisions of Rule 22 (1)(d), the TTO worked out to ₹ 13 crore, but the assessment was finalised on ₹ 12.06 crore.
3	Katras	Aditya Arav Dev Construction Co. Pvt. Ltd./ 20211500247	2009-10/ 27.03.13 revised on 22.11.13	Work contractor	11,27,92,979.71	9,66,60,466.33	1,61,32,513.38	12.5	20,16,564.17	As per trading a/c furnished by the dealer, the taxable turnover worked out to ₹ 11.28 crore but the assessment was finalised on ₹ 9.67 crore.
4	Katras	B. Rai/ 20771505117	2009-10/ 25.03.13	Work contractor	9,42,17,146.07	8,57,21,164.00	84,95,982.07	12.5	10,61,997.76	In accordance to Rule 22 (1)(d), the taxable turnover worked out to ₹ 9.42 crore, but the assessment was finalised on ₹ 8.57 crore.
5	Katras	Santosh Kumar Chourasia/ 20341500127	2008-09/ 24.08.09	Work contractor	11,32,42,714.00	10,30,12,689.00	1,02,30,025.00	12.5	12,78,753.13	As per trading A/c furnished by the dealer, the taxable turnover worked out to ₹ 11.32 crore but the assessment was finalised on ₹ 10.30 crore.
6	Katras	Preeti Enterprises/ 20651500684	2009-10/ 25.03.2013	Work contractor	3,55,44,322.10	2,15,81,516.50	1,39,62,805.60	12.5	17,45,350.70	As per rule 22(2), the taxable turnover was to be determined after deducting 30% as labour and other charges from the GTO.
7	Hazaribag	Uday Prasad/ 20152101292	2009-10/ 14.02.2013	Work contractor	86,40,212.00	64,27,326.00	22,12,886.00	12.5	2,76,610.75	TDS, royalty and security deposit incorrectly deducted from the GTO.
			2010-11/ 14.02.2013			48,76,267.00	31,06,981.00	17,69,286.00	12.5	2,21,160.75
8	Hazaribag	Ram Chandra Yadav/ 20892101370	2009-10/ 09.02.2013	Work contractor	54,98,150.00	31,86,837.00	23,11,313.00	12.5	2,88,914.13	As per rule 22(2), the taxable turnover was to be determined after deducting 30% as labour and other charges from the GTO.
9	Hazaribag	Siddharth Construction/ 20732103495	2009-10/ 09.05.12	Works Contract Material	13,32,32,582.00	8,41,02,675.05	4,91,29,906.95	12.5	61,41,238.37	The contractor did not maintain proper accounts, as such, provisions of Rule 22(2) was to be applied and labour & other charges was to be limited to 30% of total turnover.

**Appendix -XIII (Referred to in Paragraph No. 2.5.2.1 of the Report)
Incorrect determination of taxable turnover**

(Amount in ₹)

Sl. No.	Name of circle	Name of dealer (M/s)/ Registration number	Period / Date of order	Commodity	Actual TTO	TTO Determined	Difference	Rate of Tax (%)	Tax	Remarks
	Hazaribag	Siddharth Construction/ 20732103495	2010-11/ 28.05.12	Works Contract Material	9,00,97,692.30	4,67,77,408.00	4,33,20,284.30	12.5	54,15,035.54	The contractor did not maintain proper accounts, as such, provisions of Rule 22(2) was to be applied in this case and labour and other charges was to be limited to 30% of total turnover.
10	Hazaribag	Pushpanjali Construction/ 20402103240	2008-09/ 14.03.2011	Works Contract Material	3,44,55,997.80	1,66,90,512.00	1,77,65,485.80	12.5	22,20,685.73	The AA while finalising assessment incorrectly allowed exemption on account of hire charges and labour as the contractor had not furnished the accounts to determine the correct value of goods involved in works contract.
			2009-10/ 16.07.2012	Works Contract Material	10,27,42,665.20	5,42,04,778.00	4,85,37,887.20	12.5	60,67,235.90	The AA while finalising assessment incorrectly allowed exemption on account of hire charges and labour as the contractor had not furnished the accounts to determine the correct value of goods involved in works contract.
			2010-11/ 16.07.2012	Works Contract Material	11,88,19,769.00	6,17,27,996.00	5,70,91,773.00	12.5	71,36,471.63	The AA while finalising assessment incorrectly allowed exemption on account of hire charges and labour as the contractor had not furnished the accounts to determine the correct value of goods involved in works contract.
11	Koderma	ARSS Triveni (JV)/ 20642405489	2009-10/ 19.03.13	Work contractor	11,92,62,564.40	10,22,25,055.00	1,70,37,509.40	12.5	21,29,688.68	As per rule 22(2), the taxable turnover was to be determined after deducting 30% as labour and other charges from the GTO.
Total					1,20,15,36,623.54	88,07,19,469.48	32,08,17,154.06		4,01,02,144.26	

**Appendix-XIV (Referred to in Paragraph No. 2.9 of the Report)
Application of incorrect rate of tax under JVAT Act**

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period /Date of assessment	Commodity	Turnover under observation	Tax rate returned /levied	Rate of tax leviable	Tax levied	Tax leviable	Difference	Remarks
1	Hazariabag	Mahavir Retreaders/ 20332103327	2010-11/ 21.03.13	Retreading of tyre	13,55,054.81	4	12.5	54,202.19	1,69,381.85	1,15,179.66	The taxable turnover leviable @ 12.5% was ₹ 16.31 lakh but tax @ 12.5% was levied on ₹ 2.76 lakh only and the rest amount was levied to tax @ 4% instead of 12.5%.
			2011-12/ 22.02.14		13,40,287.58	4	12.5	53,611.50	1,67,535.95	1,13,924.44	The taxable turnover leviable @ 12.5% was ₹ 16.92 lakh but tax @ 12.5% was levied on ₹ 3.51 lakh only and the rest amount was levied @ 4% instead of correct rate of 12.5%.
2	Hazariabag	Uday Prasad/ 20152101292	2009-10/ 14.02.13	Work contractor	10,15,000.00	4	12.5	40,600.00	1,26,875.00	86,275.00	The assessing authority levied tax @4% on disallowed labour charges which being unspecified goods, was taxable @ 12.5% under Rule 22(2) of JVAT Rules, 2006.
			2010-11/ 14.02.13		16,56,927.00	4	12.5	66,277.08	2,07,115.88	1,40,838.80	The assessing authority levied tax @4% on disallowed labour charges which being unspecified goods, was taxable @ 12.5% under Rule 22(2) of JVAT Rules, 2006.
3	Hazariabag	Ajay Kr. Singh/ 20952103277	2008-09/ 22.03.2011	Works contractor/ Suppliers of building material	31,49,550.00	4	12.5	1,25,982.00	3,93,693.75	2,67,711.75	The assessing authority disallowed exemption on labour and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.
			2009-10/ 27.08.2011		49,49,766.00	4	12.5	1,97,990.64	6,18,720.75	4,20,730.11	The assessing authority disallowed exemption on labour and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.
			2010-11/ 07.03.2013		4,50,000.00	4	12.5	18,000.00	56,250.00	38,250.00	The assessing authority disallowed exemption on labour and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.

Appendix-XIV (Referred to in Paragraph No. 2.9 of the Report)
Application of incorrect rate of tax under JVAT Act

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period /Date of assessment	Commodity	Turnover under observation	Tax rate returned /levied	Rate of tax leviable	Tax levied	Tax leviable	Difference	Remarks
4	Hazaribag	Jai Maa Vaisnav Devi Construction/ 20322103866	2009-10/ 14.03.2012	Works contractor/ Suppliers of building material	13,04,800.00	4	12.5	52,192.00	1,63,100.00	1,10,908.00	The AA disallowed the claim of labour and other allied charges, but incorrectly levied tax @4% instead of leviable rate of 12.5%.
5	Hazaribag	Rudra Construction/ 20252105910	2009-10/ 21.02.2013	Works contractor/ Suppliers of building material	85,48,645.00	4	12.5	3,41,945.80	10,68,580.63	7,26,634.83	The AA disallowed the claim of labour and other allied charges, but incorrectly levied tax @4% instead of leviable rate of 12.5%.
			2010-11/ 10.04.2013		40,69,346.00	4	12.5	1,62,773.84	5,08,668.25	3,45,894.41	The AA disallowed the claim of labour and other allied charges, but incorrectly levied tax @4% instead of leviable rate of 12.5%.
6	Hazaribag	Rajendra Singh/ 20132102758	2009-10/ 14.02.2013	Works contractor/ Suppliers of building material	10,39,546.00	4	12.5	41,581.84	1,29,943.25	88,361.41	The AA disallowed the claim of labour and other allied charges, but incorrectly levied tax @4% instead of leviable rate of 12.5%.
7	Hazaribag	Sidhartha Construction/ 20732103495	2009-10/ 09.05.2012	Works contractor/ Suppliers of building material	27,75,000.00	4	12.5	1,11,000.00	3,46,875.00	2,35,875.00	The AA disallowed the claim of labour and other allied charges, but incorrectly levied tax @4% instead of leviable rate of 12.5%.
8	Dhanbad Urban	Subhash Singh Choudhary/ 20611600422	2010-11/ 28.02.14	Work contractor	1,45,91,038.20	4	12.5	5,83,641.53	18,23,879.78	12,40,238.25	Tax @ 12.5% tax was leviable on the turnover ₹ 3.01 crore but the AA levied tax @ 12.5% and 4% on ₹ 1.55 crore and on rest amount respectively.
9	Dhanbad Urban	Shriram Precisions/ 20051600536	2009-10/ 01.09.12	Silver, gold ornament,	3,00,137.00	1	12.5	3,001.37	37,517.13	34,515.76	Tax on Platinum, being an unspecified item, was leviable @ 12.5% instead of levied @ 1%.
			2010-11/ 25.09.13	precious stones, gems	12,57,188.00	1	12.5	12,571.88	1,57,148.50	1,44,576.62	Tax on Platinum, being an unspecified item, was leviable @ 12.5% instead of levied @ 1%.

**Appendix-XIV (Referred to in Paragraph No. 2.9 of the Report)
Application of incorrect rate of tax under JVAT Act**

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period /Date of assessment	Commodity	Turnover under observation	Tax rate returned /levied	Rate of tax leviable	Tax levied	Tax leviable	Difference	Remarks
10	Dhanbad Urban	Cummins India Ltd./ 20301600447	2009-10/ 15.12.12	Diesel engine, spare parts, TELCO engine and chassis	8,78,63,267.00	4	12.5	35,14,530.68	1,09,82,908.38	74,68,377.70	According to the provisions of Schedule II Part D under Section 13 of the JVAT Act 2005, Diesel Engine, Spare Parts, TELCO Engine and all type of chassis were taxable @12.5% instead of levied 4%.
11	Dhanbad Urban	Nagarjuna Construction Co. Ltd./ 20711602501	2008-09/ 02.02.2013	Works contractor/ Suppliers of building material	1,00,00,000.00	4	12.5	4,00,000.00	12,50,000.00	8,50,000.00	The contractor had shown TTO of ₹ 26.94 crore taxable @ 4% in JVAT-409 while the AA incorrectly levied tax @ 4% on ₹ 27.94 crore.
12	Dhanbad Urban	Electro Equipment Enterprises/ 20611601683	2009-10/ 16.04.2012	Works contractor/ Suppliers of building material	45,73,863.00	4	12.5	1,82,954.52	5,71,732.88	3,88,778.36	The assessing authority disallowed exemption on labour and other charges and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.
13	Katras	Malti Enterprises/ 20871500466	2008-09/ 10.03.11	Work contractor	6,00,000.00	4	12.5	24,000.00	75,000.00	51,000.00	The assessing authority levied tax @ 4% on disallowed labour charges which being unspecified goods, was taxable @ 12.5% under rule 22(2) of JVAT Rules, 2006.
14	Katras	A2Z Maintenance & Engineering Services/ 20941505765	2009-10/ 03.01.2012	Works contractor/ Suppliers of building material	9,02,980.72	4	12.5	36,119.23	1,12,872.59	76,753.36	The assessing authority disallowed exemptions and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.
			2010-11/ 01.03.2012		21,05,390.89	4	12.5	84,215.64	2,63,173.86	1,78,958.23	The assessing authority disallowed exemptions and levied tax @ 4% instead of correct rate of 12.5% as per proviso of Rule 22(2) of JVAT Rules, 2006.

**Appendix-XIV (Referred to in Paragraph No. 2.9 of the Report)
Application of incorrect rate of tax under JVAT Act**

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer (M/s)/ TIN	Period /Date of assessment	Commodity	Turnover under observation	Tax rate returned /levied	Rate of tax leviable	Tax levied	Tax leviable	Difference	Remarks
15	Godda	Vijay Electricals Ltd./ 20312505191	2009-10/ 23.03.13	Work contractor	3,14,00,000.00	4	12.5	12,56,000.00	39,25,000.00	26,69,000.00	The assessing authority levied tax @ 4% on disallowed labour charges which being unspecified goods, was taxable @ 12.5% under Rule 22(2) of the JVAT Rules, 2006.
			2010-11/ 24.07.13		3,92,81,171.00	4	12.5	15,71,246.84	49,10,146.38	33,38,899.54	The assessing authority levied tax @ 4% on disallowed labour charges which being unspecified goods, was taxable @ 12.5% under Rule 22(2) of the JVAT Rules, 2006.
Total					22,45,28,958.20			89,34,438.58	2,80,66,119.78	1,91,31,681.20	

Appendix-XV (Referred to in Paragraph No. 5.13 of the Report)
Non levy of penalty for short payment of Electricity Duty and surcharge

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)	Reg. No	Period/ date of order	Units consumed	Demand raised as per assessment order	Duty and surcharge paid as per demand notice	Short payment (7-8)	Period of delay (in Months)	Period for which penalty is leviable		
										Up to 3 months @ 2.5%	After 3 months @5%	Total penalty leviable
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Jharia	SAIL(IISCO)	SD/ED-03	2010-11/ 31.10.13	3,68,04,511.00	56,14,328.39	36,35,759.00	19,78,569.39	29	1,48,392.70	25,72,140.21	27,20,532.91
2	Jharia	BCCL, Bastacola, Area-IX	JH/ED-03	2007-08/ 29.10.13	5,28,18,806.40	70,24,901.00	64,31,746.00	5,93,155.00	65	44,486.63	18,38,780.50	18,83,267.13
				2008-09/ 29.10.13	5,42,91,459.00	72,20,764.00	66,11,070.00	6,09,694.00	53	45,727.05	15,24,235.00	15,69,962.05
				2009-10/ 29.10.13	5,12,19,605.00	68,12,207.00	62,37,011.00	5,75,196.00	41	43,139.70	10,92,872.40	11,36,012.10
				2010-11/ 29.10.13	5,03,45,640.80	66,95,970.00	61,30,588.00	5,65,382.00	29	42,403.65	7,34,996.60	7,77,400.25
				2011-12/ 29.10.13	5,16,77,535.32	95,09,460.00	81,77,385.00	13,32,075.00	17	99,905.63	9,32,452.50	10,32,358.13
				2012-13/ 29.10.13	5,13,79,444.00	99,16,233.00	62,56,474.00	36,59,759.00	5	2,74,481.93	3,65,975.90	6,40,457.83
3	Jharia	BCCL, Sudamdih EJ Area	SD/ED-43	2009-10 / 29.10.13	3,89,67,822.00	45,59,624.00	23,14,884.00	22,44,740.00	41	1,68,355.50	42,65,006.00	44,33,361.50
				2010-11/ 29.10.13	3,83,45,481.00	44,86,805.00	22,78,188.00	22,08,617.00	29	1,65,646.28	28,71,202.10	30,36,848.38
4	Jharia	BCCL, Lodna Area	JH/ED-02	2006-07/ 29.10.13	7,58,63,696.00	85,19,658.00	69,22,424.00	15,97,234.00	77	1,19,792.55	59,09,765.80	60,29,558.35
				2007-08/ 29.10.13	8,16,89,740.00	91,61,890.00	73,94,491.00	17,67,399.00	65	1,32,554.93	54,78,936.90	56,11,491.83
				2008-09/ 29.10.13	8,31,30,520.00	93,62,728.00	76,91,318.00	16,71,410.00	53	1,25,355.75	41,78,525.00	43,03,880.75
				2009-10/ 29.10.13	8,23,72,848.00	92,77,255.00	76,21,634.00	16,55,621.00	41	1,24,171.58	31,45,679.90	32,69,851.48
				2010-11/ 29.10.13	8,27,04,280.00	92,73,800.00	74,76,895.00	17,96,905.00	29	1,34,767.88	23,35,976.50	24,70,744.38

Appendix-XV (Referred to in Paragraph No. 5.13 of the Report)
Non levy of penalty for short payment of Electricity Duty and surcharge

(Amount in ₹)

Sl. No.	Name of the Circle	Name of the dealer (M/s)	Reg. No	Period/ date of order	Units consumed	Demand raised as per assessment order	Duty and surcharge paid as per demand notice	Short payment (7-8)	Period of delay (in Months)	Period for which penalty is leviable		
										Up to 3 months @ 2.5%	After 3 months @ 5%	Total penalty leviable
1	2	3	4	5	6	7	8	9	10	11	12	13
5	Hazaribag	Giddi Washery	ED-08	2008-09 / 10.10.13	1,54,75,361.00	26,30,811.37	3,35,253.00	22,95,558.37	52	1,72,166.88	56,24,118.01	57,96,284.88
				2009-10/ 10.10.13	1,45,93,559.00	24,80,904.99	3,00,006.00	21,80,898.99	40	1,63,567.42	40,34,663.13	41,98,230.56
				2010-11/ 10.10.13	1,39,84,075.00	23,77,293.00	2,76,881.00	21,00,412.00	28	1,57,530.90	26,25,515.00	27,83,045.90
6	Tenughat	CCL, Kargali Washery	TG/ED-15	2006-07/ 25.10.13	1,69,56,061.00	6,78,242.00	24,747.00	6,53,495.00	77	49,012.13	24,17,931.50	24,66,943.63
				2007-08/ 25.10.13	1,83,15,959.00	7,32,638.00	99,486.00	6,33,152.00	65	47,486.40	19,62,771.20	20,10,257.60
				2008-09/ 25.10.13	1,78,27,667.00	7,13,106.00	-	7,13,106.00	53	53,482.95	17,82,765.00	18,36,247.95
				2009-10/ 25.10.13	1,73,67,010.00	6,94,680.00	2,56,844.00	4,37,836.00	41	32,837.70	8,31,888.40	8,64,726.10
				2010-11/ 25.10.13	1,82,32,420.00	7,29,296.00	1,89,971.00	5,39,325.00	29	40,449.38	7,01,122.50	7,41,571.88
7	Tenughat	CCL, Dhori Area, Dhori	TG/ ED-10	2005-06/ 26.10.13	4,37,81,484.00	8,75,629.68	-	8,75,629.68	85	65,672.23	35,90,081.69	36,55,753.91
				2006-07 / 26.10.13	4,11,50,271.00	8,23,005.42	-	8,23,005.42	73	61,725.41	28,80,518.97	29,42,244.38
				2007-08/ 26.10.13	4,44,29,295.00	8,88,585.90	-	8,88,585.90	61	66,643.94	25,76,899.11	26,43,543.05
				2008-09/ 26.10.13	4,33,08,326.00	8,66,166.52	-	8,66,166.52	49	64,962.49	19,92,183.00	20,57,145.49
				2009-10/ 26.10.13	4,28,78,803.00	8,57,576.06	-	8,57,576.06	37	64,318.20	14,57,879.30	15,22,197.51
				2010-11/ 26.10.13	4,50,35,768.00	9,00,715.36	-	9,00,715.36	25	67,553.65	9,90,786.90	10,58,340.55
Total					1,22,49,47,447.52	12,36,84,273.69	8,66,63,055.00	3,70,21,218.69		27,76,591.40	7,07,15,669.01	7,34,92,260.41

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