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GOVERNMENT OF BIHAR

# Report of the Comptroller and Auditor General of India

## REVENUE RECEIPTS

for the year ended 31 March 2011

Report No. 3



GOVERNMENT OF BIHAR



Presented to the Legislature  
6 AUG 2012

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# *P r e f a c e*

This Report for the year ended 31 March 2011 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

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

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2010-11 as well as those which came to notice in earlier years but could not be covered in previous reports.



# **OVERVIEW**



# Overview

This Report contains 35 paragraphs including two performance audits relating to non/short levy of tax, interest etc. involving ₹ 893.61 crore. Some of the major findings are mentioned below:

## I. General

Total receipts of the Government of Bihar for the year 2010-11 were ₹ 44,532.32 crore. The revenue raised by the State Government amounted to ₹ 10,855.38 crore comprising tax revenue of ₹ 9,869.85 crore and non-tax revenue of ₹ 985.53 crore. The receipts from the Government of India were ₹ 33,676.94 crore (States' share of divisible Union taxes: ₹ 23,978.38 crore and grants-in-aid: ₹ 9,698.56 crore). Thus, the State Government's own contribution to tax revenue was only 24 *per cent* of total revenue.

(Paragraph 1.1.1)

The number of inspection reports (IRs) and paragraphs issued up to December 2010 but not settled by June 2011 stood at 4,259 and 22,364 respectively involving ₹ 10,404.30 crore. We are yet to receive even first replies for 1,671 IRs though these were required to be furnished within one month of their receipt.

(Paragraph 1.2.1)

We conducted test check of the records of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices during the year 2010-11 and observed underassessment /short levy/loss of revenue of ₹ 1,978.35 crore in 1,858 cases. During the year 2010-11, the concerned departments accepted underassessments and other deficiencies of ₹ 80.26 crore involved in 232 cases.

(Paragraph 1.5.1)

## II. Commercial Taxes

A performance audit on '**Utilisation of declaration forms in inter-state trade and commerce**' indicated the following deficiencies.

There was no prescribed mechanism for issuance of declaration forms from the Commissionerate to the circles. There was also absence of provision for physical verification of stock of forms.

(Paragraphs 2.2.8.1 and 2.2.9)

There was no provision to check the utilisation of declaration forms from the information available on the TINXSYS website before allowing exemptions/concessions. Further, the provisions of scrutiny did not prescribe for checking of utilisation of declaration forms with the purchase/receipts shown in the returns.

(Paragraph 2.2.11 and 2.2.13)



No declaration forms were sent for verification by the Headquarters IB wing of the Commercial Taxes Department during the years 2006-07 to 2009-10, though this work was entrusted to the wing.

**(Paragraph 2.2.12.2)**

Four dealers availed exemption/concession of ₹ 1.57 crore on the basis of seven fake declaration forms issued by dealers of other states during the period 2006-10, though these forms were not issued from the concerned circles of that State.

**(Paragraph 2.2.14.1)**

Twelve dealers had availed/were allowed exemption/concession of ₹ 9.10 crore on the strength of 28 declaration forms during 2006-10. But on cross-verification we observed that these declarations were issued for ₹ 5.30 crore. Thus, exemption of ₹ 3.80 crore was irregular.

**(Paragraph 2.2.14.2)**

Nine dealers availed exemption/concession of ₹ 9.34 crore on the basis of 26 declaration forms issued by the dealer of the State during 2006-09, though these forms were actually issued to another dealer either by the concerned circle or dealer.

**(Paragraph 2.2.14.3)**

In 23 commercial taxes circles, suppression of sales/purchase turnover of ₹ 614.29 crore by 50 dealers resulted in underassessment of tax of ₹ 123.20 crore including leviable penalty.

**(Paragraph 2.4)**

Non-detection of application of incorrect rates of tax in 17 commercial taxes circles resulted in short levy of tax of ₹ 57.68 crore including interest and leviable penalty.

**(Paragraph 2.5)**

Irregular claim of ITC by the dealers in eight commercial taxes circles resulted in excess allowance of ITC of ₹ 40.26 crore including leviable penalty.

**(Paragraph 2.6)**

Suppression of import/purchase of scheduled goods of ₹ 814.41 crore by 13 dealers registered in six commercial taxes circles resulted in short levy of interest tax of ₹ 512.04 crore including leviable penalty and interest.

**(Paragraph 2.21)**



### III. Taxes on motor vehicles

A performance audit on ‘**Computerisation of Transport Department in Bihar**’ indicated the following deficiencies:

In the eight test checked District Transport Offices (DTOs), the *VAHAN* and *SARATHI* softwares were implemented with delays ranging between three and 27 months.

**(Paragraph 3.2.6)**

The security policy was inadequate and made the computer system vulnerable to misuse / manipulations or unauthorised addition/deletion of data.

**(Paragraph 3.2.11.1)**

Inadequacy of input controls and validation checks resulted in duplication of engine number and chassis number, registration of two or more vehicles under the same insurance cover note, capturing of irrelevant period of tax payment and exhibiting wrong seating capacity rendering the database unreliable.

**(Paragraph 3.2.14)**

The amount of tax generated by the *VAHAN* software was not in accordance with the existing business rules.

**(Paragraph 3.2.15.3)**

In 32 DTOs, tax dues of ₹ 16.02 crore (including penalty) pertaining to 1,025 transport vehicles for the period between April 2001 and December 2010 were neither paid by the vehicle owners nor action was taken towards realisation of dues by the concerned DTOs.

**(Paragraph 3.4)**

In five DTOs, 10,530 transport vehicle driving licences were granted to ineligible persons which resulted in loss of revenue of ₹ 22.11 lakh and also involved road safety concerns.

**(Paragraph 3.6)**

### IV. Other Tax Receipts

Due to non/delayed settlement of excise shops coupled with non-operation of shops by the Department/through BSBCL, the Government sustained a loss of ₹ 101.78 crore in the shape of licence fee.

**(Paragraph 4.5)**

Non-disposal of referred cases resulted in blocking of Government revenue of ₹ 61.44 lakh.

**(Paragraph 4.6)**



## V. Non-Tax Receipts

In nine district mining offices, 420 brick kilns were operated during the brick season 2009-10 without/partial payment of the consolidated royalty which resulted in non/short levy of royalty of ₹ 1.89 crore besides simple interest of ₹ 35.63 lakh.

**(Paragraph 5.3.1)**

In two irrigation divisions, *khatiani* for 1,27,839.97 acre of *kharif* and 1,10,991.12 acre of *rabi* crops land irrigated during 2008-10 were not prepared by the divisions. This resulted in non-raising of demand and non-collection of water rates of ₹ 1.96 crore.

**(Paragraph 5.6)**

In four Road divisions, land use charges from six companies for laying of Optical Fibre Cables and electricity lines were not realised which resulted in non-realisation of land use charges of ₹ 62.89 lakh.

**(Paragraph 5.7)**



**1.1 Trend of revenue receipts**

**1.1.1** The tax and non-tax revenue raised by the Government of Bihar during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
<b>1</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	4,033.08	5,085.53	6,172.74	8,089.67	9,869.85
	• Non-tax revenue	511.28	525.59	1,153.32	1,670.42	985.53
	<b>Total</b>	<b>4,544.36</b>	<b>5,611.12</b>	<b>7,326.06</b>	<b>9,760.09</b>	<b>10,855.38</b>
<b>2</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	13,291.72	16,766.29	17,692.51	18,202.58	23,978.38
	• Grants-in-aid	5,247.11	5,831.67	7,962.12	7,564.16	9,698.56
	<b>Total</b>	<b>18,538.83</b>	<b>22,597.96</b>	<b>25,654.63</b>	<b>25,766.74</b>	<b>33,676.94</b>
<b>3</b>	<b>Total revenue receipts of the State Government<sup>1</sup> (1 and 2)</b>	<b>23,083.19</b>	<b>28,209.08</b>	<b>32,980.69</b>	<b>35,526.83</b>	<b>44,532.32</b>
<b>4</b>	<b>Percentage of 1 to 3</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>27</b>	<b>24</b>

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 10,855.38 crore) was 24 *per cent* of the total revenue receipts against 27 *per cent* in the preceding year. The balance 76 *per cent* of receipts during 2010-11 was from the Government of India. The overall increase of 11.22 *per cent* in revenue raised by the State Government (₹ 10,855.38 crore) during 2010-11 as compared to ₹ 9,760.09 crore during 2009-10 was mainly due to 22 *per cent* increase in tax revenue and 41 *per cent* decrease in non-tax revenue as detailed in paragraphs 1.1.2 and 1.1.3.

<sup>1</sup> For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2010-11. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Minor Head - 901 - Share of net proceeds assigned to the State booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

1.1.2 The following table presents the details of tax revenue raised during the period 2006-07 to 2010-11.

(₹ in crore)							
Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/decrease (-) in 2010-11 over 2009-10
1	Taxes/VAT on sales, trade etc.	2,081.49	2,534.80	3,016.47	3,839.29	4,557.18	(+) 18.70
2	State excise	381.93	525.42	679.14	1,081.68	1,523.35	(+) 40.83
3	Stamp duty and registration fees						
	Stamps-judicial				53.81	59.05	
	Stamps – non-judicial	455.02	654.15	716.19	708.62	774.20	(+) 10.10
	Registration fees				235.47	265.43	
4	Taxes and duties on electricity	62.84	64.05	67.62	66.63	65.22	(-) 2.11
5	Taxes on vehicles	181.38	273.21	297.74	345.13	455.43	(+) 31.96
6	Taxes on goods and passengers - tax on entry of goods into local areas	783.01	937.87	1,279.41	1,613.16	2,006.32	(+) 24.37
7	Land revenue	74.65	82.10	101.74	123.96	139.02	(+) 12.15
8	Other taxes and duties on commodities and services	12.76	13.93	14.43	21.92	24.65	(+) 12.45
	<b>Total</b>	<b>4,033.08</b>	<b>5,085.53</b>	<b>6,172.74</b>	<b>8,089.67</b>	<b>9,869.85</b>	<b>(+) 22.00</b>

The departments concerned reported the following reasons for variation in collection of tax revenue in 2010-11 as compared to the year 2009-10:

**Taxes/VAT on sales, trade etc.:** The increase (18.70 per cent) was due to increase in inflation, population and economic growth of the State and heavy expenses incurred by the Government.

**Stamp duty and Registration fees:** The increase (10.10 per cent) was due to revision of Minimum Valuation Register (MVR) of urban areas in the State with effect from 1 April 2010.

**Taxes on goods and passengers-tax on entry of goods into local areas:** The increase (24.37 per cent) was due to increase in inflation, population and economic growth of the State and heavy expenses incurred by the Government.

The other departments did not inform (October 2011) the reasons for variation, despite being requested (between June and October 2011).



1.1.3 The following table presents the details of non-tax revenue raised during the period 2006-07 to 2010-11.

(₹ in crore)

Sl. No.	Head of Revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) /decrease (-) in 2010-11 over 2009-10
1	Interest receipts	175.99	170.71	304.57	353.27	237.96	(-) 32.64
2	Forestry and wildlife	6.35	6.64	6.15	6.78	7.64	(+) 12.68
3	Non-ferrous mining and metallurgical industries	127.65	178.66	245.00	319.93	405.59	(+) 26.77
4	Miscellaneous general services	20.88	3.02	385.82	770.28	0.34	(-) 99.96
5	Medium irrigation	10.95	9.67	10.64	14.80	15.45	(+) 4.39
6	Medical and public health	17.52	21.07	17.25	14.08	15.33	(+) 8.88
7	Fisheries	6.09	6.57	6.87	7.87	7.28	(-) 7.50
8	Roads and bridges	16.75	17.95	26.40	30.02	39.60	(+) 31.91
9	Police	10.53	23.47	9.44	11.89	11.85	(-) 0.34
10	Other administrative services	20.28	12.00	8.09	9.42	19.98	(+) 112.10
11	Other non-tax receipts	98.29	75.83	133.09	132.08	224.51	(+) 69.98
	<b>Total</b>	<b>511.28</b>	<b>525.59</b>	<b>1,153.32</b>	<b>1,670.42</b>	<b>985.53</b>	<b>(-) 41.00</b>

As per the Finance Accounts, Government of Bihar for the year 2010-11, the reasons for variation in collection of non-tax revenue are as under:

**Interest Receipts:** The decrease (32.64 *per cent*) was mainly due to less receipt from departmental commercial undertakings.

**Miscellaneous general services:** The decrease (99.96 *per cent*) was due to less receipt mainly under the minor head '105- Sale of Land and Property' (₹ 9.73 lakh) and '800 Other Receipts' (₹ 769.85 crore). The receipt during 2009-10 under minor head '800 Other Receipts' (₹ 770.06 crore) increased mainly due to contra credit of debt waiver of ₹ 769.87 crore granted by the Central Government. No such debt waiver was received during the year 2010-11.

The departments concerned did not inform (October 2011) the reasons for variation, despite being requested (between June and October 2011).

## 1.2 Response of the departments/Government towards audit

### 1.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The PAG (Audit) Bihar conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

A review of IRs issued upto December 2010 disclosed that 22,364 paragraphs involving ₹ 10,404.30 crore relating to 4,259 IRs remained outstanding at the end of June 2011 as mentioned below along with the corresponding figures for the preceding two years:

	June 2009	June 2010	June 2011
Number of outstanding IRs	3,855	4,150	4,259
Number of outstanding paragraphs	20,552	21,968	22,364
Amount involved (₹ in crore)	5,009.24	7,876.02	10,404.30

The Department-wise details of the IRs and paragraphs outstanding as on 30 June 2011 and the amounts involved are mentioned in the following table:

(₹ in crore)

Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes/VAT on sales, trade <i>etc</i>	550	5,444	4,762.25
		Entry tax	143	322	74.06
		Electricity duty	21	25	16.74
		Entertainments tax, luxury tax, <i>etc.</i>	13	21	0.61
2	Registration, Excise and Prohibition (Excise)	State excise	383	1,910	858.73
3	Revenue and Land Reforms	Land revenue	1,518	6,532	959.70



4	Transport	Taxes on motor vehicles	456	3,195	1,160.04
5	Registration, Excise and Prohibition (Registration)	Stamps and registration fees	427	1,177	191.68
6	Mines and Geology	Non-ferrous mining and metallurgical industries	316	2,026	977.39
7	Environment and Forest	Forestry and wild life	143	558	596.26
8	Water Resources	Water rates	233	1,020	763.48
9	Sugar Industries	Sugar cane	56	134	43.36
<b>Total</b>			<b>4,259</b>	<b>22,364</b>	<b>10,404.30</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 1,671 IRs issued upto December 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

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

### 1.2.2 Departmental audit committee meetings

The Government set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2010-11 and the paragraphs settled are mentioned in the following table:

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial taxes	1	118	7.01
Land revenue	2	117	6.35
State excise	2	64	14.04
<b>Total</b>	<b>5</b>	<b>299</b>	<b>27.40</b>

As against 5,812 outstanding paragraphs with revenue impact of ₹ 4,853.66 crore in respect of Commercial taxes, only 118 paragraphs involving ₹ 7.01 crore (0.14 per cent) could be settled through departmental audit committee meetings. Further, in Land revenue, only 117 paragraphs involving ₹ 6.35 crore (0.66 per cent) against 6,532 outstanding paragraphs involving ₹ 959.70

crore while in State excise, only 64 paragraphs involving ₹ 14.04 crore (1.63 per cent) against 1,910 outstanding paragraphs involving ₹ 858.73 crore could be settled through departmental audit committee meetings.

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

### **1.2.3 Non-production of records to Audit for scrutiny**

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

During 2010-11, 187 tax assessment records/other records relating to 56 offices pertaining to six revenue heads were not made available to audit. In none of these cases the revenue involved could be ascertained. Year wise breakup of such cases is given in **Annexure-I**.

### **1.2.4 Response of the departments to the draft audit paragraphs**

The Chief Secretary, Government of Bihar issued directions (August 1967) to all the departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. As per Paragraph 207(1) of the Regulations on Audit and Accounts, the PAG forwards the draft paragraphs to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty three draft paragraphs and two reviews included in this Report for the year ended 31 March 2011 were forwarded to the Secretaries of the concerned departments between May and September 2011 through demi-official letters.

The Commissioner-cum-Secretary of the Commercial Taxes Department had sent partial replies to two draft paragraphs. We are yet to receive the replies from the Government in the remaining draft paragraphs.

### **1.2.5 Follow-up on Audit Reports**

The departments of the Government are required to prepare self-explanatory action taken notes (ATNs) on the audit paragraphs and send it to the Public Accounts Committee (PAC) within three months of an Audit Report being presented to the State Legislature.

We reviewed the position and found that as of August 2011, 11 departments had not furnished the self-explanatory ATNs in respect of 84 paragraphs included in the Audit Reports for the years between 1990-91 and 2009-10 for vetting. The delay ranged from 10 months to over 17 years as mentioned below:



Sl. No.	Department	Year of Audit Report	Dates of presentation to the Legislature	Last date by which Departmental notes were due	Number of paragraphs for which Departmental notes were due	Delay in months
1	Finance	2004-05	March 2006	June 2006	1	62
2	Commercial Taxes	2000-01, 2005-06 to 2009-10	December 2003, July 2007 to July 2011	March 2004, October 2007 to October 2011	25	10 to 89
3	Registration, Excise and Prohibition (Excise)	1990-91, 1995-96 to 1997-98, 1999-2000, 2006-07, 2009-10	March 1994, March 1997 to August 1999, March 2002, March 2008, July 2011	June 1994, June 1997 to November 1999, June 2002, June 2008, October 2011	10	38 to 206
4	Revenue and Land reforms	2004-05 to 2005-06, 2008-09	March 2006 to July 2007, July 2010 to July 2011	June 2006 to October 2007, October 2010 to October 2011	4	10 to 62
5	Registration, Excise and Prohibition (Registration)	2000-01, 2002-03 to 2003-04, 2008-09 to 2009-10	December 2003, December 2004 to December 2005, July 2010 to July 2011	March 2004, March 2005 to March 2006, October 2010 to October 2011	9	10 to 89
6	Transport	2000-01, 2008-09 to 2009-10	December 2003 July 2010 to July 2011	March 2004 October 2010 to October 2011	7	10 to 89
7	Mines and Geology	2002-03 to 2003-04, 2005-06 to 2006-07, 2009-10	December 2004 to December 2005 July 2007 March 2008, July 2011	March 2005 to March 2006, October 2007 to June 2008, October 2011	10	38 to 77
8	Environment and Forest	2003-04, 2005-06 to 2007-08	December 2005, July 2007 to July 2009	March 2006, October 2007 to October 2009	7	22 to 65
9	Water Resources	1995-96, 1997-98, 2005-06 to 2009-10	March 1997, August 1999, July 2007 to July 2011	June 1997, November 1999, October 2007 to October 2011	8	10 to 170
10	Urban Development and Housing	1997-98	August 1999	November 1999	1	141
11	Agriculture	2005-06	July 2007	October 2007	2	46
<b>Total</b>					<b>84</b>	

The delay in submission of self-explanatory ATNs was indicative of the fact that the heads of the offices/departments did not take prompt action on the

important issues highlighted in the Audit Reports that involved large sums of unrealised revenue, the recovery of some of which could be barred by limitation now

### 1.2.6 Compliance with the earlier Audit Reports

During the years between 2005-06 and 2009-10, the departments/Government accepted audit observations involving ₹ 1,292.90 crore of which an amount of ₹ 3.62 crore only was recovered as on 31 March 2011 as mentioned below:

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2005-06	304.68	8.07	1.26
2006-07	206.42	61.40	0.82
2007-08	523.80	417.49	1.48
2008-09	838.92	709.78	0.02
2009-10	977.82	96.16	0.04
<b>Total</b>	<b>2,851.64</b>	<b>1,292.90</b>	<b>3.62</b>

The above table indicates that the recovery in respect of the accepted cases was meagre (0.28 per cent) as compared to the accepted money value.

**The Government needs to take necessary steps for prompt recovery of the amounts involved, at least in the accepted cases.**

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

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the departments/Government, the action taken on the paragraphs and reviews included in the Inspection Reports/Audit Reports in respect of **Transport Department** was evaluated. The succeeding paragraphs 1.3.1 and 1.3.2 discuss the performance of the Department to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2000-01 to 2009-10.

#### 1.3.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on August 2011 are mentioned in the following table:



(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2000-01	381	3,452	619.48	14	165	311.85	-	-	-	395	3,617	931.33
2001-02	395	3,617	931.33	22	180	11.25	-	-	-	417	3,797	942.58
2002-03	417	3,797	942.58	50	263	21.82	-	-	-	467	4,060	964.40
2003-04	467	4,060	964.40	10	103	79.63	-	-	-	477	4,163	1,044.03
2004-05	477	4,163	1,044.03	35	274	116.67	-	-	-	512	4,437	1,160.70
2005-06	512	4,437	1,160.70	46	53	198.42	-	-	-	558	4,490	1,359.12
2006-07	558	4,490	1,359.12	25	172	41.63	314	2,256	831.42	269	2,406	569.33
2007-08	269	2,406	569.33	65	201	141.29	-	55	21.01	334	2,552	689.61
2008-09	334	2,552	689.61	43	218	155.98	02	102	57.79	375	2,668	787.80
2009-10	375	2,668	787.80	43	310	253.13	-	13	-	418	2,965	1,040.93

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

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

#### 1.3.2.1 Recovery of accepted cases

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

Year of AR	Number of paragraphs included in AR	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Position of recovery in accepted cases as reported by the Department (₹ in lakh)
2000-01	2	238.23	2(1 partial)	15.83	0.06
2001-02	4	3.05	3	2.25	6.09
2002-03	4	12.33	4	12.33	149.43
2003-04	3	8.60	2	8.40	74.61
2004-05	2	29.60	2(1 partial)	23.29	325.70
2005-06	4	32.98	2(1 partial)	30.13	409.04
2006-07	6	30.44	4	27.70	279.29
2007-08	7	36.18	6	34.21	346.80
2008-09	1	57.68	1	57.68	0.36
2009-10	4	20.96	3	20.41	NIL
<b>Total</b>	<b>37</b>	<b>470.05</b>	<b>29(3 partial)</b>	<b>232.23</b>	<b>1,591.38 or ₹ 15.91 crore</b>

The preceding table shows that out of ₹ 470.05 crore involved in 37 paragraphs included in the Audit Reports for the years 2000-01 to 2009-10, the Government/Department accepted ₹ 232.23 crore involved in 29 (3 partial)

paragraphs against which recovery of ₹ 15.91 crore (6.85 per cent) could only be effected.

**The Government/Department may take effective steps for recovery of Government revenue in accepted cases.**

### 1.3.2.2 Action taken on the recommendations accepted by the departments/Government

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

Three reviews containing 13 recommendations were featured in the Audit Reports for the years 2004-05 and 2008-09 on receipts of Transport Department. We are yet to receive any information regarding acceptance of the recommendations and action taken thereon (August 2011) as detailed below:

Year of AR	Name of the review	Number of recommendations
2004-05	Levy and collection of motor vehicles tax	3
2004-05	Information Technology based Review on 'Road Transport Management Information System (NICTRAN)'. System (NICTRAN)'. System (NICTRAN)'.	3
2008-09	Levy and collection of motor vehicles taxes	7

## 1.4 Audit Planning

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

During the year 2010-11, the audit universe comprised of 1,022 auditable units, of which we planned 296 units and audited 280 units which was 27.40 per cent of the total auditable units. The details are shown in **Annexure-II**.

Besides the compliance audit mentioned above, we also conducted two performance audits namely 'Utilisation of declaration forms in inter-state trade and commerce' and 'Computerisation of Transport Department in Bihar' to examine the efficacy of the tax administration of these receipts which are featured in this Audit Report.



## 1.5 Results of audit

### 1.5.1 Position of local audit conducted during the year

We conducted test-check of the records of 280 units of commercial taxes, State excise, motor vehicles, forest and other departmental offices during the year 2010-11 and observed underassessment/short levy/loss of revenue of ₹ 1,978.35 crore in 1,858 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 80.26 crore involved in 232 cases of which 11 cases involving ₹ 1.29 crore were pointed out in audit during 2010-11 and the rest in the earlier years. The departments collected ₹ 63.10 lakh in 111 cases during 2010-11.

### 1.5.2 This Report

This report contains 33 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in the earlier reports) and two performance audits on ‘**Utilisation of declaration forms in inter-state trade and commerce**’ and ‘**Computerisation of Transport Department in Bihar**’ relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 893.61 crore. The departments/Government have accepted audit observations involving ₹ 155.08 crore out of which ₹ 1.21 crore has been recovered. The replies in the remaining cases have not been received (October 2011). These paragraphs/performance audits are discussed in the succeeding chapters II to V.



# **CHAPTER II**

## **COMMERCIAL TAXES**



**EXECUTIVE SUMMARY**

<b>Decrease in tax collection over Budget estimates</b>	In 2010-11, the collection on taxes/VAT on sales, trade etc decreased by 19.02 <i>per cent</i> as compared to the budget estimates which was attributed by the Department to decrease in rate of tax on kerosene oil, negative growth of telecom sector as well as non-achievement of target by some important sectors like cement, electrical goods, tobacco etc.
<b>Very low recovery by the Department in respect of observations pointed out by us in earlier years</b>	During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 2,337.63 crore in 2,594 cases in respect of taxes / VAT on sales, trade etc. Of these, the Department/Government had accepted audit observations in 1,052 cases involving ₹ 1,554.28 crore. The negligible recovery of ₹ 1.99 crore (0.13 <i>per cent</i> ) against accepted cases involving ₹ 1,554.28 crore indicates lack of promptness on the part of the Government/ Department in recovering the Government dues.
<b>Internal audit not conducted</b>	During the year 2010-11, the Commercial Taxes Department did not select any unit for internal audit. This shows weakness in the internal control mechanism leading to omissions on the part of Assessing Authorities (AAs), which could not be detected till our audit and consequently there was substantial leakage of revenue.
<b>Results of audit conducted by us in 2010-11</b>	In 2010-11, we test-checked the records of 48 units relating to commercial taxes and found underassessment of taxes and other irregularities involving ₹ 1,638.83 crore in 1,107 cases. The Department accepted underassessment and other deficiencies of ₹ 57.98 crore in 136 cases, which were pointed out during the earlier years. An amount of ₹ 63.10 lakh was realised in 111 cases during the year 2010-11.
<b>What we have highlighted in this Chapter</b>	In this Chapter we present a performance audit on ' <b>Utilisation of declaration forms in the inter-state trade and commerce</b> ' and a few illustrative cases of ₹ 863.17 crore selected from observations noticed during our test-check of records relating to non/short levy, non/short realisation, underassessment etc., in the offices of the Commercial Taxes Department, where we found that the provisions of the Acts/Rules were not observed.  It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department did not take corrective action till we pointed out the same mistakes.  We are also concerned that though these omissions were apparent from the records which were made available to us, the AAs were unable to detect these mistakes.
<b>Our conclusion</b>	The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.  It also needs to take appropriate steps to recover the amount involved, at least in accepted cases.

### 2.1.1 Tax administration

The collection of commercial taxes<sup>1</sup> in the State is administered by the Finance (Commercial Taxes) Department which is headed by the Commissioner of Commercial Taxes (CCT). In the exercise of his functions, the CCT is assisted by five Additional Commissioners, three Joint Commissioners of Commercial Taxes (JCCT), ten Deputy Commissioners of Commercial Taxes (DCCT)/Assistant Commissioners of Commercial Taxes (ACCT) and five Commercial Taxes Officers (CTOs) at the headquarters level including the Bureau of Investigation wing. At the field level the State is divided into nine<sup>2</sup> administrative divisions, seven<sup>3</sup> appeals divisions and four<sup>4</sup> audit divisions, each headed by a JCCT. The nine administrative divisions are further sub-divided into 49 circles each headed by a DCCT/ACCT assisted by CTOs. The circle is the basic activity centre of the Department.

### 2.1.2 Trend of receipts

#### 2.1.2.1 Taxes/VAT on sales, trade etc.

The variation between budget estimates (BEs) and actual receipts from taxes/VAT on sales, trade etc. during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual Sales tax/VAT receipts vis-a-vis total tax receipts
2006-07	2,364.67	2,081.49	(-)283.18	(-) 11.98	4,033.08	51.61
2007-08	2,879.93	2,534.80	(-)345.13	(-)11.98	5,085.53	49.84
2008-09	2,937.72	3,016.47	(+)78.75	(+)2.68	6,172.74	48.87
2009-10	3,948.03	3,839.29	(-) 108.74	(-) 2.75	8,089.67	47.46
2010-11	5,627.69	4,557.18	(-)1,070.51	(-)19.02	9,869.85	46.17

The above table indicates that though the receipts under taxes/VAT on sales, trade etc. increased during the period from 2006-07 to 2010-11, the percentage of these receipts in comparison to the total tax receipts of the State consistently decreased during the same period.

The reasons for variation in BEs and actual receipts during 2010-11 were attributed to decrease in rate of tax on kerosene oil, negative growth of telecom sector as well as non-achievement of targets by some important sectors like cement, electrical goods, tobacco etc.

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

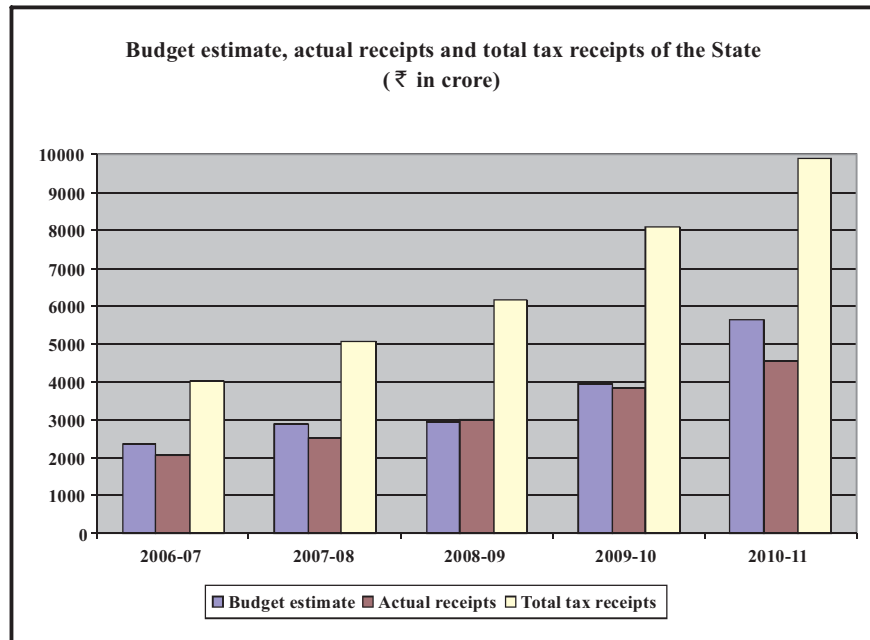
<sup>2</sup> Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

<sup>3</sup> Bhagalpur, Central, Darbhanga, Magadh, Patna, Purnea and Tirhut.

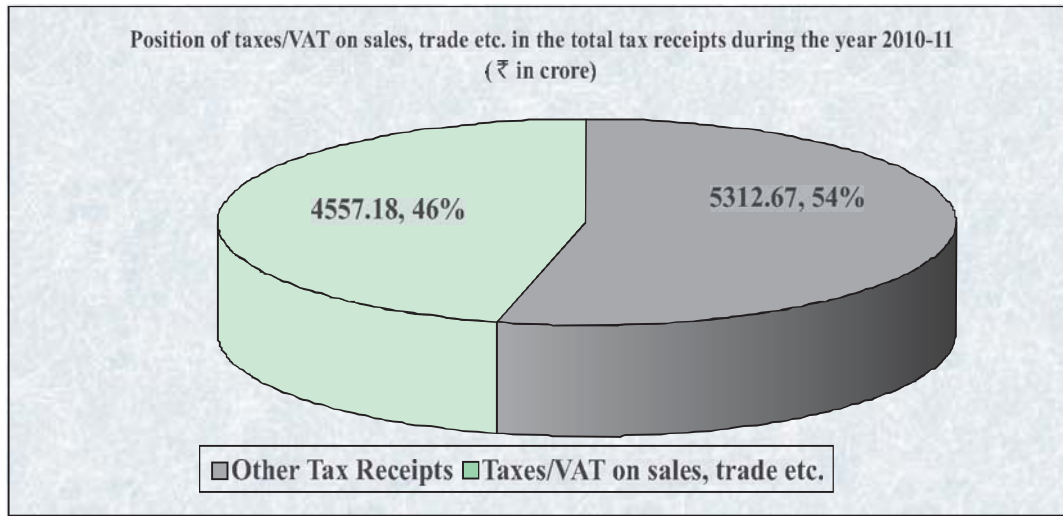
<sup>4</sup> Bhagalpur, Magadh, Patna and Tirhut.



The trend of receipts vis-à-vis the BEs and total tax receipts is given in the following bar diagram:



The pie chart below depicts the contribution of taxes/VAT on sales, trade etc. receipts to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:



**2.1.2.2 Entry tax**

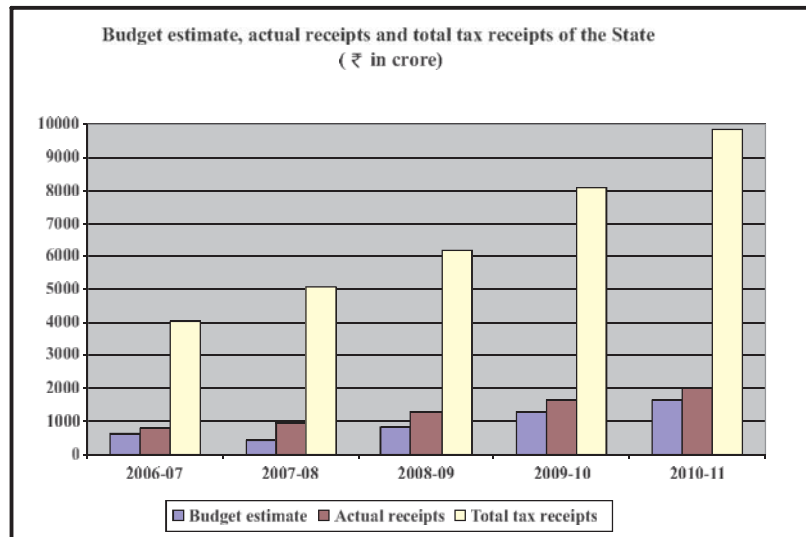
The variation between BEs and actual receipts from entry tax during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned in the following table:

(₹ in crore)

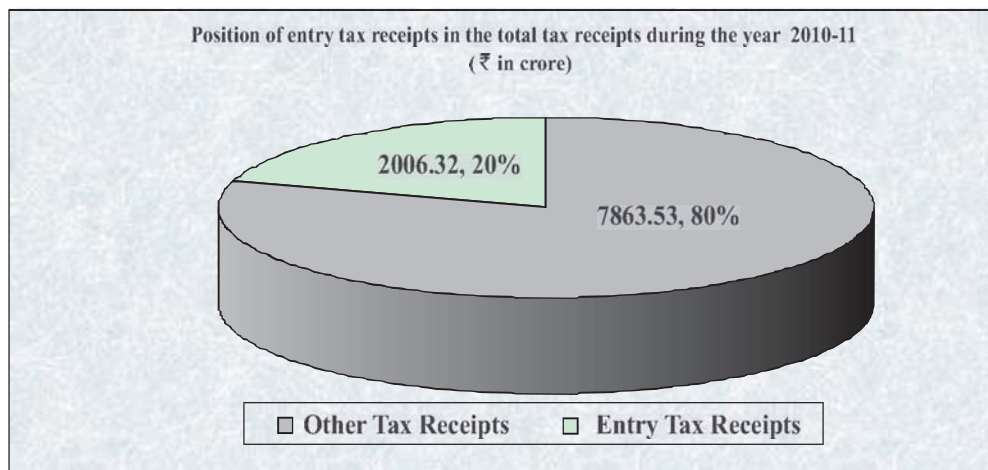
Year	Budget estimates	Actual receipts	Variation	Percentage of variation	Total tax receipts of the State	Percentage of actual entry tax receipts vis-a-vis total tax receipts
2006-07	603.64	783.01	179.37	29.71	4,033.08	19.41
2007-08	381.33	937.87	556.54	145.95	5,085.53	18.44
2008-09	825.00	1,279.41	454.41	55.08	6,172.74	20.73
2009-10	1,270.00	1,613.16	343.16	27.02	8,089.67	19.94
2010-11	1,623.76	2,006.32	382.56	21.13	9,869.85	20.33

The above table indicates that there was no consistency in the actual receipts against BEs during 2006-07 to 2010-11.

The trend of receipts vis-à-vis the BEs and total tax receipts is given in the following bar diagram:



The chart below depicts the contribution of entry tax receipts to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:





### 2.1.3 Analysis of arrears of revenue

The arrears of revenue in respect of commercial taxes as on 31 March 2011 amounted to ₹ 941.61 crore of which ₹ 428.09 crore was outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2006-07	916.01	212.21	994.17
2007-08	994.17	196.01	963.83
2008-09	963.83	168.66	1,007.25
2009-10	1,007.25	112.15	1,358.78
2010-11	1,358.78	546.24	941.61

The above table shows that the collection of arrears of revenue in respect of commercial taxes consistently decreased from 2007-08 to 2009-10 over the previous year while there was significant increase (387 per cent) during the year 2010-11 in comparison to 2009-10 which is required to be maintained in subsequent years.

### 2.1.4 Cost of collection

The gross collection of Commercial Taxes<sup>5</sup>, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	4,377.92	46.67	1.07	0.83
2009-10	5,541.00	48.84	0.88	0.88
2010-11	6,653.37	57.23	0.86	0.96

The above table indicates that the percentage of expenditure to gross collection in respect of Commercial Taxes revenue during 2010-11 was below the all India average percentage for the previous year. This is required to be maintained in subsequent years.

### 2.1.5 Assessee profile

As reported by the Department the total number of registered dealers in the State as on 31 March 2011 was 2,04,573 of which 94,995<sup>6</sup> dealers were taxpayers. Out of the remaining 1,09,578 dealers 61,122 dealers were not

<sup>5</sup> Gross collection by the Commercial Tax Department includes taxes/VAT on sales, trade etc., taxes on goods and passengers- tax on entry of goods into local areas, taxes and duties on electricity and other taxes and duties on commodities and services.

<sup>6</sup> Number of dealers paying tax more than ₹10,000- 24,387 (large tax payer).  
Number of dealers paying tax up to ₹ 10,000- 70,608 (small tax payer).

filing returns against whom action under section 24(8) of BVAT Act, 2005 has been taken.

### 2.1.6 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes/VAT on sales, trade *etc.* during the year 2010-11 and the corresponding figures for the preceding four years as furnished by the Finance (Commercial Taxes) Department is mentioned in the following table:

(₹ in crore)

Year	Amount collected at pre-assessment stage/scrutiny	Amount collected after regular assessment/scrutiny	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department	Net collection as per Finance Accounts	Percentage of column 2 to 7
1	2	3	4	5	6	7	8
2006-07	2,002.62	81.25	2.81	11.96	2,071.92	2,081.49	96.21
2007-08	2,537.11	39.86	2.24	38.00	2,538.97	2,534.80	100.09
2008-09	3,049.18	54.22	1.04	38.92	3,065.52	3,016.47	101.08
2009-10	3,793.15	50.25	1.40	19.86	3,823.54	3,839.29	98.80
2010-11	4,564.98	25.81	2.24	10.80	4,590.79	4,557.18	100.17

Efforts may be made to maintain the percentage of collection at pre-assessment stage.

### 2.1.7 Impact of audit

#### Revenue impact

During the period 2005-06 to 2009-10, we have pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation *etc.*, through our inspection reports, with revenue implication of ₹ 2,337.63 crore in 2,594 cases in respect of taxes/VAT on sales, trade *etc.* Of these, the Department/Government had accepted audit observations in 1,052 cases involving ₹ 1,554.28 crore. The recovery, however, was just ₹ 1.99 crore as shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	48	460	30.32	58	12.29	54	1.25
2006-07	40	365	62.82	76	2.12	Nil	Nil
2007-08	36	479	315.60	70	2.64	-	0.14
2008-09	41	408	665.33	42	616.26	15	0.08
2009-10 <sup>7</sup>	36	882	1,263.56	806	920.97	110	0.52
<b>Total</b>	<b>201</b>	<b>2,594</b>	<b>2,337.63</b>	<b>1,052</b>	<b>1,554.28</b>	<b>179</b>	<b>1.99</b>

<sup>7</sup> Figures for the year 2009-10 also include the data relating to entry tax.

This negligible recovery of ₹ 1.99 crore (0.13 per cent) against accepted cases involving ₹ 1,554.28 crore indicates lack of promptness on the part of the Government/Department in recovering the Government dues.

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

### 2.1.8 Working of internal audit wing

The internal audit wing called Finance (Audit) works under the Finance Department. The internal audit of the different offices of the Government is conducted on the basis of requisitions received from the administrative departments. Generally an audit team of Finance (Audit) comprises of three members, one being the head of the team. Taking into consideration the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. However, the Finance Department did not furnish information regarding the number of offices due for audit, audit conducted, number of observations issued and the amounts involved, to us. In Finance (Commercial Taxes) Department, there were four audit divisions responsible for ascertaining the correctness of accounts maintained by the dealers selected by the CCT. In 2010-11, the Department did not select any unit for internal audit.

### 2.1.9 Results of audit

In 2010-11, we, test-checked the records of 48 units relating to commercial taxes and found underassessment of taxes and other irregularities involving ₹ 1,638.83 crore in 1,107 cases which fall under the following categories:

(₹ in crore)			
Sl. no.	Categories	No. of cases	Amount
1	‘Utilisation of declaration forms in inter-state trade and commerce’ (A Performance Audit)	1	16.30
<b>A : Taxes/VAT on Sales, trade etc.</b>			
2	Non-levy/short levy of tax	107	44.74
3	Suppression of turnover taxes	210	648.69
4	Excess allowance of ITC	89	145.10
5	Underassessment of CST	91	26.19
6	Irregular allowance of exemption from tax	53	380.90
7	Application of incorrect rates of tax	82	43.14
8	Short levy of tax due to incorrect determination of turnover	12	16.08
9	Non-levy of penalty for excess collection of tax/mistake in computation	7	9.75
10	Non-levy of purchase tax	10	0.25
11	Non-levy/short levy of additional tax and surcharge	3	0.54
12	Other cases	330	105.89
<b>Total</b>		<b>995</b>	<b>1,437.50</b>



<b>B : Entry Tax</b>			
1	Non/short levy of entry tax due to suppression of import value	33	174.11
2	Application of incorrect rate of entry tax	37	20.98
3	Other cases	40	6.16
<b>Total</b>		<b>110</b>	<b>201.25</b>
<b>C : Entertainment tax/luxury tax</b>			
1	Non/short levy of entertainment tax	2	0.01
<b>Total</b>		<b>2</b>	<b>0.01</b>
<b>Grand total</b>		<b>1,107</b>	<b>1,638.83</b>

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 57.98 crore in 136 cases and an amount of ₹ 63.10 lakh was realised in 111 cases which were pointed out during the earlier years.

At the instance of audit, the Department recovered an amount of ₹ 16.94 lakh in two cases of Patna Special circle.

Audit findings of the Performance Audit on ‘**Utilisation of declaration forms in inter-state trade and commerce**’ with financial impact of ₹ 16.30 crore and a few other illustrative audit observations involving ₹ 846.87 crore are mentioned in the succeeding paragraphs.

## 2.2 'Utilisation of declaration forms in inter-state trade and commerce'

### Highlights

There was no prescribed mechanism for issuance of declaration forms from the Commissionerate to the circles and also there was absence of provision for physical verification of stock of forms.

**(Paragraphs 2.2.8.1 and 2.2.9)**

There was lack of provision to check the utilisation of declaration forms from the information available on the TINXSYS website before allowing the correct amount of tax exemption/ concession. Further, the provisions of scrutiny do also not prescribe to check the utilisation of declaration forms with the purchase/receipts shown in the returns.

**(Paragraph 2.2.11 and 2.2.13)**

No declaration forms were sent for verification by the Headquarters IB wing of the Commercial Taxes Department during the years 2006-07 to 2009-10, though this work was entrusted to the wing.

**(Paragraph 2.2.12.2)**

Four dealers availed exemption/concession of ₹ 1.57 crore on the basis of seven fake declaration forms issued by dealers of other States during the period 2006-10, though these forms were not issued from the concerned circles of that State.

**(Paragraph 2.2.14.1)**

Twelve dealers had availed/allowed exemption/concession of ₹ 9.10 crore on the strength of 28 declaration forms during 2006-10. But on cross-verification we observed that these declarations were issued for ₹ 5.30 crore. Thus, exemption of ₹ 3.80 crore was irregular.

**(Paragraph 2.2.14.2)**

Nine dealers availed exemption/concession of ₹ 9.34 crore on the basis of 26 declaration forms issued by the dealer of the State during 2006-09, though these forms were actually issued to another dealer either by concerned circle or dealer.

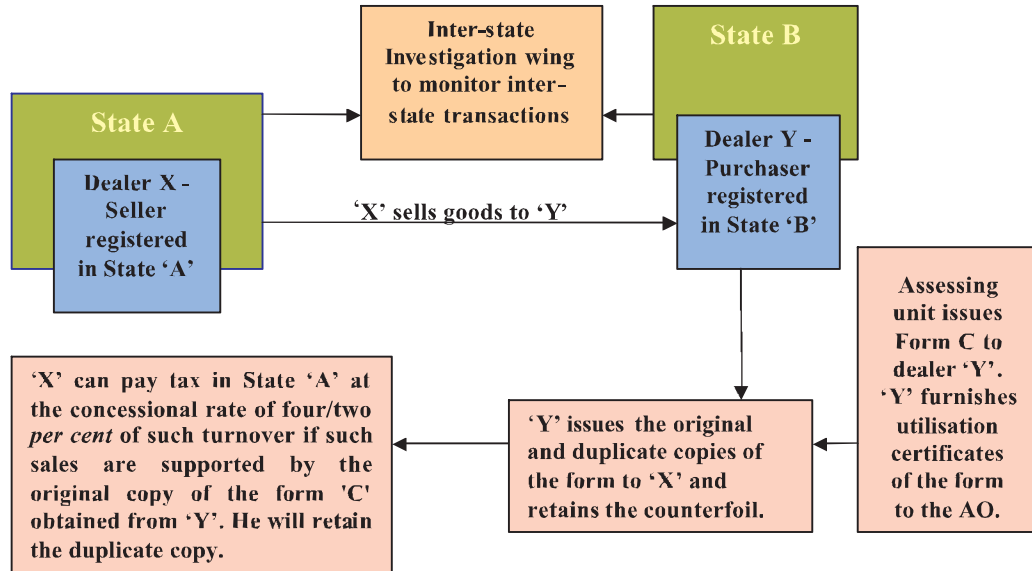
**(Paragraph 2.2.14.3)**

### 2.2.1 Introduction

Under the Central Sales Tax Act, 1956 (CST Act), registered dealers are eligible to certain concessions and exemptions of tax on inter-state transactions on submission of prescribed declarations in Forms 'C' and 'F'. The State Governments grant these incentives to dealers for furtherance of trade and commerce on production of these declaration forms. It is the responsibility of the Commercial Tax Department to ensure proper accounting of declaration forms and to take adequate safeguards against mis-utilisation of declaration forms on which tax relief is allowed involving large amount of revenue to the State exchequer.

**Form ‘C’**

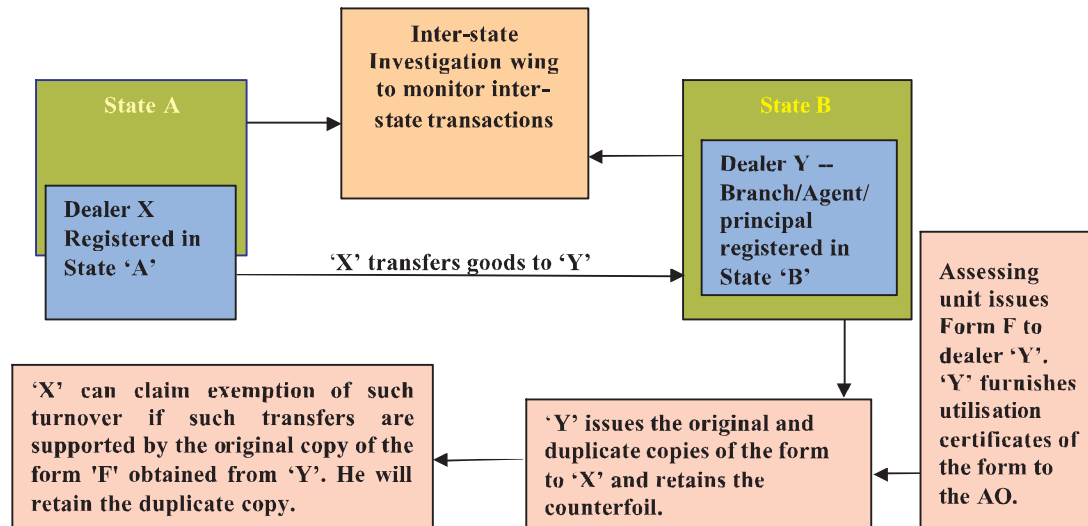
Under Section 8(1) of the CST Act, every dealer, who in the course of inter-state trade and commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* (reduced to three *per cent* w.e.f. 1<sup>st</sup> April 2007 and two *per cent* w.e.f. 1<sup>st</sup> June 2008) of such turnover provided such sales are supported by declarations in form 'C'.



**Form ‘F’**

Under Section 6A of the CST Act, as amended from time to time, transfer of goods not by reason of sales by a registered dealer to any other place of his business outside the State or to his agent or principal in other States is exempt from tax on production of declaration in form 'F', duly filled in and signed by the principal officer of the other place of business or his agent or principal, as the case may be, along with evidence of despatch of such goods. Filing of declarations in form 'F' was not mandatory up to May 2002. However, the Act provided for the assessing authority to make such enquiries as he deemed necessary to satisfy himself on bonafides of the transfer such as sale patties, despatch particulars, way bills etc.





### Procedure for assessment, levy and collection of central sales tax

Under the provision of Section 9 (2) of the CST Act, the authorities for the time being empowered to assess, re-assess, collect and enforce payment of any tax under the general sales tax law of the appropriate State shall, on behalf of the Government of India, assess, re-assess, collect and enforce payment of tax, interest or penalty payable by such a dealer under this Act is a tax or interest or penalty payable under the general sales tax law of the State. For this purpose they may exercise all or any of the powers they have under the general sales tax law of the State. The provisions of such law, including provisions relating to returns, provisional assessment, advance payment of tax, registration of the transferee of any business, imposition of the tax liability of a person carrying of business of the transferee, recovery of tax from third parties, appeals, reviews, revisions, references, refunds, rebates, penalty shall apply accordingly. In case of Bihar, the Bihar Value Added Tax Act, 2005 (BVAT Act) is the appropriate general sales tax law.

### 2.2.2 Organisational set up

The CST Act is administered by the Commercial Tax Department, which is headed by the Commissioner, Commercial Taxes (CCT). In the exercise of his functions, the CCT is assisted by five Additional Commissioners, three Joint Commissioners of Commercial Taxes (JCCT), ten Deputy Commissioners of Commercial Taxes (DCCT)/Assistant Commissioners of Commercial Taxes (ACCT) and five Commercial Tax Officers (CTOs) at the headquarters level including the Bureau of Investigation Wing. At the field level the State is divided into nine<sup>8</sup> administrative divisions, seven<sup>9</sup> appeal divisions and four<sup>10</sup> audit divisions each headed by a JCCT. The nine administrative divisions are further sub-divided into 49 circles each headed by a DCCT/ACCT assisted by CTOs. The circle is the basic activity centre of the Department.

<sup>8</sup> Bhagalpur, Central, Darbhanga, Magadh, Patna East, Patna West, Purnea, Saran and Tirhut.

<sup>9</sup> Bhagalpur, Central, Darbhanga, Magadh, Patna, Purnea and Tirhut.

<sup>10</sup> Bhagalpur, Magadh, Patna and Tirhut.

### 2.2.3 Audit objectives

The performance audit aimed to ascertain whether:

- there exists a foolproof system for custody and issue of the declaration forms;
- there is a system for ascertaining genuineness of the declaration forms for preventing evasion of tax;
- appropriate steps are taken on receipt and detection of fake, invalid and defective (without proper or insufficient details) declaration forms;
- exemption/concession of tax granted by the assessing authorities was supported by valid/ original declaration forms;
- there is a system of uploading the particulars in the TINXSYS website and the data available there is utilised for verifying the correctness of the declaration forms; and
- there exists an effective and adequate internal control mechanism for preventing leakage of revenue.

### 2.2.4 Audit criteria

The performance audit was conducted with reference to the provisions made under the following Acts and Rules:

- Central Sales Tax Act, 1956;
- Central Sales Tax Rules, 1957;
- Central Sales Tax (Bihar) Rules, 1957;
- Bihar Value Added Tax Act, 2005;
- Bihar Value Added Tax Rules, 2005;
- Bihar Finance Act, 1981;
- Bihar Financial Rules and
- Executive and departmental orders issued from time to time.

### 2.2.5 Scope and methodology of audit

This performance audit covered 14 commercial tax circles<sup>11</sup> whose records were examined between November 2010 and January 2011, covering the self assessment/ assessment cases completed during the period 2007-08 to 2009-10. The examination of records was limited to exemptions/concessions granted/availed of under the CST Act using C/F forms. We requisitioned 1,089 records for test-check. The AAs, however, produced 724 assessment records for scrutiny and we noticed in 135 assessment records that concessions/exemptions of tax were allowed to the dealers against submission of declaration forms by them. From these assessment records, we collected the details of 1,839 'C' forms and 2,459 'F' forms issued by the AAs of 30 other States/UTs against which the dealers of the State had availed concession/exemption of tax on submission of the same before the AAs

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<sup>11</sup> Barh, Begusarai, Kadamkuan, Khagaria, Kishanganj, Munger, Muzaffarpur West, Patliputra, Patna Central, Patna South, Patna Special, Patna West, Samastipur and Sitamarhi.

concerned. These details were sent to the concerned States for cross-verification with reference to the records maintained by the AAs of the 30 States/UTs, who issued such forms, in order to ascertain the genuineness of those forms as well as the correctness of the value of goods. Similarly, we also received the details of 631 'C' forms and 482 'F' forms from 22<sup>12</sup> other States/UTs and cross verified the same with reference to the records of the Deputy CCTs/ Assistant CCTs of 35 circles of the State. Besides, the performance audit also covered the audit observations made on assessments/ self assessment/ scrutiny under the Act completed in five circles, which were audited during 2010-11.

The performance audit revealed a number of system/compliance deficiencies which are discussed in the succeeding paragraphs.

### 2.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the cooperation of the Commercial Taxes Department in providing the necessary information and records to Audit. An entry conference was held with the Secretary-cum-CCT in November 2010 in which the audit objectives, scope and methodology of audit were explained to the Government/Department. The findings of the performance audit were forwarded to the Government and the Department in September 2011 for their response. An exit conference was held in November 2011 with the Secretary-cum-CCT in which the audit findings were discussed. Their comments have suitably been incorporated in the relevant paragraphs.

### 2.2.7 Trend of revenue under CST

The CST vis-à-vis VAT collections of the State during the period 2005-11 were as under:

(₹ in crore)				
Year	VAT revenue as per Finance Accounts	BE for CST	CST collection	Percentage of Column 4 to column 2
1	2	3	4	5
2005-06	1,733.60	92.75	54.18	3.13
2006-07	2,081.49	89.61	70.05	3.37
2007-08	2,534.80	113.36	44.28	1.75
2008-09	3,016.47	40.00	37.05	1.23
2009-10	3,839.29	25.00	1,227.80 <sup>13</sup>	31.98
2010-11	4,557.18	15.00	29.58	0.65

(Source: Figures taken from Finance Accounts of the respective years )

It is therefore evident from the above table that the CST collection gradually decreased during 2006-07 to 2010-11.

<sup>12</sup> Andhra Pradesh, Assam, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal.

<sup>13</sup> It is due to accounting error. The matter is being taken up with the accounting authority for necessary rectification.



## System deficiencies

### 2.2.8 Printing and custody of declaration form

The forms are got printed from the private press after ascertaining the requirements of the circles and following of tendering process. These forms are received in the Commissionerate from the press and entered in the stock registers maintained for this purpose and kept in the strong room of Nirman Bhawan treasury, Patna. The forms are issued to the circles as well as divisions as per their requirement. At the circle level these forms are kept in the respective district treasuries for further distribution to the dealers.

#### 2.2.8.1 Physical verification of stock

As per the provisions of the Rule 143 of Bihar Financial Rules, physical verification of all stores should be done at least once every year. Further, Rule 144 provides that a certificate of verification of stores with its results should be recorded on the list or inventory of account, as the case may be, where such verification is carried out.

The physical verification of forms at the Commissionerate level was not done by the departmental officers during the period 2007-08 to 2009-10 as intimated (November 2011) by the Department.

The year-wise receipt and distribution of declaration form 'C' and 'F' is given as under:

(Figures in Boxes<sup>14</sup>)

Year	Opening Balance		Receipts		Total		Issue		Closing balance	
	Form 'C'	Form 'F'	Form 'C'	Form 'F'	Form 'C'	Form 'F'	Form 'C'	Form 'F'	Form 'C'	Form 'F'
2006-07	104	Nil	Nil	25	104	25	67	19	37	06
2007-08	37	06	75	25	112	31	25	06	87	25
2008-09	87	25	Nil	Nil	87	25	38	18	49	07
2009-10	49	07	75	25	124	32	45	18	79	14

### 2.2.9 Issuance of declaration forms

**2.2.9.1.** During scrutiny of records at the Commissionerate, we observed that the Department has not prescribed any mechanism for issuance of declaration forms, as the forms were found issued from the Commissionerate to the circles as well as to the divisions and it was also noticed that forms were issued from one circle to another circle. No circle-wise or division-wise ledger was maintained for issuance of forms. The forms were found issued through the stock register itself and no reconciliation of entries was found for those forms which were issued from one circle to another.

After we pointed this out, the CCT stated in the exit conference that a proper mechanism for issuance of forms would be adopted.

<sup>14</sup> One Box contains 2,000 forms.

**The Government/Department may consider ensuring physical verification of statutory forms in accordance with provisions of the Bihar Financial Rules and consider evolving a mechanism for proper distribution of declaration forms.**

#### **2.2.9.2 Maintenance of accounts of receipts and use of declaration forms**

The Bihar Financial Rules place considerable responsibility on the departmental authorities with regard to safe custody and maintenance of accounts of the utilisation of declaration forms. In order to avail exemption from/the concessional rate of tax, the declaration forms are issued to registered dealers by the circle offices who in turn issue it to the selling dealers for purchase/receipt of goods covered by their registration certificate (RC) for the purpose given on the forms. The receipt and issue of the aforesaid declaration forms are accounted for in separate stock registers in the circle offices indicating receipt and issue of various declaration forms. The forms are issued to the dealer on the acknowledgement of the dealer as token of receipt. Every registered dealer to whom any declaration form is issued by the appropriate authority is required to maintain a complete account of every such form. The dealer has to furnish utilisation statement to the competent authority showing the name of dealer to whom the form is issued, bill number and date and description of goods purchased/received with value. The requisition/utilisation statements submitted by the dealer are kept in separate folder maintained for the purpose. No fresh declaration form is to be issued by the circle office to the dealers till accounts of the utilisation of declaration forms issued earlier to the dealer is submitted by him.

Under the instructions issued in January 2006, the circle offices were required to issue 'C' forms to the dealers after filling up the requisite details. In cases where advance 'C' forms were requisitioned by the dealers, the forms could be issued to the dealer after recording the estimated value at the top of the form in red ink.

However, in November 2007 the instructions of January 2006 pertaining to details mentioned above were withdrawn by the Department and fresh instructions were issued for issue of blank 'C' forms. This is fraught with the risk of misuse of forms as evident from the facts included in the succeeding paragraphs.

**The Government/Department may consider issuing the forms after filling up the required details to avoid misuse of forms.**

### 2.2.10 Discrepancy in accounting of declaration forms

During scrutiny we observed that there is no proper accounting of declaration forms as evidenced from the differences noticed between the number of declaration forms issued from Commissionerate and their receipt by 10 Commercial Taxes circles<sup>15</sup> as detailed in **Annexure-III**. This requires reconciliation between the figures of the issuing and the receiving authority.

Further, we observed that four Commercial Taxes circles did not maintain the accounts of declaration forms properly as there were discrepancies between the opening and closing stocks of the declaration forms as indicated below:

Name of circle	Year	Opening Stock	Receipt	Total	Issue	Closing Stock	Remarks
Bhagalpur (F form)	2006-07	4,596	---	4,596	3,793	798	Five forms were exhibited short in the closing stock.
Jamui (F form)	2006-07	1,667	---	1,667	1,325	367	25 forms were exhibited excess in the closing stock.
Patna South (C form)	2006-07	2,165	12,000	14,165	4,916	9,249	The closing stock of the preceding year was not taken as opening stock in the subsequent year.
	2007-08	7,257	---	7,257	4,827	2,430	
	2008-09	2,426	4,000	6,426	4,067	2,359	
	2009-10	1,738	14,000	15,738	4,632	1,106	
Samastipur (F form)	2006-07	17	500	517	127	392	Two forms were exhibited excess in the closing stock.

The above facts indicate lack of internal control in the Department specially in maintaining the accounts of declaration forms from the Commissionerate to the circle level. Improper accounting of declaration forms is fraught with the risk of misuse of the same leading to loss of revenue to the exchequer.

**The Government/Department may consider prescribing a system to reconcile the number of declaration forms between the issuing and receiving authorities. It may also strengthen the internal control mechanism in maintaining the accounts of declaration forms.**

<sup>15</sup> Bhagalpur, Darbhanga, Gopalganj, Muzaffarpur, Patna City West, Patna North, Patna South, Patna West, Shahabad and Sitamarhi.



### 2.2.11 Non-utilisation of data uploaded in TINXSYS website

The Government of India had taken an initiative to start a website named Tax Information Exchange System (TINXSYS), which was designed to help the Commercial Tax departments of various states and Union territories to monitor the inter-state trade effectively. TINXSYS is a centralised exchange of all the inter-state dealers spread across all over India and is authored by the Empowered Committee (EC) of State Finance Ministers as a repository of inter-State transactions taking place among various states and Union territories. TINXSYS can be used by any dealer to verify the counter party inter-state dealer in any other state. Apart from dealer verification, Commercial Tax Department officials may use TINXSYS for verification of central statutory forms issued by other states Commercial Tax departments and submitted to them by the dealers in support of claim for concessions/exemption.

We observed that out of 631 'C' forms and 482 'F' forms sent to us from other states<sup>16</sup> for cross-verification, purposes for this performance audit, details of 251 'C' forms and 196 'F' forms were not found up-loaded on this website.

Further, the Department has not prescribed a system of verification of forms submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax. This defeated the very purpose of creation of the site as the assessing officers were not utilising the website to check the utilisation of declaration forms.

After we pointed this out, the CCT stated in the exit conference that a circular would be issued to all the circles to utilise the information available on the TINXSYS before allowing the exemption/concession.

**The Government/Department may consider utilising the information available on the TINXSYS website before allowing exemption/concession in the interest of revenue.**

### 2.2.12 Enforcement measures

#### 2.2.12.1 Absence of Provision for blacklisting of dealers

As per the information provided by the Department, a system for blacklisting dealers who have been found utilising invalid/fake declaration forms in the past and circulation of the names of such dealers among various units and states has not been prescribed. Existence of such provision could be deterrent for those dealers who use invalid/fake declaration forms.

After we pointed this out, the CCT accepted the fact in the exit conference and stated that a provision for blacklisting dubious dealers will be made.

<sup>16</sup> Andhra Pradesh, Assam, Chhattisgarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, Uttarakhand and West Bengal.

**The Government may consider prescribing a system of blacklisting those dealers who use invalid/fake declaration forms in the interest of revenue.**

### 2.2.12.2 Functioning of Bureau of Investigation wing

As per the order of the CCT in June 1991, a verification cell under the 'Bureau of Investigation' (IB) at headquarters level was entrusted to do the verification of declaration forms 'C' and 'F'. The relevant information regarding declaration forms were to be sent by the circles to the IB wing at the Headquarters and information on these forms along with the results of cross-verification was to be recorded in a register maintained for this purpose.

Further, the Department issued an instruction in January 2006 that the dealers would submit the utilisation/requisition statement of forms in triplicate. One copy was to be placed in the concerned folder of the dealer, the second copy was to be placed in the assessment records of the dealer and the third copy was to be sent to the Central IB wing for their verification.

As per the information furnished by the Headquarters IB wing, no declaration forms were sent for verification by them during the period 2006-10. Thus, the motive behind the creation of the IB wing remained unfulfilled as far as the verification of forms was concerned. We also observed that the periodicity and quantum for sending of declaration forms to the Headquarters IB wing for verification by the circles was not prescribed. It was also noticed that neither the forms were sent by the circle to the Headquarters IB wing nor did they requisition the same from

the circles during the period covered by the performance audit.

- As per information provided by the IB wing, during the period 2006-10 they had received 5,522 number of form 'C' and 1,598 number of form 'F' for verification from other States. But no declaration form was verified by the Headquarters IB wing, instead these declaration forms were sent to the circles concerned for verification with a direction to intimate the results directly to the concerned offices of other States. This showed that the Headquarters IB wing was working only as an intermediary for passing the forms to the circles.
- We further observed that no register was maintained by the IB wing for recording information on the forms as required in the aforesaid circular of 1991.

Thus, it was evident that the Headquarters IB wing was ineffective in the matter of verification of declaration forms.

After we pointed this out, the CCT stated in the exit conference that the Headquarters IB will be strengthened so as to make its role relevant as far as the verification of forms is concerned.

**The Government may consider strengthening the Headquarters IB wing so that usage of fake/obsolete/invalid declaration forms or forms procured unscrupulously could be detected through cross-verification.**

### 2.2.13 Deficient provision of scrutiny

Under the provision of Section 25 of the BVAT Act, and rules made thereunder, the assessing authority shall scrutinise the returns furnished by the dealer as per the checklist prescribed therein within the expiry of the due date for the purpose of ascertaining that the deductions claimed therein are substantiated in the manner and form prescribed under the Act or under any other law for the time being in force.

We observed that there is no system/checklist prescribed for verifying the utilisation statements of the declaration forms while scrutinising the returns. This is fraught with the risk of non/short accounting of the goods by the dealers which they imported by using declarations in

form 'C' and 'F'. Some instances are given in the succeeding paragraphs. It becomes all the more important as there is no provision of regular/mandatory assessment of the dealer under the BVAT Act.

After we pointed this out, the CCT stated in the exit conference that a provision for cross-verification of purchase/receipts with the utilisation certificates of forms would be incorporated in the BVAT Act by an amendment.

**The Government/Department may consider including the verification of utilisation statements in the checklist for scrutiny of returns.**



## Cross-verification of declaration forms

### 2.2.14 Exemption/Concession

#### 2.2.14.1 Irregular grant of concession/ exemption on fake declaration forms

Under the provision of section 8 (2) of CST Act, tax on inter-state sales of goods (other than declared goods) not supported by the prescribed declaration in form 'C' shall be levied at rate of 10 *per cent* or the rate applicable in the State, whichever is higher. However, this provision was amended from 1 April 2007 and as per the amended provision in such circumstances the tax shall be levied at the rate of tax applicable in the State on such goods.

Section 39 (4) of the BVAT Act, (the appropriate general sales tax law) provides for levy of simple interest at the rate of one and a half *per cent* for each calendar month or part thereof on the difference of the amount previously admitted and tax finally assessed from the date the tax would have been payable. The CST Act provides for the simple imprisonment which may extend to six months or with fine or both or levy of penalty in lieu of such imprisonment for misuse of declaration forms by the dealers.

In three<sup>17</sup> circles we observed that four dealers had availed/ were allowed exemption/ concession of ₹ 1.57 crore on the strength of seven declarations in form 'C' and 'F' during the period 2006-10. But on cross-verification we observed that these declaration forms were not issued from the concerned circles of the four States<sup>18</sup> from which they were stated to have been issued. Thus, it was evident that the dealers claimed/ were allowed concession/ exemption on the basis of fake declaration forms which resulted in short levy of tax of ₹ 4.15 lakh under the CST Act including interest.

#### 2.2.14.2 Irregular grant of concession/exemption due to variation in figures of the declaration forms

In seven<sup>19</sup> circles we observed that 12 dealers had availed/were allowed exemption/concession of ₹ 9.10 crore on the strength of 28 declarations in form 'C' and 'F' during the period 2006-10. But on cross-verification we observed that these declaration forms were issued for ₹ 5.30 crore only as per the utilisation statement submitted in the concerned circles of eight<sup>20</sup> States. Thus, it was evident that the dealers claimed/were allowed excess concession/ exemption of ₹ 3.80 crore on the basis of these declaration forms. Thus, incorrect claim/allowance of exemption/ concession resulted in short levy of tax of ₹ 26.20 lakh under the CST Act including interest (**Annexure-IV**).

<sup>17</sup> Kishanganj, Patliputra and Samastipur.

<sup>18</sup> Chhatisgarh, Madhya Pradesh, Maharashtra and Uttar Pradesh.

<sup>19</sup> Begusarai, Kadamkuan, Kishanganj, Munger, Patliputra, Patna West and Samastipur.

<sup>20</sup> Chhatisgarh, Delhi, Jharkhand, Madhya Pradesh, Meghalaya, Orissa, Uttar Pradesh and West Bengal.

### 2.2.14.3 Irregular grant of concession/exemption on declaration forms issued to other dealers

In five<sup>21</sup> circles we observed that nine dealers had availed / were allowed exemption/concession of ₹ 9.34 crore on the strength of 26 declarations in form 'C' and 'F' during the period 2006-09. But on cross-verification we observed that these declaration forms were either issued from the concerned circles to another dealer of that State or the dealer to whom the declaration forms were issued from the circle had shown in their utilisation certificate that the forms were issued to some other dealer. Thus, it was evident that the dealers claimed/were allowed concession/exemption on the basis of declaration forms procured by unscrupulous means. Therefore the claim/allowance of concession/ exemption on these declaration forms resulted in short levy of tax of ₹ 48.90 lakh under the CST Act including interest (Annexure-V).

Had the above mentioned cases been sent to the Headquarters IB wing, for verification by the concerned States, these irregularities could have been detected in time.

### 2.2.14.4 Irregular grant of concession on sale to unregistered dealers

In Patna Special Commercial Taxes Circle we observed in April 2010 that a dealer (self-assessed) claimed concessional rate of three *per cent* on inter-state sale of goods of ₹ 55.58 lakh to four dealers during 2007-08. As the TIN of those purchasing dealers were not mentioned in the sales list available on the record, these dealers should have been treated as unregistered. Thus, the selling dealer was not supposed to get benefit of concessional rate of tax in respect of the sales made to those unregistered dealers. The dealer was therefore liable to pay tax at the rate of 12.5 *per cent*. This resulted in underassessment of tax of ₹ 7.10 lakh including interest of ₹ 1.82 lakh.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

## 2.2.15 Concealments

### 2.2.15.1 Suppression of inter-state sales

Under the provisions of Section 31 (2) of the BVAT Act, read with section 9 (2) of the CST Act, if the assessing authority is satisfied that any turnover liable to tax under the CST Act has been underassessed/escaped assessment, he shall assess or reassess the tax payable within four years and shall impose, besides tax and interest, penalty equivalent to three times of the tax payable on the escaped turnover.

In six<sup>22</sup> circles, we observed that eight dealers had shown inter-state sale of various goods of ₹ 5.82 crore and substantiated the same by producing 15 numbers of 'C' declaration forms issued by the dealers of other states during the period 2006-10. But as per the information received from five<sup>23</sup> states

<sup>21</sup> Barh, Begusarai, Kishanganj, Patliputra and Samastipur.

<sup>22</sup> Kadamkuan, Kishanganj, Munger, Patliputra, Patna West and Samastipur.

<sup>23</sup> Assam, Chhatisgarh, Madhya Pradesh, Uttar Pradesh and West Bengal.

these declaration forms were shown issued for purchase of goods of ₹ 13.90 crore. Thus, the dealer concealed inter-state sales of ₹ 8.08 crore which resulted in short levy of tax of ₹ 3.89 crore under the CST Act including leviable penalty (**Annexure-VI**).

#### 2.2.15.2 Unauthorised utilisation of declaration forms

- As per the information received from six<sup>24</sup> States, nine dealers falling under the jurisdiction of six<sup>25</sup> circles had purchased/received various goods of ₹ 1.47 crore from the dealers of other states by utilising 14 declaration forms during the period 2004-09. But on cross verification from the records maintained in these circles we observed that these declaration forms were not issued from the concerned circles and some of the dealers were either unregistered or non-existent. Thus, probability of non-accounting of purchase /receipts of goods imported on the basis of these forms can not be ruled out which might have resulted in evasion of tax of ₹ 6.33 lakh. Besides penalty of ₹ 18.99 lakh was also leviable in these cases (**Annexure VII**).
- As per the information received from Tripura, a dealer registered in Bhagalpur circle had purchased gunny bags of ₹ 2.62 lakh from a dealer of Tripura by utilising a declaration in form 'C' during the period 2008-09. But on cross verification from the records maintained in Bhagalpur circle we observed that the said declaration form was not shown issued to the dealer from whom the goods were purchased. Thus, it is evident that the dealer had concealed the purchase, which resulted in evasion of tax of ₹ 36,000 including penalty and interest.

#### 2.2.15.3 Short/non-accounting of goods imported through use of declaration forms

As per the information received from four<sup>26</sup> States, eight dealers falling under the jurisdiction of seven<sup>27</sup> circles had purchased various goods of ₹ 1.01 crore by utilising 11 declaration forms from the dealers of other State during the period 2004-10. But on cross-verification from the utilisation statements maintained in these circles we observed that these declaration forms were shown issued by the dealer for purchase/receipt of goods of ₹ 67.20 lakh only. This resulted in short/non-accounting of goods of ₹ 34.27 lakh and consequently short levy of tax of ₹ 6.83 lakh under the CST Act including leviable penalty (**Annexure-VIII**).

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<sup>24</sup> Chhatisgarh, Haryana, Jharkhand, Nagaland, Rajasthan and Sikkim.

<sup>25</sup> Aurangabad, Bhagalpur, Muzaffarpur West, Patna South, Saharsa and Siwan.

<sup>26</sup> Jharkhand, Tamil Nadu, Tripura and West Bengal

<sup>27</sup> Aurangabad, Bhabhua, Begusarai, Patna Special, Khagaria, Shahabad and Teghra.



### 2.2.16 Non-levy of Central Sales Tax

Under the provision of rule 12 (7) of the CST Rules, the declaration in form 'C' and 'F' shall be furnished to the prescribed authority within three months after the end of the period to which the declaration relates, to substantiate the claim of concession/exemption. The CCT issued (August 2006) a circular directing all the assessing officers to levy tax along with the interest wherever the dealer did not submit the prescribed declarations in form 'C' and 'F' within the prescribed time limit of three months.

Further, under the provision of section 8 (2) of CST Act, the tax on the inter-state sales of goods (other than declared goods) not supported by the prescribed declaration in form 'C' shall be levied at rate of 10 *per cent* or the rate applicable in the State, whichever is higher. However, this provision was amended from 1 April 2007 and as per the amended provision in such circumstances the tax shall be levied at the rate of tax applicable in the State on such goods.

- In 17<sup>28</sup> circles we observed that 48 dealers had availed of exemptions/ concession on account of inter-state stock transfer/sales of various goods worth ₹ 108.51 crore during the period 2006-10 without supporting the claim with the prescribed declaration in form 'C'/'F'. The AAs were required to scrutinise the returns to ascertain that the deductions/concessions were substantiated by the relevant 'C' and 'F' forms. Failure of the AAs in disallowing these unsubstantiated claims resulted in non-levy of tax of ₹ 5.23 crore under the

CST Act. This was also in contravention to the aforesaid instruction of the CCT. Besides, the dealers were also liable to pay interest.

- In Patliputra circle we observed that seven dealers had availed of exemptions/ concession on account of inter-state stock transfer/sales of various goods worth ₹ 133.41 crore during the period 2007-09 without supporting the claim with the prescribed declaration in form 'C' and 'F'. These claims were liable to be disallowed by the AA and tax of ₹ 6.24 crore was leviable in these cases as detailed in **Annexure- IX**.

After we pointed this out, the AA replied that in three cases, tax of ₹ 1.37 crore was levied by disallowing fully the claims of the dealer, while in the other two cases it was stated that later the dealer had submitted the forms, which was accepted by the AA and claims were allowed. In remaining two cases claims were allowed to the extent of submission of forms and a demand of ₹ 9.50 lakh raised for the claims not supported by forms. The allowance of claims on the basis of forms submitted after the time prescribed for submission

<sup>28</sup> Barh, Begusarai, Kadamkuan, Kishanganj, Munger, Muzaffarpur West, Patna Central, Patna South, Patna Special, Patna West and Samastipur, (selected for performance audit); Forbesganj, Khagaria, Purnea, Raxaul, Sasaram and Shahabad (regular audit).

was not in conformity with the provision of the CST Rules as well as the instruction of the CCT.

#### **2.2.17 Conclusion**

The performance audit revealed that there were discrepancies in the accounting of declaration forms and there was also no prescribed mechanism for the issuance of declaration forms from the Commissionerate to the circles. There was no provision for checking the utilisation of declaration forms at the time of scrutiny of returns. No timeframe and target was prescribed for circles to send the copies of declaration forms to the Headquarters IB wing for their inter-state cross-verification. The Headquarters IB wing was almost non-functional so far as the cross-verification of declaration forms is concerned. There was no system of verification of declaration forms from the information available on the TINXSYS website before allowing the exemption/concession. The system of blacklisting the dealers who were found using fake/invalid or obsolete declaration forms was non-existent. In many cases the dealers were found to be availing the concession/ exemption either without submission of the prescribed declaration forms within the stipulated time or on the basis of fake/invalid declaration forms.

#### **2.2.18 Summary of recommendations**

**The Government may consider implementing the following recommendations:**

- **prescribing a proper mechanism for issuance of declaration forms ;**
- **evolving a mechanism for cross-verification of a certain percentage of declaration forms;**
- **including in the checklist a provision for verification of utilisation statement of declaration forms with the purchase/receipts shown in the periodical returns under the provisions of scrutiny;**
- **making it mandatory to verify the declaration forms from the information available on the TINXSYS website before allowing exemption/concession;**
- **strengthening the Headquarters IB wing so that usage of fake/obsolete/invalid declaration forms or forms procured unscrupulously can be detected through cross-verification; and**
- **prescribing a system of blacklisting those dealers who use fake/obsolete/invalid declaration forms and alerting other States about such dealers/forms.**

### 2.3 Non-compliance of the provisions of the Acts/Rules

The provisions of the Bihar Value Added Tax (BVAT) Act, 2005, Central Sales Tax (CST) Act, 1956, Bihar Tax on Entry of Goods into local areas (BTEG) Act, 1993 and Rules made thereunder require levy and payment of:

- taxes/VAT on sales, trade etc., entry tax and surcharge etc. by the dealers at the appropriate rates;
- tax in advance and within the prescribed period;
- penalty at the rate of three times of the tax assessed on escaped turnover in case of concealment of sales/purchases; and
- interest at the rate of one and a half per cent for delay in payment of tax.

Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 2.4 to 2.24 resulted in non/short levy, underassessment of tax, incorrect exemption/deductions etc. of ₹ 846.87 crore.

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

#### 2.4 Suppression of turnover

##### Twenty three<sup>29</sup> Commercial Taxes Circles

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

We observed that the Government/Department did not prescribe a mechanism for cross-verification of the turnover as disclosed in the returns with other records of the dealer like utilisation statements of road permits, declaration

forms as well as Tax Audit Report (TAR) or information of sales and purchases obtained from the records of other dealers while scrutinising the returns.

Between March 2010 and March 2011, we observed that 50 dealers (assessed:3, scrutinised: 3 and self-assessed: 44) purchased/sold goods of ₹ 2,713.64 crore during the period 2006-07 to 2009-10 as shown in their purchase/sale statements, utilisation statements of road permits/declaration forms and TAR. They however accounted for ₹ 2,099.35 crore only in their returns thereby suppressing purchases/sales of goods worth ₹ 614.29 crore. As

<sup>29</sup> Arrah, Barth, Begusarai, Danapur, Darbhanga, Hajipur, Jehanabad, Khagaria, Lakhisarai, Motihari, Muzaffarpur East, Nawada, Patliputra, Patna City East, Patna City West, Patna North, Patna (South and Kadamkuan), Patna Special, Patna West, Purnea, Saharsa, Samastipur and Siwan.

the Department had not issued any instruction for cross checking the information, the AAs could not detect the suppression of turnover in those cases where the audit observations were based on the self-assessed/scrutinised returns, while in the six cases which were assessed/scrutinised; the AAs could not detect the suppression. This resulted in underassessment of tax of ₹ 123.20 crore including penalty of ₹ 84.22 crore and leviabale interest of ₹ 10.82 crore (**Annexure- X**). A few illustrative cases are given below:

(₹ in lakh)

Sl. No.	Name of circle No. of dealers	Period of assessment	Actual purchase Accounted for	Actual Sale Accounted sale	Amount concealed	Tax Penalty	Interest	Total
1	Patliputra 5	2006-07, 2007-08, 2008-09	<u>5,305.83</u> 4,528.68	<u>1,79,866.54</u> 1,23,825.05	56,818.64	<u>2,518.92</u> 7,556.75	968.38	11,044.05
2	Patna Special 2	2006-07, 2007-08, 2008-09	<u>25,124.29</u> 24,361.13	-	763.15	<u>95.39</u> 286.18	43.27	424.84
3	Purnea 1	2007-08	<u>5,285.66</u> 4,776.96	-	508.71	<u>20.35</u> 61.05	7.33	88.72
4	Hazipur 1	2007-08	-	<u>3,234.50</u> 2,910.50	324.00	<u>12.96</u> 38.88	5.44	57.28
5	Patna West 1	2008-09	-	<u>408.62</u> 70.65	337.97	<u>16.97</u> 50.90	5.34	73.21

After we pointed this out, the Government/Department accepted the cases of eight dealers registered in three circles<sup>30</sup> and raised demand of ₹ 76.67 crore. In one case of Patliputra circle the AA stated that there was no suppression of purchase/receipts as the dealer had filed revised returns. The reply is not acceptable as the dealer was not entitled for revision of returns after the expiry of the due date specified for revision and the AA should not have accepted the revised returns. In another case of Patliputra circle the AA partly accepted the case and raised a demand of ₹ 3.41 crore only instead of ₹ 20.42 crore and for the balance amount stated that the dealer had cancelled the permits in form D-X worth ₹ 27.95 crore. The acceptance of cancellation of D-X by the AA was not in conformity with the provision of the Act, as the dealer had previously filed the utilisation statements of D-X in the form VR-IX and submitted the same along with the returns and there was no provision for revision of VR-IX under the Act. In one case of Lakhisarai circle the AA stated that the difference in purchase pertained to plant and machinery. The reply was not acceptable because as per the balance sheet of the dealer there was no such addition to the plant and machinery during that year. We await the report on the status of recovery in the accepted cases and replies in the remaining cases (October 2011).

<sup>30</sup> Hazipur, Patliputra and Patna South.



## 2.5 Application of incorrect rate of tax

### Seventeen<sup>31</sup> Commercial Taxes Circles

Under the Provision of section 25 (1) of the BVAT Act the prescribed authority shall, within the time and the manner prescribed, scrutinise every return filed under sub-sections (1) and (3) of section 24 for the purpose of ascertaining that the rates of tax have been applied correctly.

Under the provision of section 31 (2) of the BVAT Act, interest and penalty at the prescribed rates are leviable if the dealer fails to disclose full and correct particulars of sale so as to reduce the amount of tax payable.

We observed between March 2010 and March 2011 that 32 dealers (assessed/scrutinised:7 and self-assessed:25) assessed their tax at the lower rate of zero to four *per cent* on the sale of various goods valued at ₹ 259.16 crore instead of the correct rate of one to 12.5 *per cent* during 2005-06 to 2009-10. Due to non/deficient scrutiny, the application of incorrect rate of tax remained undetected by the assessing authorities resulting in short levy of ₹ 57.68 crore<sup>32</sup> including interest of ₹ 5.21 crore and leviable penalty of ₹ 39.35 crore (**Annexure-XI**). A few

illustrative cases are given below:

(₹ in lakh)

Sl. No.	Name of circle No. of dealer	Period	Value	Commodity	Rate leviable Levied (in per cent)	Short levy Penalty	Interest	Total
1	Patliputra 4	2007-08, 2008-09	15,715.43	Road roller, D.G. set, Rail road Vehicle, Gang car, Utility tract vehicle, Food grain, Bitumen, Sand, Telephone billing machine	12.5/4 1/0	458.47 1,375.40	162.03	1,995.89
2	Patna Special 2	2006-07, 2007-08, 2008-09	5,449.11	Stone Chips, Isabgol and Chyawanprash	12.5/4	463.17 1,389.52	176.87	2,029.57
3	Buxar 1	2006-07	326.55	Hair Oil	12.5/4	23.39 70.18	14.39	107.96

<sup>31</sup> Arrah, Bhabhua, Bhagalpur, Biharsarif, Buxar, Darbhanga, Muzaffarpur West, Nawada, Patliputra, Patna City West, Patna North, Patna South, Patna Special, Patna (West and Central), Purnea, Samastipur and Sasaram.

<sup>32</sup> Calculation of two illustrative cases:

**(i) M/s Tania construction (2007-08)**

Total consumption of stone chips during the year- ₹ 9,72,54,334.80 No. of days from 1/4/2007 to 12/9/2007=165 days, proportionate consumption of stone chips till 12/9/2007= 9,72,54,334.80x165/365= ₹ 4,39,64,288.33.

**(ii) M/s Shyam Sunil Construction India Ltd. (2007-08)**

Total consumption of stone chips during the year- ₹ 13,00,61,729, proportionate consumption of stone chips from 1/4/2007 to 12/9/2007= 13,00,61,729x165/365= ₹ 5,87,95,028.

4	Darbhanga 2	2006-07, 2007-08	1,345.32	Stone Chips	12.5/ 4	114.35 343.06	56.19	513.59
5	Muzaffarpur (West) 1	2008-09	694.92	Excavator and Earth moving machine	12.5/ 4	59.07 177.20	19.49	255.77

After we pointed this out, the Department accepted the cases of six dealers registered in four circles<sup>33</sup> and raised demand of ₹ 5.46 crore. In one case of Buxar circle the AA replied that the commodity (*Himganga* Hair Oil) is an Ayurvedic medicine and hence taxable at the rate of four *per cent*. We do not agree with the reply as the commodity in question has been specifically excluded from the entry number 45 (Drugs and medicines) of Schedule III of the BVAT Act and was thus taxable at the rate of 12.5 *per cent* treating it as an unspecified item. We are yet to receive replies of the Government/Department in other cases (October 2011).

## 2.6 Excess allowance of Input Tax Credit

### Eight<sup>34</sup> Commercial Taxes Circles

Section 16 of the BVAT Act provides that when a registered dealer purchases any input within the State of Bihar from another registered dealer after paying him the tax, he is eligible to claim credit of input tax in the manner prescribed, if the goods are either sold within the State or in the course of inter-state trade and commerce or consumed in the manufacture of goods (other than schedule-IV goods) for sale within the State or in the course of inter-state trade and commerce. Further, Section 31 of the Act provides for imposition of penalty equivalent to three times of the tax payable for excess/incorrect claim of Input Tax Credit (ITC), besides the amount of interest. Tax paid under Sections 4 and 14 only are eligible for ITC claim under Section 16 and any additional tax paid under Section 3AA is not allowable for ITC. As per the provision of rule 12 of the BVAT Rules, ITC on capital goods such as motor vehicles, office equipments, fittings, furniture and fixtures is not admissible.

We observed between April 2010 and March 2011 from the self-assessed returns of 12 dealers that they availed ITC of ₹ 15.99 crore on the purchase of goods valued at ₹ 781.04 crore in their annual returns during 2007-08 to 2009-10. However, as per the provision of the Act *ibid*, the dealers were entitled for ITC of ₹ 6.53 crore only on these purchases. Thus, the dealer claimed excess ITC of ₹ 9.45 crore. The penalty for this excess claim works out to ₹ 27.77 crore and interest of ₹ 3.04 crore. The total revenue impact was ₹ 40.26 crore (Annexure-XII).

After we pointed this out, the Department accepted the audit observations in case of three dealers registered in three<sup>35</sup> circles and raised demand of ₹ 10.01 crore. Further, in

<sup>33</sup> Muzaffarpur West, Patliputra, Patna Central and Patna South.

<sup>34</sup> Bhabhua, Danapur, Forbesganj, Muzaffarpur East, Muzaffarpur West, Patliputra, Patna South and Patna Special.

<sup>35</sup> Danapur, Patna Special and Patliputra.

case of a dealer of Muzaffarpur (East) circle the Government stated in July 2011 that the ITC was incorrectly worked out previously due to calculation mistake and also submitted a fresh annexure showing the purchase and ITC thereon as claimed in the return. The reply was not acceptable as there was no calculation mistake in the annexure placed on the record at the time of our scrutiny during audit which was duly checked and certified by the Chartered Accountant. The fresh annexure bearing indication of being certified by the Chartered Accountant and submitted with the reply also indicated that the details therein were different from the earlier annexure kept in the case record of the dealer. We await the report on the status of recovery in the accepted case and replies in the remaining cases (October 2011).

## 2.7 Incorrect allowance of deductions

### Eighteen<sup>36</sup> Commercial Taxes Circles

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

We observed between April 2010 and April 2011 from the returns of 35 dealers (works contractors) (assessed:7, scrutinised:4 and self-assessed:24) that they availed deductions of ₹ 341.04 crore during the period between 2005-06 and 2009-2010 on items which were not eligible for deduction under the Act. This resulted in short levy of tax of ₹ 14.36 crore (**Annexure-XIII**) calculated on the apportioned value of materials of ₹ 237.22 crore.

After we pointed this out, the Government/ Department accepted nine cases of six

circles<sup>37</sup> and raised demands for ₹ 6.05 crore and made recovery of ₹ 28.13 lakh only in one case of Muzaffarpur (East) circle against the audit observation of ₹ 65.58 lakh. Due to erroneous calculation and non-adherence to the provisions of Section 35 of BVAT Act, the demand was raised short. We await replies in the remaining cases (October 2011).

<sup>36</sup> Arrah, Bagaha, Begusarai, Bettiah, Bhagalpur, Buxar, Darbhanga, Jamui, Khagaria, Lakhisarai, Motihari, Muzaffarpur East, Patliputra, Patna South, Patna Special, Patna (West and Central), Purnea and Sasaram.

<sup>37</sup> Bagaha, Bhagalpur, Buxar, Muzaffarpur East, Patliputra and Patna South.

## 2.8 Underassessment of Central Sales Tax

### Patna Special Commercial Taxes Circle

Under the provisions of section 6 (2) of the (CST) Act, read with Rule 8 (4), 12 (1) and 12 (4) of CST Rules, if any dealer claims exemption on account of transit/subsequent sale of goods to a registered dealer, he should furnish (i) a certificate in forms 'E-I/E-II' obtained from the dealer from whom the goods were purchased, and (ii) a declaration in form 'C' issued by the dealer to whom the goods are sold.

Further, under CST Act as amended in May 2002, the production of form 'C' is mandatory in case of inter-state sale of goods while allowing exemption of tax/tax at reduced rate. Section 8 (2) *ibid*, provides that in case of non-production of prescribed declaration forms, the rate of tax shall be at the rate applicable under the sales tax law in the State.

We observed in February 2011 that a dealer (assessed) claimed exemption on account of transit/ subsequent sales of goods of ₹ 142.27 crore during the year 2007-08 but did not produce the declaration forms 'C' and 'E-1' for ₹ 107.48 crore and the assessing authority levied tax at the rate of three *per cent* instead of 12.5 *per cent* as applicable in the State. This resulted in short levy of tax of ₹ 15.42 crore including leviable interest of ₹ 5.21 crore.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

## 2.9 Incorrect allowance of exemption

### Patliputra Commercial Taxes Circle

Under the provision of Section 13(2) of the BVAT Act read with rule 10 of the BVAT Rules and notification issued thereunder, the tax on sale of schedule IV goods shall be levied at the first point of its sale in Bihar. Any subsequent sale of such goods in Bihar will be exempt from tax provided the subsequent sellers submit a declaration in form 'D-III (issued by the dealer from whom the goods were purchased) that the goods in question have already been subjected to tax at the first point of their sale in the State.

We observed in December 2009 that a dealer ( assessed) had claimed deduction of ₹ 17.18 crore toward sale of schedule-IV goods at the subsequent stage of sale and the same was allowed by the assessing officer while scrutinising the assessment of the

dealer in March 2008 without production of the said declaration in D-III. Thus, incorrect allowance of exemption resulted in short levy of tax of ₹ 7.04 crore. Besides, interest of ₹ 2.43 crore at the rate of one and a half *per cent* per month was also leviable.



After we pointed this out, the assessing officer revised the order and raised a demand of ₹ 7.04 crore in December 2010. A report on recovery is awaited (October 2011).

## 2.10 Non –levy of tax on rental charges

### Patna Special Commercial Taxes Circle

Section 2 (zc) of the BVAT Act provides that sale means any transfer of property in goods which includes, a transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.

We observed in February 2011 that a dealer (self-assessed) had received rental charges of ₹ 43.92 crore during the period 2005-06 to 2008-09 pertaining to electric meter, service line and transformer.

The dealer, however, had not admitted tax against the rental charges, though the same was includible in the sale as per the aforesaid provision. This resulted in non-levy of tax of ₹ 5.49 crore. Besides, interest of ₹ 3.09 crore at the rate of one and a half *per cent* per month was also leviable.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

## 2.11 Short calculation of reverse credit

### Seven<sup>38</sup> Commercial Taxes Circle

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

We observed between March 2010 and February 2011 from the returns of nine dealers (assessed: 1, scrutinised: 3 and self-assessed: 5) that they made inter-state stock transfer of taxable goods valued at ₹ 67.77 crore during

the period 2006-07 to 2008-09. The inputs for these goods were also purchased from within the State after paying tax thereon in the State, for which ITC was availed of by the dealer. Though the dealers were required to calculate the reverse credit and deduct the same from the total amount of ITC, the reverse credit of ₹ 91.82 lakh was short calculated by the dealers. Even in the four scrutinised cases, the AAs did not detect the omission. This resulted in excess allowance of ITC of ₹ 4.01 crore including leviable penalty of ₹ 2.75 crore and interest of ₹ 33.39 lakh.

<sup>38</sup> Begusarai, Gopalganj, Patliputra, Patna City West, Patna North, Patna South and Patna Special.

After we pointed this out, the Government/Department accepted the audit observations in respect of two dealers of two circles (Patliputra and Patna Special) and raised demand for ₹ 46.34 lakh. We await recovery in the accepted cases and replies in the remaining cases (October 2011).

## 2.12 Incorrect allowance of concessional rate of tax

### Eight<sup>39</sup> Commercial Taxes Circles

Under Section 8 (5) of the CST Act, 1956, the Government of Bihar issued a notification in October 2006 prescribing the rate of tax on the inter-state sale of goods manufactured by small and medium industries at one *per cent*. The Micro, Small and Medium Industries (Regulation and Development) Act, 2006 notified by the Government of India laid down the classification of industries on the basis of the investment in plant and machinery. The dealer availing this benefit had to produce the declaration in form 'C' or form 'D' (before 1 April 2007), as the case may be.

**2.12.1** We observed between August 2010 and April 2011 that nine dealers (self-assessed: 8, assessed: 1) registered in seven<sup>40</sup> circles were not falling under the category of small or medium industries as per the prescribed parameters<sup>41</sup> of investment in plant and machinery during 2007-08 and 2008-09, but they availed the benefit of concessional rate of tax at the rate of one *per cent* on the inter-state sales of ₹13.67 crore. Due to

non/deficient scrutiny, the AAs failed to detect the incorrect availing of concessional rate of tax which resulted in short levy of tax of ₹ 31.15 lakh including leviable interest of ₹ 8.16 lakh.

**2.12.2** We observed between August 2010 and February 2011 from the self-assessed returns of three dealers of Gaya and Muzaffarpur (West) circles that they availed of the benefit of the concessional rate between one and three *per cent* on sales of goods of ₹ 14.66 crore to the Railways during 2007-08 and 2008-09. Since the Railway was a Government Department and sales at the concessional rates on the basis of form 'D' had been withdrawn with effect from 1 April 2007, any sales made to any Government Department would not qualify for the concessional rates. Thus, incorrect claim of the concessional rates of tax resulted in short levy of tax of ₹ 54.21 lakh including leviable interest of ₹ 15.42 lakh.

After we pointed this out, the Government/Department accepted the audit observations in respect of one dealer of Forbesganj circle and raised demand for ₹ 1.54 lakh. We await recovery in the accepted case and replies in the remaining cases (October 2011).

<sup>39</sup> Arrah, Forbesganj, Gaya, Hajipur, Kishanganj, Muzaffarpur West, Patna Special and Purnea.

<sup>40</sup> Arrah, Forbesganj, Gaya, Hajipur, Kishanganj, Patna Special and Purnea.

<sup>41</sup> Investment in plant and machinery-Micro enterprises: not exceeding ₹ 25 lakh. Small enterprises: more than ₹ 25 lakh but not more than ₹ five crore and Medium: more than ₹ five crore but not more than ₹10 crore.

**2.13 Non-levy of interest for delayed payment of admitted tax****Six<sup>42</sup> Commercial Taxes Circles**

Under the provisions of section 24 of the BVAT Act, every dealer shall deposit the tax payable in respect of every month on or before the 15<sup>th</sup> day of the following month, failing which the dealer shall be liable to pay interest at the rate of one and a half *per cent* per month on the amount due from the date the tax was payable and became due to the date of its payment.

Under the provision of section 25 (1) the prescribed authority shall, within the time and the manner prescribed, scrutinise every return filed under sub-sections (1) and (3) of section 24 for the purpose of ascertaining that evidence, as prescribed, has been furnished with regard to payment of tax and interest payable.

**2.13.1** We observed between November 2009 and February 2011 that six dealers (self-assessed: 4, scrutinised: 1 and assessed: 1) had paid their admitted tax with delays ranging between one and 508 days during 2005-06 to 2009-10. The assessing authorities did not levy interest of ₹ 22.81 lakh. This resulted in non-levy of interest amounting to ₹ 22.81 lakh.

After we pointed this out, the Government/Department accepted the audit observation in respect of Darbhanga circle and raised

demand for ₹ 3.58 lakh. A report on recovery is awaited (October 2011).

**2.13.2** We observed between June and August 2010 that two dealers (self-assessed) registered in two circles (Gopalganj and Saharsa) had paid the admitted tax short by ₹ 25.63 lakh during 2007-08 to 2008-09. Though the AAs were required to scrutinise the returns and see the evidence of payment of tax and accordingly issue notice to the dealer, no scrutiny was found to have been done till the date of audit, which resulted in non-detection of short payment of the admitted tax of ₹ 31.99 lakh including leviable interest of ₹ 6.36 lakh.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

<sup>42</sup> Begusarai, Darbhanga, Gaya, Gopalganj, Muzaffarpur West and Saharsa.

## 2.14 Irregular exemption of export sale

### Patliputra and Saharsa Commercial Taxes Circle

Under the provisions of section 35 of the BVAT Act read with section 5 of the CST Act, no tax shall be payable on the sale of goods in the course of export of the goods outside the territory of India. As per the circular issued by the Commissioner, Commercial Taxes (CCT), Bihar in 1986 and reiterated in 1991, the claim of exemption is required to be supported by proper documentary evidence *viz* bills of export.

We observed between January and June 2010 that two dealers (self-assessed) were allowed exemption from levy of tax on the sale of goods valued at ₹ 6.71 crore in course of export outside the territory of India during the period 2007-08 and 2008-09 without documentary evidence. This resulted in non-levy of tax of ₹ 53.47 lakh including leviable interest of ₹ 11.24 lakh.

After we pointed this out, the Government/Department accepted the audit observation in respect of Patliputra circle and raised demand for ₹ 22.62 lakh. The reply of the remaining circle and report on recovery in the accepted case is awaited (October 2011).

## 2.15 Non-levy of interest

### Patna Special and Patna (West and Central) Commercial Taxes Circles

Under the provisions of section 39 (4) of the BVAT Act, if the prescribed authority finds that any dealer has wrongly claimed either the whole or part of his turnover as not taxable and has consequently paid lesser amount of tax than payable by him, the dealer shall pay, in addition to the amount of tax assessed under any proceeding, simple interest at the rate of one and a half *per cent* for each calendar month or part thereof on the difference of the amount previously admitted and tax finally assessed from the date the tax would have been payable.

We observed between April 2010 and January 2011 that two dealers (assessed) had admitted their tax at ₹ 52.18 lakh during 2006-07. While finalising the assessments in March and August 2009 the assessing authorities had levied tax of ₹ 92.71 lakh but did not levy any interest on the differential amount of assessed tax of ₹ 40.53 lakh. This resulted in non-levy of interest of ₹ 24.02 lakh.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).



## 2.16 Excess reimbursement of VAT

### Danapur and Gaya Commercial Taxes Circles

As per para 2 (ix) of the Bihar Industrial Policy, 2006, industries working prior to 1 April 2006 were to get reimbursement of 25 *per cent* of the VAT deposited by them into Government account. Further, Para 4 of the industrial incentive policy and the Department of Industries' letter no. 2609 dated 11 November 2006 provides that the aforesaid industrial units which have undergone expansion/diversification/modernisation will be eligible for such reimbursement at the rate of 80 *per cent* of the VAT deposited by them into Government account on their incremental production only. No reimbursement was to be made against the deposit of Central Sales Tax (CST) or entry tax.

Under the provision of Bihar Entry of Goods into the Local areas (for consumption, use and sales therein) Act, 1993, where an importer of scheduled goods liable to pay tax under the Act, incurs tax liability under the BVAT Act, by virtue of sale of imported scheduled goods or sale of goods manufactured by consuming such imported goods, his tax liability under the BVAT Act shall stand reduced to the extent of tax paid under the Act.

**2.16.1** We observed in Danapur commercial taxes circle in September 2010 that a manufacturer (self-assessed) of iron and steel got (between February and March 2010) reimbursement of ₹ 66.24 lakh against the deposit of VAT of ₹ 82.80 lakh for the period 2007-08 to 2009-10 (up to third quarter). Thus, the dealer got reimbursement at the rate of 80 *per cent* of the entire amount of VAT paid on the total production. The amount of VAT paid on the original production was arrived at ₹ 44.84 lakh and the amount of VAT paid on incremental production was arrived at ₹ 37.96 lakh and thus the total amount of

reimbursement for which the dealer was entitled was ₹ 41.58 lakh. We calculated this on the basis of original installed capacity and installed capacity after expansion (as per the information available on the website of the Industries Department, Government of Bihar) on the proportionate division. Thus, the dealer was paid an excess amount of ₹ 24.66 lakh as reimbursement.

After we pointed this out, the Government/Department accepted the audit observation in May 2011 and raised demand for ₹ 20.90 lakh. We await recovery and further reply in the case (October 2011).

**2.16.2** In Gaya commercial taxes circle, we observed that a dealer (scrutinised) got reimbursement of ₹ 33.01 lakh against the deposit of VAT of ₹ 1.32 crore during 2008-09. During the year the dealer adjusted entry tax of ₹ 98.79 lakh from his tax liabilities. Out of that, entry tax payment of ₹ 60.81 lakh was adjusted from the CST liability and ₹ 37.98 lakh from the VAT liability. As per the aforesaid provision, the entire amount of entry tax was to be adjusted from the VAT liability. Thus, by not adjusting the entry tax of ₹ 60.81 lakh from the VAT liability, the dealer increased the payable amount of VAT by the same amount with the intention to get more refund than due.

Thus, incorrect adjustment of entry tax resulted in inflated payment of VAT by ₹ 60.81 lakh and subsequent undue reimbursement of ₹ 15.20 lakh (25 *per cent* of ₹ 60.81 lakh).

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

### 2.17 Incorrect claim of deferment

#### Bhagalpur Commercial Taxes Circle

Section 96 (3) (b) of the BVAT Act and Rule 57 of the BVAT Rules provide that any dealer who has been granted exemption from payment of tax under the Bihar Finance Act and who has on the date of commencement of this Act not availed of the full entitlement, shall be allowed to opt for deferment of his tax liability under this Act subject to the fulfilment of the conditions for entitlement.

We observed in May 2010 that though the Act provided for the deferment of tax payable under the VAT Act only, a dealer (self-assessed) had availed of deferment of tax of ₹ 4.55 lakh payable under the CST Act during 2008-09. This resulted in short levy of tax of ₹ 5.44 lakh,

including leviable interest.

After we pointed this out, the Government/Department accepted the audit observation and raised demand for ₹ 6.08 lakh. A report on recovery is awaited (October 2011).

### 2.18 Non-levy of purchase tax

#### Sasaram Commercial Taxes Circle

Under the provisions of section 4 of the BVAT Act, every dealer who purchases goods on which no sales tax is payable and consumes such goods in the manufacture of other goods for sale or otherwise or disposes such goods in any manner other than by way of sale in the State or sale in the course of inter-state trade, shall be liable to pay tax on the purchase price of such goods at the rate at which it would have been leviable on the sale price of such goods.

We observed in March 2011 that a manufacturer (self-assessed) of bran oil and de-oiled bran cake had made purchases of taxable (at the rate of five *per cent*) goods (rice bran) of ₹ 6.56 crore within the State from unregistered dealers and partly consumed them in the manufacture of de-oiled bran cake of ₹ 1.95 crore (a tax-free commodity) during 2008-09. This attracted

purchase tax as per the aforesaid provisions but the dealer had not paid the purchase tax which resulted in non-levy of purchase tax of ₹ 5.81 lakh calculated proportionally on the basis of sale of de-oiled cake.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

## 2.19 Excess collection of tax

### Begusarai and Bhabhua Commercial Taxes Circles

Under the provisions of section 43(3) of the BVAT Act, no registered dealer shall collect from any person any amount exceeding the amount of tax payable under the Act. In case of violation, a sum equal to twice the amount collected in contravention of the provisions, in addition to the forfeiture of such excess collected tax, is leviable as penalty.

We observed between February and March 2011 that though two dealers (one assessed and one self-assessed) had collected tax of ₹ 1.70 lakh in excess of their tax liability during 2007-08 and 2008-09, no order for levy of penalty was passed by the assessing authority. This resulted in non-levy of

penalty of ₹ 5.11 lakh and non-forfeiture of the tax collected in excess.

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).

## 2.20 Incorrect adjustment of entry tax towards payment of VAT

### Six<sup>43</sup> Commercial Taxes Circle

Under Section 4 (A) of the Bihar Tax on Entry of Goods (BTEG) Act, 1993, if any dealer liable to pay tax under the BVAT Act, by virtue of sale of imported scheduled goods or sale of goods manufactured out of such imported scheduled goods incurs any liability to pay tax at the rate specified under section 14 of the BVAT Act, his tax liability under the said Act shall stand reduced to the extent of tax paid under the BTEG Act.

In case of a manufacturer the reduction in tax liability shall be allowed to the small scale, medium scale and sick industrial units. Further, in case only a part of the goods manufactured out of the imported scheduled goods is sold within the State of Bihar or in the course of inter-state trade and commerce or in the course of export out of the territory of India, the claim for the reduction in tax liability shall stand proportionately reduced.

Further, under section 39 (4) of the BVAT Act, simple interest at the rate of one and a half *per cent* per month is also leviable on the amount underassessed.

We observed between September 2010 and March 2011 that 11 dealers (one assessed, one scrutinised and nine self-assessed) paid entry tax of ₹ 33.92 crore and claimed/ were allowed entry tax adjustment of ₹ 33.77 crore towards their VAT liability during the period 2007-08 and 2008-09. Our scrutiny however, revealed that the dealers were eligible for adjustment of entry tax of ₹ 27.92 crore only. Thus, the dealers were allowed incorrect adjustment of entry tax of ₹ 5.85 crore which resulted in excess entry tax

<sup>43</sup>

Danapur, Hajipur, Muzaffarpur West, Patliputra, Patna Special and Sasaram.

adjustment against VAT payable to the tune of ₹ 7.84 crore including leviable interest of ₹ 1.99 crore (**Annexure-XIV**).

After we pointed this out, the Government/Department accepted the audit observations in respect of seven dealers of four circles<sup>44</sup> and raised demand for ₹ 5.41 crore. We await recovery in the accepted cases and replies in the remaining cases (October 2011).

## B : Entry Tax

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

#### Six<sup>45</sup> Commercial Taxes Circles

Under the provision of section 8 of the BTEG Act, read with section 31(2) of the BVAT Act, if the prescribed authority is satisfied that in respect of any assessment, any sale or purchase of goods liable to tax under the Act, has been underassessed or has escaped assessment, the prescribed authority shall assess or reassess the tax payable by such dealer within four years. In case of wilful omission by the dealer to disclose full and correct particulars of such sale or purchase or input tax credit, the prescribed authority shall impose, besides the amount of interest payable, penalty equal to three times the amount of tax which escaped assessment. The penalty imposed shall be in addition to the amount of tax on the escaped turnover.

We observed that the Government/ Department did not prescribe a mechanism for cross-verification of the turnover as disclosed in the returns with other records of the dealer like utilisation statements of road permits, declaration forms and TAR as well as returns filed under the BVAT Act.

We cross checked between March 2010 and March 2011, the utilisation of road permits, declaration

forms, purchase statements, trading and manufacturing accounts *etc.* with the returns filed by 13 dealers (2 assessed and 11 self-assessed). During the cross check, we observed that they disclosed import value of scheduled goods as ₹ 1,352.38 crore in their returns instead of the actual amount of ₹ 2,166.79 crore as shown in the declaration forms 'C', 'ET-V' *etc.* and thus suppressed import/purchase of scheduled goods of ₹ 814.41 crore during 2007-08 to 2009-10. The AAs either did not scrutinise the returns or in the two cases which were assessed did not detect the suppression which resulted in short levy of entry tax of ₹ 512.04 crore including leviable penalty of ₹ 354.55 crore and interest of ₹ 39.30 crore leviable till the date of audit (**Annexure-XV**). A few illustrative cases are given in the following table:

<sup>44</sup> Danapur, Hajipur, Patliputra and Patna Special.

<sup>45</sup> Arrah, Nawadah, Patliputra, Patna Special, Purnea and Sasaram.



(₹ in lakh)

Sl. No.	Name of circle No. of dealers	Period of assessment	Actual import Accounted for	Amount of concealment	ET leviable Penalty	Interest	Total
1.	Patliputra 2	2007-08	3717.57 1655.02	2062.55	152.29 456.87	75.38	684.55
2.	Patna Special 3	2007-08, 2008-09	94726.89 21268.19	78458.70	11600.73 34802.19	3829.96	50232.88
3.	Purnea 1	2007-08	144.18 43.58	100.60	8.05 24.15	3.50	35.69
4.	Sasaram 1	2007-08, 2008-09	2209.05 2034.32	174.73	13.98 41.93	6.43	62.34

After we pointed this out, the Government/Department accepted the audit observations in respect of four dealers of three circles<sup>46</sup> and raised demand of ₹ 14.37 crore. Of these, recoveries of ₹ 9.38 lakh has been made in one case each of Patna Special and Sasaram circle. We await recovery in the accepted cases and replies in the remaining cases (October 2011).

## 2.22 Application of incorrect rate of tax

### Nine<sup>47</sup> Commercial Taxes Circles

Under the provision of section 3 of the BTEG Act, there shall be levied and collected a tax on entry of scheduled goods into a local area at such rate not exceeding 20 per cent of the import value of such goods as may be specified by the State Government in a notification published in the Official Gazette subject to such conditions as may be prescribed, provided different rates for different scheduled goods and different local areas may be specified by the State Government. Further, under the provision of section 8 of the BTEG Act, read with section 31(2) of the BVAT Act, penalty equivalent to three times of the amount of tax on escaped assessment and interest at the rate of 1.5 per cent per month is also leviable on the amount underassessed.

**2.22.1** We observed between May 2010 and January 2011 that seven dealers (assessed: four, scrutinised: three) of four<sup>48</sup> circles imported scheduled goods of ₹ 33.05 crore during 2007-09 and admitted entry tax on these imported goods at rates which were lower than the prescribed rates. This omission remained undetected by the AAs while finalising/scrutinising the assessments between July 2008 and August 2010. This resulted in underassessment of entry tax of ₹ 7.58 crore including leviable penalty of ₹ 5.14 crore and interest of ₹ 72.45 lakh.

**2.22.2** We observed between April 2010 and March 2011 that 13 self-assessed dealers of seven<sup>49</sup> circles imported

<sup>46</sup> Patliputra, Patna Special and Sasaram.

<sup>47</sup> Arrah, Darbhanga, Jamui, Kishanganj, Madhubani, Patliputra, Patna City West, Patna Special and Sasaram.

<sup>48</sup> Darbhanga, Jamui, Madhubani and Patliputra.

<sup>49</sup> Arrah, Jamui, Kishanganj, Patliputra, Patna City West, Patna Special and Sasaram.

scheduled goods of ₹ 246.75 crore during 2007-10 and assessed themselves by admitting the entry tax at rates lower than the prescribed rates in their returns. Though the AAs were required to scrutinise these returns within the prescribed time and verify the correctness of the application of rates, the same was not done in any of these cases. This resulted in underassessment of entry tax of ₹ 40.38 crore including leviable penalty of ₹ 28.02 crore and interest of ₹ 3.02 crore.

The application of incorrect rate of tax in all the above cases resulted in underassessment of entry tax of ₹ 47.96 crore including leviable penalty of ₹ 33.16 crore and interest of ₹ 3.75 crore (**Annexure-XVI**). A few illustrative cases are given below:

(₹ in lakh)

Sl. No	Name of circle/No. of dealers	Year	Import value	Name of Commodity	Rate of tax leviable/levied (in per cent)	Short levy Penalty	Interest	Total
1	Patliputra (assessed) 1	2007-08 2008-09	1926.13	Electrical goods	8/4	<u>77.05</u> 231.14	34.95	343.13
2	Darbhanga 1	2007-08	549.94	Tobacco products	16/5	<u>60.49</u> 181.48	23.59	265.56
3	Patna Special 1	2008-09	14590.07	Tobacco products	16/12.5	<u>510.65</u> 1531.96	168.52	2211.13
4	Sasaram 1	2007-08	850.08	Electrical goods	8/4 8/0	<u>47.10</u> 141.31	24.73	213.12
5	Patliputra (self-assessed) 5	2007-08 2008-09 2009-10	8687.03	Electrical goods	8/4 8/0	<u>346.48</u> 1039.44	97.42	1483.34

After we pointed this out, the Government/Department accepted the audit observations in respect of six dealers of two circles (Patliputra and Sasaram) and raised demand for ₹ 2.42 crore. Of these, recoveries of ₹ 66.46 lakh has been made in one case each of Sasaram and Patliputra circle. We await recovery in the accepted cases and replies in the remaining cases (October 2011).

### 2.23 Non- levy of entry tax and penalty due to non-registration

#### Five<sup>50</sup> Commercial Taxes Circles

Under the provision of rule 3 of the BTEG Rules, read with section 5 of the BTEG Act, every dealer in scheduled goods shall get himself registered under the Act within seven days of becoming liable to pay tax. Further, under the provision of section 28 of the BVAT Act, read with section 8 of BTEG Act, if the prescribed authority is satisfied that any dealer was liable to pay tax and wilfully failed to apply for registration, he shall assess to the best of his judgement, the amount of tax due, if any, and he may direct that the dealer shall pay by way of penalty, in addition to the amount of tax assessed, a sum of rupees one hundred for every day of default or an amount equal to the amount of tax assessed, whichever is higher.

We observed between April 2010 and April 2011 that eight dealers registered under the BVAT Act (one scrutinised and seven self-assessed) had imported various scheduled goods of ₹ 31.32 crore during 2007-08 to 2009-10. However, they did not get themselves registered under the BTEG Act, though they were liable to do so. The AAs failed to detect the fact of non-registration though information relating to their liability for registration was available

with the AAs while scrutinising the returns under the BVAT Act. This resulted in non-levy of entry tax of ₹ 3.22 crore including maximum leviable penalty of ₹ 1.61 crore.

After we pointed this out, the Government/Department accepted the audit observations in respect of two dealers of two circles (Patliputra and Patna special) and raised demand for ₹ 59.13 lakh. We await recovery in the accepted cases and replies in the remaining cases (October 2011).

### 2.24 Non-levy of interest on entry tax

#### Darbhanga and Hajipur Commercial Taxes Circles

Under the provision of section 24 of the BVAT Act, read with section 8 of the BTEG Act, if a dealer fails to pay the amount of tax payable as per his return within the due date (i.e. on or before the 15th day of the following month) he shall be liable to pay interest at the rate of one and a half *per cent* per month of the amount due from the date the tax so payable had become due to the date of its payment.

We observed between June and August 2010 that although two dealers (self-assessed) had paid their entry tax for the year 2008-09 with delays ranging between 14 and 350 days, the assessing authorities did not levy interest on the delayed deposit of tax. This resulted in non-levy of interest of ₹ 8.33 lakh as detailed in the following table:

<sup>50</sup>

Madhepura, Patliputra, Patna (South and Kadamkuam), Patna Special and Purnea.

(₹ in lakh)

Sl. No.	Name of circle	Name of dealer / TIN	Year	Delay in days	Interest leviable at the rate of 1.5 per cent per month
1	Darbhanga	M/s Durga trading/ 10384489231	2008-09	Between 14 and 315 days	3.07
2	Hajipur	M/s Jain Infra Project Ltd./ 10293197293	2008-09	Between 167 and 350 days	5.26
<b>Total</b>					<b>8.33</b>

The matter was reported to the Government/Department in May 2011; we are yet to receive their reply (October 2011).



## EXECUTIVE SUMMARY

<b>Decrease in tax collection over Budget estimates</b>	In 2010-11, the collection of taxes on motor vehicles decreased by 17.19 <i>per cent</i> as compared to the budget estimates.
<b>Very low recovery by the Department in respect of observations pointed out by us in earlier years</b>	During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 790.45 crore in 954 cases in respect of taxes on motor vehicles. Of these, the Department/Government had accepted audit observations in 863 cases involving ₹ 482.69 crore. The negligible recovery of ₹ 1.35 crore (0.27 <i>per cent</i> ) against accepted cases involving ₹ 482.69 crore indicates lack of promptness on the part of the Government/ Department in recovering the Government dues.
<b>Results of audit conducted by us in 2010-11</b>	In 2010-11, we test-checked the records of 48 units relating to taxes on motor vehicles and found non/short levy, non/short realisation, loss of revenue and other irregularities involving ₹ 20 crore in 199 cases.  The Department accepted non/short levy, non/short realisation, loss of revenue and other deficiencies of ₹ 19.43 crore in 64 cases, of which eight cases involving ₹ 1.23 crore were pointed out during 2010-11 and the rest in earlier years.
<b>What we have highlighted in this Chapter</b>	In this Chapter we present a performance audit on ‘Computerisation of Transport Department in Bihar’ and a few illustrative cases of ₹ 17.81 crore selected from observations noticed during our test-check of records relating to non/short levy, non/short realisation, etc. in the district transport offices, where we found that the provisions of the Acts/Rules were not observed.  It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department did not take corrective action till we pointed these out in audit.  We are also concerned that though these omissions were apparent from the records which were made available to us, the District Transport Officers were unable to detect these mistakes.
<b>Our conclusion</b>	The Department needs to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.  It also needs to take appropriate steps to recover the amount involved at least in accepted cases.

### 3.1.1 Tax administration

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

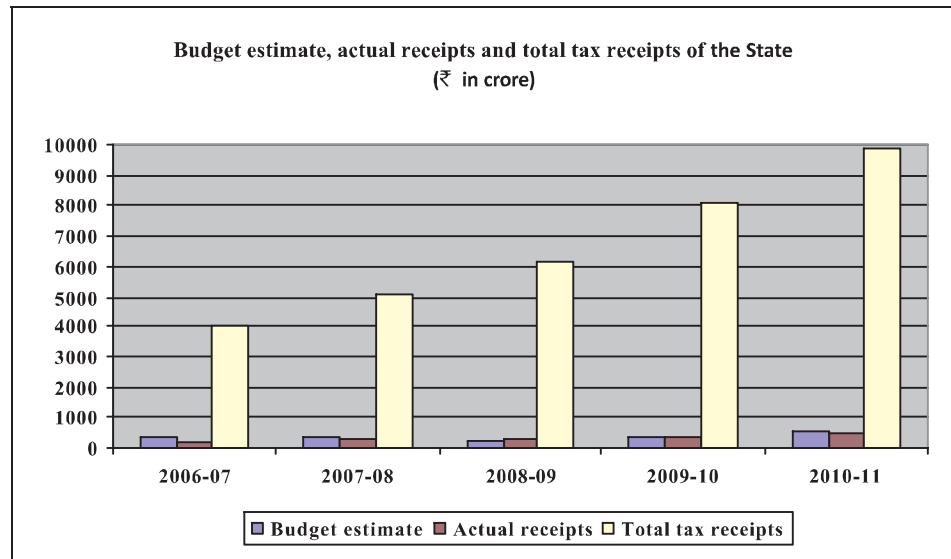
### 3.1.2 Trend of receipts

The variation between the budget estimates (BEs) and the actual receipts from motor vehicles taxes during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

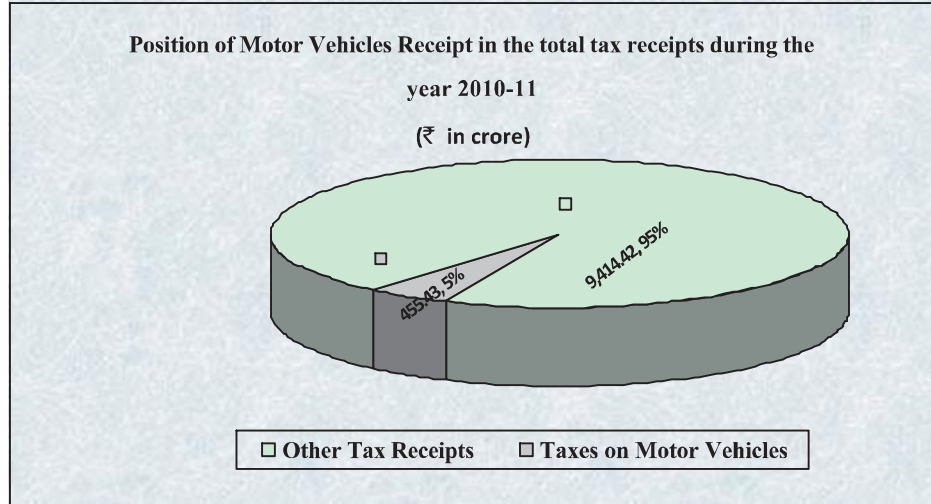
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2006-07	350.00	181.38	(-) 168.62	(-) 48.18	4,033.08	4.50
2007-08	375.00	273.21	(-) 101.79	(-) 27.14	5,085.53	5.37
2008-09	256.60	297.74	(+) 41.14	(+) 16.03	6,172.74	4.82
2009-10	355.00	345.13	(-) 9.87	(-) 2.78	8,089.67	4.27
2010-11	550.00	455.43	(-) 94.57	(-) 17.19	9,869.85	4.61

The trend of receipts vis-à-vis the estimated receipts of taxes on motor vehicles and total tax receipts is depicted in the following bar diagram:



The pie chart below depicts the contribution of taxes on motor vehicles to the total tax receipts (₹ 9,869.85crore) of the State during 2010-11.



### 3.1.3 Cost of collection

The gross collection of motor vehicles tax receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	297.74	6.95	2.33	2.58
2009-10	345.13	10.41	3.02	2.93
2010-11	455.43	16.92	3.72	3.07

The above table indicates that during the years 2009-10 and 2010-11, the percentage of expenditure on collection was more than the all India average percentage for the previous year.

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

### 3.1.4 Impact of audit

#### Revenue impact

During the period from 2005-06 to 2009-10, we had pointed out in our inspection reports cases of non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 790.45 crore in 954 cases. Of these, the Department/ Government had accepted audit observations in 863 cases involving ₹ 482.69 crore and had since recovered ₹ 1.35 crore. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	42	53	198.42	27	13.99	1	0.01 lakh
2006-07	47	172	41.63	116	28.49	Nil	Nil
2007-08	47	201	141.29	215	142.94	5	0.37
2008-09	46	218	155.98	210	96.04	4	0.98
2009-10	38	310	253.13	295	201.23	Nil	Nil
<b>Total</b>	<b>220</b>	<b>954</b>	<b>790.45</b>	<b>863</b>	<b>482.69</b>	<b>10</b>	<b>1.35</b>

This low recovery of ₹ 1.35 crore (0.27 per cent) against the accepted cases involving ₹ 482.69 crore indicates lack of promptness on the part of the Government/ Department in realising the Government dues.

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

### 3.1.5 Working of internal audit wing

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

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

### 3.1.6 Results of audit

In 2010-11 our test-check of the records of 48 units relating to motor vehicles taxes revealed non/short levy, non/short realisation, loss of revenue and other irregularities involving ₹ 20 crore in 199 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	'Computerisation of Transport Department in Bihar' (A Performance Audit)	1	0.96
2	Non/short levy of taxes	55	15.56
3	Non/short realisation of trade tax	32	1.39
4	Non-realisation of OTT/fees	21	0.40
5	Irregular issue of driving licence	10	0.22
6	Non-realisation of tax from vehicles involved in surrender	9	0.33
7	Irregular issue of certificate of fitness	4	0.10
8	Other cases	67	1.04
<b>Total</b>		<b>199</b>	<b>20.00</b>



During the course of the year, the Department accepted non/short levy, non/short realisation, loss of revenue and other deficiencies of ₹ 19.43 crore in 64 cases, of which eight cases involving ₹ 1.23 crore were pointed out during 2010-11 and the rest in earlier years.

Audit findings of the Performance Audit on '**Computerisation of Transport Department in Bihar**' with financial impact of ₹ 95.94 lakh and a few other illustrative audit observations involving ₹ 16.85 crore are mentioned in the succeeding paragraphs.

## 3.2 Performance audit on ‘Computerisation of Transport Department in Bihar’

### Highlights

In the eight test-checked District Transport Offices, the *VAHAN* and *SARATHI* software in a project mode were implemented with delays ranging between three and 27 months.

(Paragraph 3.2.6)

Security policy was inadequate and made the computer systems vulnerable to misuse / manipulations or unauthorised additions/deletions of data.

(Paragraph 3.2.11.1)

Inadequacy of Input controls and validation checks resulting in duplication of engine number and chassis number, registration of two or more vehicles under the same insurance cover note, capturing of irrelevant period of tax payment and exhibiting wrong seating capacity rendering the database unreliable.

(Paragraph 3.2.14)

The amount of tax generated by the *VAHAN* software was not in accordance with the existing business rules.

(Paragraph 3.2.15.3)

### 3.2.1 Introduction

The Government of India, in order to have a National Register of registered motor vehicles and driving licences and to provide valuable data for the Centre and State security agencies, issued directives to all State Governments to adopt ‘*VAHAN*’<sup>1</sup> and ‘*SARATHI*’<sup>2</sup> softwares. The softwares were developed by the National Informatics Centre (NIC), New Delhi. Apart from the National Register, these softwares were also intended to help develop the State Register of motor vehicles and licences. This computerisation effort was taken up by the State Government under a Central Sector Scheme and was to be implemented through the NIC on behalf of the Ministry of Road Transport and Highways (MoRTH), New Delhi in coordination with State Transport Department.

The Transport Department, Government of Bihar initially implemented the *SARATHI* application in May 2008 and *VAHAN* software in February 2009 in the District Transport Office (DTO), Patna. The software was implemented on client server architecture with Oracle 10g<sup>3</sup>. The operating platform was Windows 2000 for server and Windows XP for all clients. The hardware for the Transport Department was procured from Government of India funds and supplied by NIC, New Delhi to the State. As of September 2011, *VAHAN* and *SARATHI* was adopted in all 38 DTOs in the State. Prior to adoption of *VAHAN* and *SARATHI* applications, the Department was maintaining the registration and licencing data on an application named Road Transport

<sup>1</sup> An application developed for registration of vehicles and road tax clearance.

<sup>2</sup> An application developed for issue of various licences.

<sup>3</sup> Oracle 10g is a grid computing product group including a database management system and an application server.

Management Information System (NICTRAN) in five<sup>4</sup> DTOs, while the rest of the DTOs were maintaining the data manually.

### 3.2.2 Organisational Setup

At the apex level, the State Transport Commissioner (STC), Bihar is the head of the Department and is responsible for administration of the Acts and Rules and implementation of all policy matters. In performance of his duties, he is assisted by two Joint State Transport Commissioners at the headquarters. The State has been divided into nine<sup>5</sup> transport regions and 38 transport districts<sup>6</sup> which are controlled by the Secretaries of the Regional Transport Authorities and the District Transport Officers respectively. They are assisted by the Motor Vehicles Inspectors (MVIs) in discharging their duties.

The Joint State Transport Commissioner, Bihar is the nodal officer for computerisation activities. At the State Headquarters, the State Informatics Officer is the nodal officer. At the district level, the District Informatics Officer is the nodal officer.

### 3.2.3 Audit objectives

The performance audit was conducted with a view to assess and evaluate whether:

- the objectives of computerisation through the software applications *VAHAN* and *SARATHI* have been achieved;
- reliable general and security controls were in place to ensure data integrity and security;
- connectivity was established between the DTOs in the State for creation of a State Register of vehicles and licences; and
- business rules were mapped in the system.

### 3.2.4 Scope of Audit and methodology

The performance audit on ‘Computerisation of Transport Department in Bihar’ was conducted during the period between June and October 2011 in nine<sup>7</sup> out of 38 DTOs and the office of the State Transport Authority, Patna. The data in soft copy was made available to audit by the office of STC, Bihar, Patna in MS Access format and same was analysed and cross checked by using Interactive Data Extraction Analysis (IDEA) Software, a Computer Assisted Audit Technique and Tools (CAATs), generally accepted and used for auditing in Information Technology (IT) environment.

<sup>4</sup> Bhagalpur, Gaya, Muzaffarpur, Patna and Purnea.

<sup>5</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>6</sup> Araria, Arwal, Aurangabad, Banka, Begusarai, Bettiah, Bhabhua, Bhagalpur, Bhojpur, Buxar, Chapra, Darbhanga, Gaya, Gopalganj, Jamui, Jehanabad, Katihar, Khagaria, Kishanganj, Lakhisarai, Madhepura, Madhubani, Motihari, Munger, Muzaffarpur, Nalanda, Nawada, Patna, Purnea, Rohtas, Saharsa, Samastipur, Shekhpura, Sheohar, Sitamarhi, Siwan, Supaul and Vaishali.

<sup>7</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali –selected on random basis.

### 3.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the STC in providing the necessary information and records to audit. An entry conference was held in July 2011 wherein the scope and methodology of audit was discussed with the Secretary of the Transport Department, Government of Bihar and the Director, NIC Bihar. Their views on the proposed performance audit was also elicited and suggestions made by them were suitably adopted. The performance audit report was forwarded to the Government in October 2011. The exit conference was held in November 2011 where STC represented the Government and the Department.

### Audit findings

#### 3.2.6 Delay in Implementation of the project

As per the approved proposal (December 2008) for computerization in the Transport Department, a committee for review/monitoring, control and smooth functioning of the project was constituted by the Secretary, Transport Department, Government of Bihar. The committee consists of the State Transport Commissioner, Joint State Transport Commissioner and three other members from the NIC, Bihar unit.

The Transport Department fixed a time-schedule for successful implementation of the *VAHAN* and *SARATHI* in a project mode. As per the implementation schedule all offices of the Department were classified into four<sup>8</sup> categories according to the work load at the DTOs and it was decided to implement *VAHAN* and *SARATHI* software in the entire State latest by 30 June 2009 as per the approved proposal of the Transport Department.

In the eight test-checked DTOs, we observed that the actual implementation of this project was delayed between three and 27 months. The details are given in the table below:

Sl. No.	Name of the Office/Category	Target date of implementation	Actual month of implementation		Delay in months	
			<i>VAHAN</i>	<i>SARATHI</i>	<i>VAHAN</i>	<i>SARATHI</i>
1	Bhagalpur/B	30 April 2009	November 2009	February 2009	06	Nil
2	Darbhanga/B	30 April 2009	August 2011	June 2010	27	13
3	Gaya/B	30 April 2009	August 2010	August 2009	15	03
4	Katihar/C	31 May 2009	November 2010	May 2010	17	11
5	Madhubani/C	31 May 2009	August 2011	February 2011	26	20
6	Muzaffarpur/B	30 April 2009	December 2009	February 2009	07	Nil
7	Patna/A	31 March 2009	February 2009	May 2008	Nil	Nil
8	Purnea/B	30 April 2009	March 2010	January 2010	10	08
9	Vaishali/C	31 May 2009	September 2009	February 2009	03	Nil

\* Category A: State Transport Commissioner and District Transport Office, Patna by 31 March 2009.  
 Category B: Divisional Offices (Bhagalpur, Chapra, Darbhanga, Gaya, Munger, Muzaffarpur, Purnea, Sharasa) by 30 April 2009.  
 Category C: Remaining twenty nine districts by 31 May 2009.  
 Category D: All the RTAs offices by 30 June 2009.



From the table above, it can be seen that the Department had implemented the project in DTO Patna well ahead of the target date, a commendable effort in view of the fact that the maximum number of vehicles are registered in DTO Patna. Similarly, the maximum number of driving licences are also issued from DTO Patna. However, we observed that there was inordinate delay of upto 27 months (Darbhanga) in implementation of the project.

After we pointed this out, the Department stated during the exit conference that due to lack of infrastructure and software, the project could not be implemented by the scheduled date.

### 3.2.7 Hardware supplied by NIC Delhi

#### 3.2.7.1 Non-adherence to approved proposal

During scrutiny we observed that the proposal of computerisation included 37 DTOs, nine RTAs and STA across the State and was approved by the Ministry of Road Transport and Highways, New Delhi in December 2008. This proposal did not include DTO Patna as this was already computerised as a pilot district from the State fund.

Under the approved projects, the hardware was to be supplied by the Government of India as per the approved requirement and for the approved places. However, we observed that a requisition was sent by the Transport Department to NIC Delhi through NIC Patna for obtaining hardware for the computerisation of DTO Patna though this was not in the approved project. However, NIC Delhi sent (between May 2010 and August 2010) the necessary hardware to DTO Patna for computerisation. The requisition made by the Transport Department and supply made by NIC was against the approval of Ministry of Road Transport and Highways, New Delhi and also resulted in irregular utilisation of Central funds.

#### 3.2.7.2 Non-utilisation of hardware by DTO Patna

The details of utilisation of hardware in DTO Patna is given below:

Number of hardware	Server system	PC (Computer)	DMP	Color Printer /laser printer	Web cam	Sign Pad	Finger Print device	UPS
Total number <sup>9</sup>	4	40	26	4	16	10	7	6
Utilised by DTO Patna	4	28	17	4	5	5	6	6
Unutilised hardwares	NIL	12	9 <sup>10</sup>	NIL	11	5	1	NIL

It is evident that the hardware supplied/purchased was not fully utilised by the DTO Patna.

After we pointed this out, the Department accepted the fact and stated during the exit conference that the hardware would be utilised.

<sup>9</sup> Total number shows hardware received through NIC and purchased locally by the DTO.

<sup>10</sup> Seven DMP (Dot Matrix Printer) were under repair.

### 3.2.7.3 Discrepancies in figure between hardware supplied and received

The details of hardware supplied by NIC Delhi for computerisation and those received by DTO Patna were as under:

	Server system	PC	DMP	Color Printer	Web Cam	Sign Pad	Finger Print Device	UPS (5KVA)
Supplied by NIC.	2	25	15	-	10	10	10	2
Received by DTO, Patna	2	25	15	2	10	-	-	2

(Source: Information supplied by NIC Patna and DTO Patna)

As indicated in the table above, there was a difference in receipt of some hardware viz. Color Printers, sign pads and finger print devices.

### 3.2.8 Utilisation of Modules

The modules contained in the VAHAN application are Vehicle Registration, New Vehicle Registration, Renewal of Vehicle Registration, Transfer of Ownership, Change of Address, Removal of Hypothecation, Permit and Taxes, Issue of National Permit and All India Tourist Permit, Renewal of Permit, State-specific Road Tax calculation and collection, Fitness, Issue of fitness certificate, Renewal of fitness certificate and Enforcement.

We observed that the following modules/tables were not being utilised or were utilised partially.

Modules/Tables	Description	Number of records	Remarks
Enforcement Module	Designed to capture the working of the Enforcement wing	No records	This module contains fields for data entry in respect of levy of fine on offending vehicles on road such as using vehicles without registration/permit, driving uninsured vehicles, vehicles without certificate of fitness, laden weight offences etc. We observed that compounding fee of ₹ 1.94 crore was collected by the enforcement wing during the year 2010-11 but these data were not captured in the VAHAN.
Permit Module	Provides information of permit details of passenger vehicles/goods vehicles	No records	We observed that permits were being issued manually by the RTA.
Trade	Provides information of trade certificate holders	No records	Contains trade licence fee and the name of agencies. The work is still being done manually.

Pin code	Provides information of the number of an area and area name.		Contains pincode of Delhi region instead of Patna region.
Temporary vehicle owner fee. Temporary vehicle insurance	Provides information of temporary vehicle fee and its insurance	No records	Not utilised
Trailer	Provides information like registration number, chassis number etc.	No records	Not utilised
Private vehicle tax and passenger vehicle tax table	Provides information of different tax slabs.	Irrelevant Records	Contains irrelevant data like “9999999”.
Private vehicle MVI check and fitness certificate print	Provides details of private vehicle inspection details and printing of fitness certificate.	No records	Fitness certificate to vehicles issued manually.
Registration surrender and history	Stores/provides information about surrender details of RC of a vehicle	No records	Not utilised
Theft report	Provides information about theft report of a vehicle	Only three records	Details of only two vehicles were entered in the year 2009 and one vehicle in 2011.
Fitness information	Contains details of fitness of a vehicle	22,557	Against registration of 1,45,193 vehicles (after 31.05.2009) only 22,557 records are shown.

After we pointed this out, the Department stated during the exit conference that it was difficult to utilise enforcement module and the other modules would be utilised with the help of NIC.

### 3.2.9 Legacy data issues

As per the order of the Transport Department issued on 8 December 2009, entry of legacy data for all the commercial vehicles was to be completed by 18 December 2009. After completing all the legacy data work, up-to-date data was to be migrated to the new *VAHAN* software. We test-checked nine<sup>11</sup> DTOs and observed that in five<sup>12</sup> DTOs, the legacy data from the previous computerised system, though stated to be complete, was not migrated to *VAHAN* while in the other four<sup>13</sup> DTOs legacy data entry work was still in progress (August 2011). Further, we observed that NICTRAN was in operation in four<sup>14</sup> DTOs for the purpose of collection of taxes due to non-migration of data to the *VAHAN* system. Thus, full utilisation of the *VAHAN* software was not ensured. In case of personal vehicles and driving licenses, legacy data entry work was yet to be started. In the absence of consolidated data in the *VAHAN* software, the State Register and National Register can not be completed.

<sup>11</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>12</sup> Bhagalpur, Gaya, Muzaffarpur, Patna and Purnea.

<sup>13</sup> Darbhanga, Katihar, Madhubani and Vaishali.

<sup>14</sup> Bhagalpur, Gaya, Muzaffarpur and Purnea.

After we pointed this out, the Department accepted the fact and stated during the exit conference that vehicles wherein comparatively more taxes are involved are given priority while migrating legacy data to the new software.

### 3.2.10 Lack of proper documentation and system development controls

As per the generally accepted procedures, User Requirement Specifications (URS) and System Design Document (SDD) which give the complete description of the proposed system to be developed should be approved by the user agency so that the vendor understands the requirement of the client. Also proper documentation such as URS, Software Requirement Specification (SRS), detailed design, data flow diagram, data dictionary relationship between tables etc. are crucial for the computerisation of the project.

The relevant documents (URS, SDD) prepared by the system developer were not produced to audit though called for. In absence of such records we could not verify the adequacy of this documentation.

After we pointed this out, the Department accepted the fact and stated during the exit conference that the software was developed by the NIC and the same would be obtained.

### 3.2.11 Information security

Though the Department had computerised the vehicle registration and licencing functions, adequate measures were not taken for the security of the information system so created to ensure data integrity and security.

#### 3.2.11.1 Absence of password policy

We observed in the test-checked DTOs that the user IDs and passwords for accessing the computer system were being shared by users. The access levels were not defined for the computer systems in any of the selected DTOs. The practice of sharing passwords was fraught with the risk of unauthorised use of the system and lack of accountability. The Department had neither undertaken any risk assessment nor put any password policy in place, thereby rendering the system vulnerable to misuse/manipulation or unauthorised addition/deletion of data. The practice of change of password for access and use of computer system was also not in place.

After we pointed this out, the Department accepted the point during the exit conference and stated that it would be rectified.

**The Government/Department may take suitable steps to restrict the access to the computer system by framing a password policy.**



### 3.2.11.2 Non-utilisation of antivirus software

An Anti-virus software is used to prevent, detect and remove viruses from the computer system.

We observed that no antivirus software was installed in the computer systems in the test-checked DTOs except in Patna.

After we pointed this out, the Department stated during the exit conference that it was not supplied by NIC. However, Windows-based free anti-virus software would be installed.

### 3.2.12 Physical and environmental control

Physical controls prevent unauthorised access and interference to the IT systems. The system should also be protected from environmental damage caused by fire, water, earthquake, electrical power surges or power shortages.

We observed in the test-checked DTOs that the physical and environmental controls were weak. For example, fire alarms and automatic fire extinguishers were not installed in the IT centres. The IT centers in

DTOs Gaya and Vaishali were established in dilapidated buildings and there was seepage in the ceiling of the buildings.

### 3.2.13 Incomplete database

Incompleteness of database means missing essential information which adversely affects the reliability of the system.

Under the Central Motor Vehicle (CMV) Rules, 1989, the owner of a vehicle shall apply in Form 20 for the registration of his vehicle. This Form 20 contains

information about the vehicle and its owner. From the analysis of the data of 3,77,696 vehicles in seven<sup>15</sup> test-checked DTOs, we observed that the data capture was incomplete. Vital information such as owner's name, address, engine number, make, PAN, as well as cubic capacity, laden and unladen weight were not captured, as shown in **Annexure – XVII**.

This indicated that input of crucial information was not made mandatory in the software and consequently the database remained incomplete. In the absence of vital information like engine number, registration of stolen vehicles and use of the same registration number by more than one vehicle cannot be ruled out.

After we pointed this out, the Department accepted the fact and stated during the exit conference that it was due to legacy data transfer. However, it would be examined and rectified.

<sup>15</sup> Bhagalpur, Gaya, Katihar, Muzaffarpur, Patna, Purnea and Vaishali.

### 3.2.14 Application Controls

Input controls and validation checks over input are vital for ensuring integrity of the data and essential to prevent incorrect data from being fed. Adequate input and validation controls ensure that the data entered is complete and correct.

#### 3.2.14.1 Input controls

- Alphanumeric chassis number and engine number assigned by the manufacturer are the unique identification mark of a motor vehicle. The CMV Rules prescribe that a person, while applying for registration of his vehicle, shall mention the chassis number and engine number in the application form.

During test-check of the registration database in VAHAN in nine<sup>16</sup> DTOs, we observed in seven<sup>17</sup> DTOs that out of 3,77,696 registration records of vehicles, 2,015 vehicles contained duplicate engine numbers and in respect of 3,322 vehicles, engine number and chassis number were the same as detailed in **Annexure-XVIII**.

The existence of duplicate engine numbers/same engine and chassis number indicated lack of input controls at an entry level to restrict entry of duplicate engine numbers/same engine and chassis number. In absence of such data validation check, possibility of assignment of more than one registration number to the same vehicle could not be ruled out.

- Under the Motor Vehicles Act, 1988 (MV Act), an application for the registration of a vehicle shall be accompanied by a valid insurance certificate.

During analysis of the database of the DTOs Patna and Muzaffarpur, we observed that out of 1,54,579 and 25,472 records of registration, 262 and 12 records respectively contained duplicate insurance cover note number in the database. Due to absence of proper input controls, the system failed to restrict the registration of more than one vehicle under the same insurance cover note number. Manual verification of records could not be conducted by us due to non-availability of source documents.

After we pointed this out, the Department accepted the fact during the exit conference and stated that it would be examined and rectified accordingly.

#### 3.2.14.2 Validation checks

- In seven DTOs, we observed that the field in respect of 'seating capacity' exhibited wrong data with respect to the corresponding field of 'maker model' in case of 1,370 vehicles as shown in the following table:

<sup>16</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>17</sup> Bhagalpur, Gaya, Katihar, Muzaffarpur, Patna, Purnea and Vaishali.

Sl. No.	Name of the DTOs	No of vehicles	Maker Model	Seating capacity entered
1	Bhagalpur	402	Trailer	1
		2	Motorcycle	124-125
		3	Auto rickshaw	399-435
2	Gaya	199	Trailer	1
3	Katihar	17	Trailer	1
		1	Motor cycle	110
4	Muzaffarpur	55	Trailer	1
		1	Bus	580
5	Patna	97	Trailer	1-750
		5	Bus	70-85
		3	Truck	74-970
		4	Delivery Van	70-415
6	Purnea	245	Trailer	1
7	Vaishali	335	Trailer	1
		1	Motor cycle	25
<b>Total</b>		<b>1,370</b>		

This indicates that there was no validation check in the seating capacity field.

- The database contains fields for information of the tax paid. During test-check of data in five<sup>18</sup> DTOs, we observed that in 13 cases, the field relating to 'date from' and 'date upto' for which tax had been paid was irrelevant as the 'date from' and 'date upto' were showing different dates between calendar years 2016 and 2041 as mentioned in the following table:

Sl. No.	Name of the DTOs	Vehicle no	Receipt no/date	Tax from date	Tax upto date
1	Gaya	BR02M4468	TX3603057/10.12.10	18/11/2025	17/11/2040
		BR02M7821	TA3681703/03.05.11	26/02/2021	25/02/2031
		BR02M6187	TX3638758/10.02.11	24/12/2020	23/12/2030
2	Patna	BR01GA8950	AC3624007/18.02.11	05/08/2025	04/08/2026
		BR01PA5716	O3306993/29.01.10	31/01/2024	30/01/2025
		BR01PA6367	S3394717/11.05.10	14/07/2016	13/10/2016
3	Katihar	BR39G2816	KA3615094/25.03.11	28/01/2026	27/01/2041
4	Purnea	BR11L0264	PU3261474/23.02.11	10/02/2021	09/02/2031
5	Muzaffarpur	BR06GA0198	MT3675153/27.05.11	20/05/2021	19/05/2031
		BR06GA0204	MT3685287/06.06.11	20/05/2021	19/05/2031
		BR06GA0169	MT3685786/08.06.11	14/05/2021	13/05/2031
		BR06GA0170	MT3685787/08.06.11	14/05/2021	13/05/2031
		BR06GA0250	MT3687718/18.06.11	25/05/2021	24/05/2031

This indicated inadequate validation checks which may result in omission in tax collection and generation of wrong MIS report.

- Section 40 of the MV Act provides that every owner of a motor vehicle shall cause the vehicle to be registered by the registering authority in whose jurisdiction he has the residence or place of business where the vehicle is normally kept. Further, Section 46 of this Act provides that a motor vehicle registered in any State shall not required to be registered elsewhere in India

<sup>18</sup> Gaya (3), Katihar (1), Muzaffarpur (5), Patna (3) and Purnea (1).

and a certificate of registration issued in respect of such vehicle shall be effective throughout India. On a cross verification of the ‘owner table’ in VAHAN in DTOs Patna and Muzaffarpur, we observed that vehicles registered in DTO Muzaffarpur and assigned a registration number also appeared in the database maintained by DTO Patna. However, the chasis/engine numbers in these cases were different as mentioned in the table below:

Sl. No.	Vehicle No.	District	Date of registration	Engine No. Chassis Number	Make of the vehicle	Remarks
1	BR 06G 7069	Patna	09.08.1996	<u>FXE252441</u> FXG033261	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 2).
2	BR 06G 7069	Muzaffarpur	08.07.2010	<u>497TC94NOZ847557</u> MAT38213198N33515	Milk Tanker	After giving NOC by DTO, Muzaffarpur to a vehicle (Sl. No.1) to get it assigned in DTO Patna, the same registration number was again allotted to another vehicle.
3	BR 06G 7851	Patna	30.01.1999	<u>697D22ERQ112575</u> 373011ERQ109136	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 4).
4	BR 06G 7851	Muzaffarpur	07.10.2010	<u>C13326</u> 06123028	Tractor	Vehicle bearing the same registration number is also present in the database of DTO Patna (Sl. No. 3).
5	BR 06G 9130	Patna	17.02.1989	<u>ALEL71864</u> ALEL199688	Truck	Vehicle bearing the same registration number is also present in the database of DTO Muzaffarpur (Sl. No. 6).
6	BR 06G 9130	Muzaffarpur	14.02.2011	<u>C73081</u> 04140384	Tractor	After granting of NOC by DTO Muzaffarpur to a vehicle (Sl. No. 5) to get it assigned in DTO Patna, the same registration number was again allotted to another vehicle.
7	BR 06G 7852	Muzaffarpur	07.10.2010	<u>C69303</u> 04135353	Truck	Two vehicles bearing the same registration number but different engine and chassis numbers appeared in both NICTRAN and VAHAN software in DTO Muzaffarpur.
8	BR 06G 7852	Muzaffarpur	09.10.2009	<u>497TC94FOZ823047</u> MAT38213198FA442	Truck	

Thus, the validation check of assigning a unique registration number corresponding to a unique chasis and engine number was not ensured. As a result, vehicles bearing the same registration number were plying in different places which was not only in violation of the codal provisions but also has serious security implications.

After we pointed this out, the Department accepted the facts during the exit conference and stated that seating capacity as ‘0’ was not accepted by the computerised system in case of trailers. On the issue of plying of two vehicles with the same registration number it was opined that this is a serious issue and action would be taken.

**The Government/Department may take effective steps to rectify the deficiencies in input controls and validation checks so that a reliable database can be prepared for the National Register.**



### 3.2.14.3 Connectivity amongst the District Transport Offices

Under the e-governance plan of the State Government, inter-connectivity between the DTOs had been planned through modem on internet under the State Wide Area Network (SWAN) project.

The District Transport Offices are required to be connected with the Data Centre situated at NIC Patna for the flow of data from the DTO to the State register. For this a suitable and secure network infrastructure is required to be in place having adequate bandwidth to support data transfer between the individual DTOs and the State Register/ National Register.

The existence of the same registration in two DTOs (as shown in the table pre-page) clearly indicates that there is no connectivity amongst the DTOs.

After we pointed this out, the Department accepted the fact and stated during the exit conference that there was no inter-connectivity amongst DTOs. However, all the DTOs are individually connected with the State Data Centre.

### 3.2.15 Non-mapping/delayed mapping of business rules

#### 3.2.15.1 Improper generation of onetime tax token

As per Schedule 1 part C of Bihar Motor Vehicles Taxation (BMVT) Act, 1994 as amended by Bihar Finance Act, 2010, onetime tax of ₹ 5,000 is leviable at the time of registration on all three-wheelers having seating capacity of not more than four persons (excluding the driver). This onetime tax is valid for a period of ten years from the date of first registration.

In DTOs Patna and Vaishali we observed that the VAHAN software auto generated demands for ₹ 7,500 as onetime tax on three-wheelers instead of ₹ 5,000. This indicated that provisions of the Act and Rules were not mapped correctly in the system.

#### 3.2.15.2 Short realisation of onetime tax

Under section 7(1) of the BMVT Act, as amended by Finance Act, 2011, one time tax at the rate of five *per cent* of the cost of the vehicle (w.e.f 1 April 2011) excluding sales tax for the whole life of the vehicle shall be levied at the time of registration of personalised vehicles.

We observed during data analysis of four<sup>19</sup> DTOs that in case of 2,888 vehicles registered between 1 April 2011 and 4 July 2011, the tax was calculated at the pre-revised rate which was three *per cent*. This resulted in short levy of one time tax of ₹ 95.94 lakh as mentioned in the following table:

<sup>19</sup> Bhagalpur, Gaya, Patna and Vaishali.

(Amount in ₹)

Name of office	Number of vehicle registered	Amount payable	Amount realised	Amount short realised
Bhagalpur	1,556	68,27,072	44,38,749	23,88,323
Gaya	10	88,427	54,820	33,607
Patna	619	1,33,73,431	81,00,709	52,72,722
Vaishali	703	50,61,433	31,62,310	18,99,123
<b>Total</b>	<b>2,888</b>	<b>2,53,50,363</b>	<b>1,57,56,588</b>	<b>95,93,775</b>

After we pointed this out, the Department accepted the point during the exit conference and stated that the software would be rectified and short collected revenue would be recovered.

### 3.2.15.3 Incorrect computation of road tax and additional motor vehicles tax

As per Section 7(3) of the BMVT Act, in case of vehicles other than personal vehicles, the tax may be paid for one or more quarterly periods at the annual rate of the tax payable for the quarter. Further, Section 5(1) and 5(2) of the Act *ibid* provide that every owner of a registered motor vehicle shall pay tax on such vehicle at the rate specified in Schedule-I and additional tax as specified in Schedule-II.

We observed during data analysis of DTOs Gaya and Patna, that the tax generated by the software was not in accordance with the existing business rules. This indicates that above business rules were not incorporated correctly in the system.

### 3.2.15.4 Inadequate coding of class of vehicles

- Under section 7(3) of the BMVT Act, as amended from time to time, motor vehicles tax and additional motor vehicles tax on all transport vehicles (excluding goods carriage and motor cabs) shall be calculated on the number of seats for passenger vehicles based on wheel base. As per instructions issued by the STC (September 2000), ordinary bus having 205 inch (5195 mm) wheel base was to be registered with seating capacity 53. The code assigned for this class of vehicle was 73. We observed during data analysis of vehicle class 73 (Bus) in DTOs Patna and Muzaffarpur that 59 buses were registered with seating capacity between 36 and 52 though these vehicles had 205 inch wheel base. This omission may cause short realisation of taxes.

- The *VAHAN* software provides for assignment of a unique code to each category of vehicle and linking these with other critical parameters such as tax and granting road permits etc. We observed that due to lack of input controls, the system allowed allotment of 'vehicle class 1 (Moped)' to 'vehicle class 3 (Motor cycle)' in three cases in DTO Katihar and one case in DTO Purnea. Further, 'vehicle class 106 (Truck)' was allotted to Bus (for Bus vehicle code is 73) in two cases in Purnea. Assignment of a code other than the code allotted for the purpose indicated that the data entered in the database was not complete and correct.

After we pointed this out, the Department accepted the point during the exit conference and stated that it would be rectified.

### 3.2.15.5 Certificate of fitness

Section 56 of the MV Act, prescribes that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A certificate of fitness in respect of a transport vehicle is granted/renewed for a period of two years/one year, as the case may be, in terms of Rule 62 of the CMV Rules.

In DTOs Patna and Muzaffarpur, we observed that in 36 cases of transport vehicles, the registration date was prior to the date of fitness check. Further, we observed in four<sup>20</sup> DTOs that in case of 404 vehicles, the chassis number was different in the certificate of fitness and the certificate of registration. In

five cases of DTO Patna, the validity of renewed certificate of fitness was two to three years while in one case of Bhagalpur the fitness validity of new transport vehicles was granted for only one year. This indicates that the above business rules were not incorporated correctly.

After we pointed this out, the Department accepted the fact during the exit conference and stated that the MVIs would be instructed to take computerised test of vehicles and link it with the database.

### 3.2.15.6 Charging of improper fee for issue of driving licences

As per Rule 14 read with Rule 32 of the CMV Rules, a fee of ₹ 200 including the cost of computerised chip shall be charged for issue of driving licence in Form 7. Further, it stipulates that ₹ 50 for test of competence to drive shall be charged. As per notification issued (October 1996) by the Government of Bihar, surcharge of ₹ 50 shall also be charged for such tests.

We observed during data analysis of the *SARATHI* software of nine DTOs<sup>21</sup> that the all driving licenses were issued to the applicants by the licensing authorities in Form 7 by charging an additional amount of ₹ 40 and ₹ 80 as detailed below:

(Amount in ₹)

Purpose	Amount chargeable	Amount charged
Issue of driving license	200	200
For test of competence of drive for each class	50+50 (surcharge)	100
Driving license fee (other test-checked districts except Muzaffarpur)	No fee prescribed	For two different classes of vehicles <sup>22</sup> - 40 For one class of vehicle - 40
Driving license fee (Muzaffarpur)	No fee prescribed	For two different classes of vehicles - 80 For one class of vehicle - 40

<sup>20</sup> Bhagalpur, Muzaffarpur, Patna and Vaishali.

<sup>21</sup> Bhagalpur, Darbhanga, Gaya, Katihar, Madhubani, Muzaffarpur, Patna, Purnea and Vaishali.

<sup>22</sup> Classes of vehicles: Motor Cycle (MC) without gear, MC with gear, light motor vehicles, invalid carriages, medium goods vehicles, medium passengers vehicle, heavy goods vehicle and heavy passengers motor vehicles.

After we pointed this out, the Department accepted the fact during the exit conference.

### **3.2.16 Other points of interests**

#### **3.2.16.1 Deficiency in data on the stolen vehicles**

A database of stolen vehicles reported to DTOs is required to be maintained to prevent any transaction of these vehicles till the vehicle is reclaimed by the legitimate owner.

The database of stolen vehicle was not maintained in DTO Muzaffarpur due to error displayed as 'invalid chassis number'. Therefore, the details of stolen vehicles reported by the Police Department was not entered in the database. Further, in DTO Vaishali the database of stolen vehicles with reference to the data of the Police Department was not updated. Thus, there was a risk of allowing transactions on stolen vehicles.

After we pointed this out, the Department accepted the fact during the exit conference and stated that it would be rectified with the help of NIC.

#### **3.2.16.2 Lack of identity proof of owner in certificate of registration**

As per Rule 48 of the CMV Rules, certificate of registration (in electronic medium as smart card) is issued to the owner in Form 23A (smart card).

We observed during test-check that these smart cards did not contain identity proof of the owner such as specimen signature or thumb impression and photograph whereas the certificate of registration issued in Form 23 (Manual) had a provision for specimen signature of the owner. In the absence of identity proof of the owner in smart card, it was difficult to verify the genuineness of the owner from the certificate of registration by the registering authority or any other authorities.

#### **3.2.16.3 Error in generation of daily receipt report**

We observed during test-check of records of DTO Gaya that in the daily receipt report generated by the *VAHAN* software, penalty was calculated twice, once in the tax column along with tax and again in a separate column also. Thus, there was difference between the actual amount collected and amount which appeared in the generated report.

Further, the system was generating consolidated report of the receipts of the Registration fee collection counter and the Tax collection counter. Thus, the counter-wise collection report was not quantified separately.

After we pointed this out, the Department stated during the exit conference that this would be rectified with the help of NIC.

### **3.2.17 Lack of training of personnel**

As per the Memorandum of Understanding (MoU) between the Government of Bihar and the Government of India, training of essential State Government personnel on computer usage and application would be arranged by NIC free of charge. Training would be arranged at the NIC Region/State/District computer centers as far as possible.

We observed that a sum of ₹ 5.27 lakh was paid to NIC (June 2008) for training of transport personnel by the DTO Patna, though the MoU provided free of cost training to State Government officials by NIC. However, no such training was provided to the personnel of the Transport Department.

After we pointed this out, the Department stated during the exit conference that training would be conducted to strengthen and improving the skill of personnel.

### 3.2.18 Conclusion

The objectives of computerising the system of registration and taxation of vehicles could not be fully achieved. As the legacy data was not successfully integrated with the *VAHAN* and *SARATHI* software, the purpose of having State Register and National Register could not be achieved. The IT security policy was inadequate and made the information system vulnerable to misuse/manipulation or unauthorised addition/deletions of data. Validation checks in the software were inadequate. Controls were not adequate to ensure integrity and reliability of the data. The business rules were also not mapped correctly in the system. The overall objective of the computerisation was yet to be fully achieved by the Department, as many functions continued to be discharged manually. The replies received from the district transport authorities in almost all selected district give us an impression that Department is completely dependent upon the NIC for even basic/core function and were far from being self reliant.

### 3.2.19 Summary of recommendations

The Department may consider implementing the following recommendations:

- **Ensuring sufficient controls in the system so that a complete and reliable database is maintained by the DTOs updating the software as and when policy changes are effected, or any revision in the rate of taxes and fees is done.**
- **Restricting access to the system through user authentication process.**



### 3.3 Non-compliance of the provisions of the Acts/Rules

*The provisions of the Bihar Motor Vehicles Taxation (BMVT) Act, 1994, Motor Vehicles (MV) Act, 1988 and Rules made thereunder require levy and payment of:*

- *taxes on motor vehicles/additional tax by the vehicle owners at the appropriate rates;*
- *tax/additional tax in advance and within the prescribed period; and*
- *penalty up to double the tax, if the tax is not paid within 90 days.*

*Non-compliance of the provisions of the Acts/Rules in some cases as mentioned in paragraphs 3.4 to 3.8 resulted in non/short levy, non/short realisation of tax etc. of ₹ 16.85 crore.*

### 3.4 Non - realisation of motor vehicle taxes

#### Thirty two<sup>23</sup> District Transport Offices

Under section 5 and 9 of the BMVT Act, motor vehicles tax is to be paid to the taxing officer in whose jurisdiction the vehicle is registered. The vehicle owner can pay the tax to the new taxing officer in case of change of residence/business, subject to the production of No Objection Certificate (NOC) from the previous taxing officer. Further, the taxing officer may exempt the vehicle owner from payment of tax, if he is satisfied that the prescribed conditions have been fulfilled by the vehicle owner. The District Transport Officers (DTOs) are required to issue demand notice to ensure timely realisation of tax.

Non-payment of tax beyond 90 days attracts penalty at the rate of 200 *per cent* of the tax due. Under section 22 of the BMVT Act, if the tax or penalty or both has not been paid in accordance with the provisions of the Act, an officer not below the rank of Inspector of Motor Vehicles or any other officer specially authorised by the State Transport Commissioner, may seize the motor vehicles and detain it till the payment of tax.

We observed that the Government/Department did not install a mechanism for periodic review of the taxation registers by the DTOs and also did not prescribe a time frame within which a demand notice is to be issued to the defaulting vehicle owners.

During test-check of the taxation registers and the computerised database between April 2010 and March 2011 we observed that though the owners of 1,025 transport vehicles did not pay tax of ₹ 5.34 crore pertaining to the period between April 2001 and December 2010 within the due dates, yet the DTOs neither seized the defaulting vehicles nor

<sup>23</sup> Arrah, Arwal, Aurangabad, Banka, Begusarai, Bettiah, Buxar, Chapra, Jamui, Jehanabad, Kaimur (Bhabhua), Katihar, Khagaria, Lakhisarai, Madhepura, Madhubani, Motihari, Munger, Nalanda, Nawada, Samastipur, Sasaram, Sheikhpura, Sheohar, Siwan, Supaul and Vaishali (Taxation register); Bhagalpur, Gaya, Muzaffarpur, Patna, Purnea (Computerised database).

initiated action towards realisation of the dues from the defaulting vehicle owners. In none of the cases, change of addresses of the owners or surrender of documents for securing exemption from payment of tax was found on record. This resulted in non-realisation of tax of ₹ 16.02 crore including penalty of ₹ 10.68 crore (**Annexure-XIX**).

After we pointed this out, DTO Kaimur (Bhabhua) stated in May 2010 that certificate cases would be initiated against the defaulting vehicle owners while the remaining DTOs stated between April 2010 and March 2011 that demand notices would be issued. We await further development in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 3.5 Non - realisation of tax from vehicles involved in surrender

#### Five<sup>24</sup> District Transport Offices

Under section 17 (1) and 19 of the BMVT Act, and rules made thereunder, when the owner of a motor vehicle does not intend to use his vehicle for a period of more than one month but not exceeding six months at a time, he can be exempted from the payment of tax by the competent authority provided his claim for exemption is supported by the surrender of the documents for the period of non-use of the vehicle. The vehicle owner shall also from time to time furnish an undertaking to the concerned taxing officer for extension, if any, during the said period. The taxing officer, in such cases, is required to carry out physical verification of the parking place of the vehicle at least once in a month in a random manner and record a memorandum of inspection in the case record of the vehicle. If at any time during the period covered by an undertaking, the motor vehicle is found to be used or kept at a place other than the place mentioned in the undertaking, such vehicle shall, for the purpose of this Act, be deemed to have been used throughout the period without the payment of tax. Accordingly, tax including penalty is leviable in such cases.

We observed during test-check of taxation registers and surrender registers between June 2010 and March 2011 that surrender was irregularly granted to 12 vehicles. This resulted in non-realisation of tax of ₹ 35.74 lakh including penalty of ₹ 23.83 lakh as mentioned in the following table:

<sup>24</sup> Gaya, Lakhisarai, Motihari, Muzaffarpur and Purnea.

(₹ in lakh)

Sl. No.	Name of DTOs	No. of vehicles	Period for which tax was not paid	Irregularities	Tax effect		
					Tax	Penalty	Total
1	Gaya and Motihari	03	Between October 2002 to November 2010	Surrender was irregularly accepted without payment of up to date tax.	6.55	13.10	19.65
2	Gaya, Lakhisarai and Purnea	05	Between February 2008 to November 2010	Initial surrender was accepted without proper documents as per Act.	2.68	5.37	8.05
3	Muzaffarpur	04	August 2006 to September 2010	The Department did not take any steps for realisation of tax in respect of vehicles surrendered beyond six months without fresh undertaking.	2.68	5.36	8.04
<b>Total</b>					<b>11.91</b>	<b>23.83</b>	<b>35.74</b>

After we pointed this out, DTOs Muzaffarpur and Purnea stated between February and March 2011 that demand notices would be issued while the remaining DTOs stated between June 2010 and March 2011 that suitable action would be taken. We await further developments in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 3.6 Irregular issue of transport vehicle driving licence

#### Five<sup>25</sup> District Transport Offices

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

We observed during test-check of transport vehicle driving license registers between March 2010 and March 2011 that 10,530 transport vehicle driving licences were granted during 2008-09 and 2009-10 to applicants who were not holding licences to drive light motor vehicles. This omission not only violated the provisions of the Act and Rules but also

involved road safety issues. This resulted in loss of Government revenue of ₹ 22.11 lakh on account of fee recoverable for grant of driving licences.

<sup>25</sup> Banka, Chapra, Gaya, Katihar and Nawadah.

After we pointed this out, DTO Katihar stated in August 2010 that demand notices would be issued and amount would be realised at the time of renewal while the remaining DTOs stated that action would be taken for realisation of dues. We await further development in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

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

#### Fourteen<sup>26</sup> District Transport Offices

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

During test-check of the returns furnished by the manufacturers/dealers and the registration registers, we observed between March 2010 and March 2011 that in case of 73 dealers of motor vehicles, trade tax at the prescribed rate was either not deposited or deposited short in respect of 33,507

vehicles (30,320 two wheelers and 3,187 three/four wheelers) possessed by them between the period from January 2004 and June 2010. Though the DTOs were required to examine the stock register of dealers/manufacturers for realisation of trade tax, there was nothing on record to indicate that such examination of records were done. This resulted in non/short realisation of trade tax of ₹19.23 lakh including leviable penalty.

After we pointed this out, DTO Arrah stated in February 2011 that demand notice for realisation of trade tax would be issued while the remaining DTOs stated between March 2010 and March 2011 that demand notices would be issued and action for recovery would be taken as per rules. We await report on recovery in cases where demand notices were issued and further developments in the remaining cases (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

<sup>26</sup> Arrah, Begusarai, Bhagalpur, Chapra, Gaya, Katihar, Khagaria, Lakhisarai, Madhepura, Madhubani, Patna, Purnea, Samastipur and Sasaram.

### 3.8 Non/short realisation of additional tax and green tax

#### Five<sup>27</sup> District Transport Offices

Under section 5 and 7 of the BMVT Act every owner of a registered motor vehicle shall pay tax and additional motor vehicle tax on such vehicle at the rate specified in the schedules. As provided under rule 6 of the BMVT Rules, the taxing officer after satisfying himself that the amount tendered in the payment of the tax is equal to the amount of tax payable, shall accept payment of the taxes and grant receipt thereof with a tax token.

Further, as per section 5 (6) of the BMVT Amendment Act (as amended vide BF Act, 2010 effective from 9 April 2010), green tax at the rate of 10 *per cent* of the tax payable, including additional tax, shall be payable by every owner of a registered transport vehicle more than 12 years old except on three wheelers, tractors and trailers. Besides, the provision for allowing rebate on additional motor vehicle tax has also been withdrawn by the said amendment. Non-payment of tax within the due date attracts penalty ranging between 25 and 200 *per cent* of the tax due as provided under section 23 *ibid* read with rule 4(2) of the BMVT Rules.

We observed during test-check of taxation registers and the computerised database between August 2010 and March 2011 that the owners of 193 transport vehicles did not pay the green tax of ₹ 84,000 during the period between May and September 2010, though the vehicles were more than 12 years old. Further, rebate on additional tax of ₹ 1.36 lakh was also allowed in contravention of the amendment of the Act. In all these cases the concerned DTOs irregularly issued tax token without ensuring realisation of green tax due and allowed rebate on additional tax. This resulted in non/short

realisation of green tax and additional tax of ₹ 6.62 lakh including leviable penalty of ₹ 4.41 lakh.

After we pointed this out, DTOs concerned stated between August 2010 and March 2011 that demand notices would be issued. We await further developments in the matter (October 2011).

The matter was reported to the Government / Department in June 2011; we are yet to receive their reply (October 2011).

<sup>27</sup> Chapra, Katihar, Madhepura and Sasaram (Taxation Register); Patna (Computerised database).



**EXECUTIVE SUMMARY**

<b>Increase in tax collection</b>	The percentage of receipts from State excise increased consistently in comparison to the total receipts of the State from 9.47 per cent to 15.43 per cent during the period from 2006-07 to 2010-11, while the percentage of receipts from stamp duty and registration fees when compared with the Budget estimates varied between (-) 35 per cent to (+) 33.05 per cent during the above periods which indicated unrealistic budget preparation.
<b>Very low recovery by the Department in respect of observations pointed out by us in earlier years</b>	<p>During the period 2005-06 to 2009-10, we had pointed out non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,141.77 crore in 6,500 cases in respect of State excise revenue. Of these, the Department/Government had accepted audit observations in 540 cases involving ₹ 387.11 crore. The negligible recovery of ₹ 0.23 crore (0.06 per cent) against accepted cases involving ₹ 387.11 crore indicates lack of promptness on the part of the Government/ Department in recovering the Government dues.</p> <p>During the period from 2007-08 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, blocking of Govt. revenue etc., with revenue implication of ₹ 40.47 crore in 184 cases in the Registration Department. The Department/ Government had accepted audit observations in 185 cases involving ₹ 37.03 crore which also include the cases pointed out by us during earlier years and had since recovered ₹ 3.16 lakh. This negligible recovery of ₹ 3.16 lakh (0.09 per cent) against the accepted cases involving ₹ 37.03 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.</p>
<b>Results of audit conducted by us in 2010-11</b>	In 2010-11, we test-checked the records of 38 units relating to State excise revenue and found non/short realisation, loss of revenue and other irregularities involving ₹ 131.62 crore in 95 cases whereas during test-check of the records of 30 units relating to stamp duty and registration fees we found non/short realisation, loss of revenue and other irregularities involving ₹ 3.02 crore in 38 cases.
<b>What we have highlighted in this Chapter</b>	<p>In this Chapter we present few illustrative cases of ₹ 4.35 crore selected from observations noticed during our test-check of records relating to non/short levy, non/short realisation etc., where we found that the provisions of the Acts/Rules/Government notifications were not observed.</p> <p>It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Departments did not take corrective action till we pointed out in audit.</p> <p>We are also concerned that though these omissions were apparent from the records which were made available to us, the Assistant Commissioners/Superintendent of Excise and District Sub Registrar /Sub Registrars were unable to detect these mistakes.</p>
<b>Our conclusion</b>	<p>The concern departments need to improve the internal control system so that weaknesses in the system are addressed and omissions detected by us are avoided in future.</p> <p>It also needs to take appropriate steps to recover the amount involved, at least in the accepted cases.</p>

**A: STATE EXCISE****4.1.1 Tax administration**

The assessment, levy and collection of excise revenue is administered by the Secretary, Department of Registration, Excise and Prohibition (Excise) at the Government level and by the Commissioner of Excise (CE) at the apex level of the Department of Excise and Prohibition. The CE is also the ex-officio Controller of Molasses for the administration and execution of the Bihar Molasses Control Act and Rules. The CE is assisted by one Joint Commissioner of Excise (JCE), one Deputy Commissioner of Excise (DCE) and one Assistant Commissioner of Excise (ACE) at the headquarters level. Further, there is one DCE at each of the four<sup>1</sup> divisional headquarters. At the district level, the Collector of the district is in-charge of the excise administration, assisted by an ACE or by a Superintendent of Excise (SE).

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

**4.1.2 Trend of receipts**

The variation between budget estimates and actual receipts from State excise during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

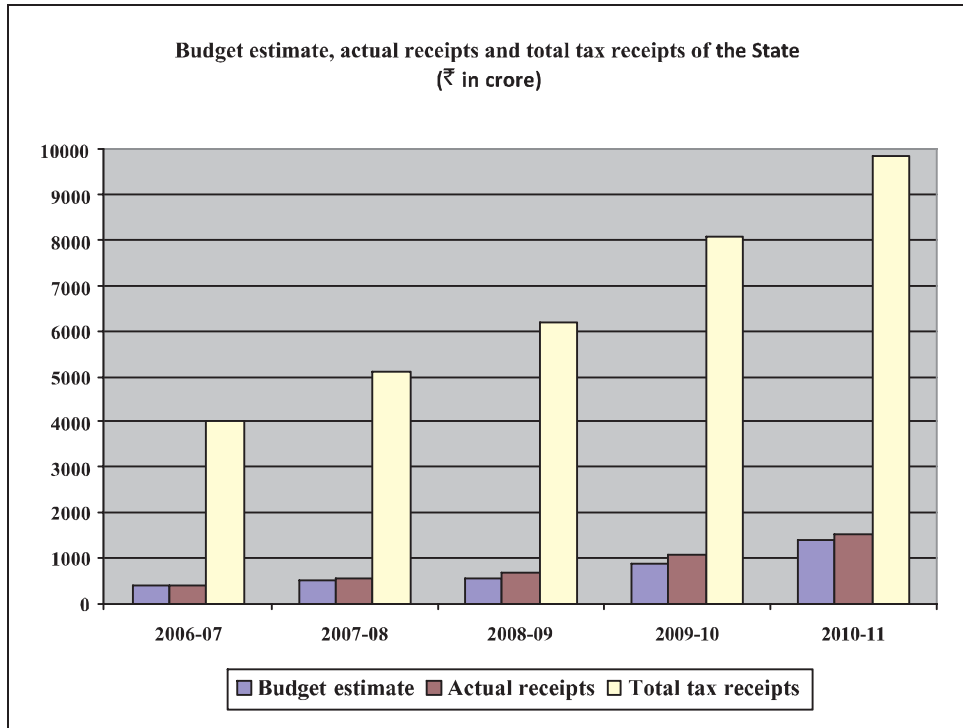
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	400.00	381.93	(-) 18.07	4.52	4,033.08	9.47
2007-08	500.00	525.42	25.42	5.08	5,085.53	10.33
2008-09	537.69	679.14	141.45	26.31	6,172.74	11.00
2009-10	850.00	1,081.68	231.68	27.26	8,089.67	13.37
2010-11	1,400.00	1,523.35	123.35	8.81	9,869.85	15.43

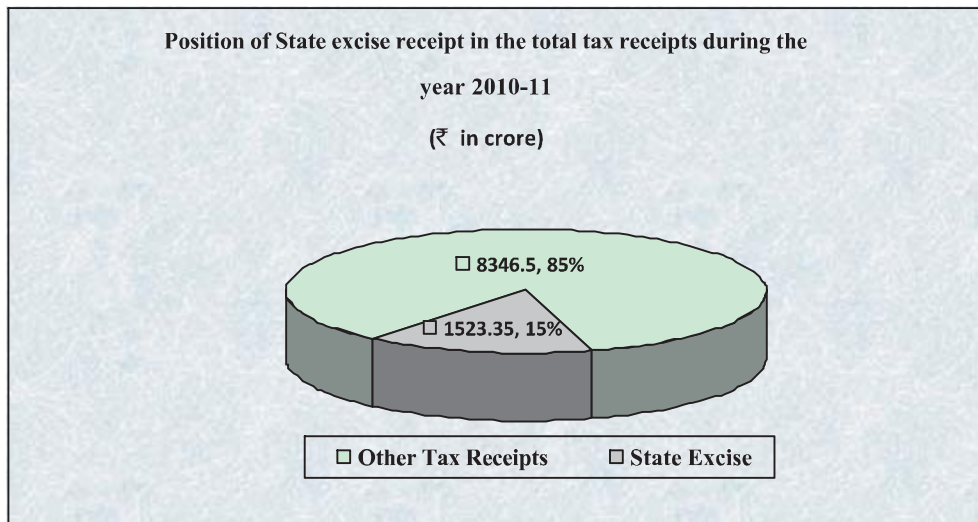
The above table indicates that the percentage of receipts from State excise when compared with the total receipts of the State increased consistently during the period which is required to be maintained in subsequent years.

The trend of receipts vis-à-vis the estimated receipts of State excise and total tax receipts are given in the following bar diagram:

<sup>1</sup> Bhagalpur-cum-Munger, Darbhanga-cum-Kosi-cum-Purnea, Patna-cum-Magadh and Tirhut-cum-Saran.



The pie chart below depicts the contribution of State excise receipts to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:



### 4.1.3 Cost of collection

The gross collection of State excise receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of expenditure on collection to gross collections for the relevant previous years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	679.14	24.15	3.56	3.27
2009-10	1,081.68	44.02	4.07	3.66
2010-11	1,523.35	37.65	2.47	3.64

The above table indicates that the percentage of expenditure to gross collection in respect of State excise revenue in 2010-11 was below the all India average percentage for the previous year. The Department should ensure that this trend is maintained in the subsequent years also.

#### 4.1.4 Impact of audit

##### Revenue impact

During the period from 2005-06 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 1,141.77 crore in 6500 cases. Of these, the Department/Government had accepted audit observations in 540 cases involving ₹ 387.11 crore and had since recovered ₹ 23 lakh. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	42	2,659	149.90	83	1.08	Nil	Nil
2006-07	30	3,404	167.09	258	48.15	-	0.15
2007-08	32	149	149.60	4	0.47	Nil	Nil
2008-09	32	113	223.58	43	31.99	11	0.08
2009-10	39	175	451.60	152	305.42	Nil	Nil
<b>Total</b>	<b>175</b>	<b>6,500</b>	<b>1,141.77</b>	<b>540</b>	<b>387.11</b>	<b>11</b>	<b>0.23</b>

This negligible recovery of ₹ 23 lakh (0.06 per cent) against the accepted cases involving ₹ 387.11 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

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

#### 4.1.5 Working of internal audit wing

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

An audit team of Finance (Audit) comprises of three members, one being the head of the team. In consideration of the quantum of requisitions for audit, personnel for audit teams are drawn from headquarters/divisional offices. The Registration, Excise and Prohibition (Excise) Department did not furnish

further information to us regarding the number of offices due for audit, audit conducted, number of observations issued and amount involved in the cases.

## B: STAMP DUTY AND REGISTRATION FEES

### 4.2.1 Tax administration

The levy and collection of stamp duty, registration fee, penalties and other dues under the Acts and Rules<sup>2</sup> is administered by the Registration, Excise and Prohibition (Registration) Department headed by the Inspector General, Registration (IGR). The Department functions under the administrative control of the Secretary of the Registration Department who is the chief revenue controlling authority. The IGR is assisted by a Joint Secretary, two Deputy Inspector Generals (DIGs) and four Assistant Inspector Generals (AIGs) at the Headquarter's level. Further, there are nine Inspectors of Registration Office (IROs) at the divisional level. Thirty eight District Registrars (DRs), 38 District Sub Registrars (DSRs) and Sub Registrars (SRs) at the district/primary units are responsible for levy and collection of stamp duty and registration fees.

### 4.2.2 Trend of receipts

The variation between budget estimates and actual receipts from stamp duty and registration fees during the period 2006-07 to 2010-11 along with the total tax receipts during the same period is mentioned below:

(₹ in crore)

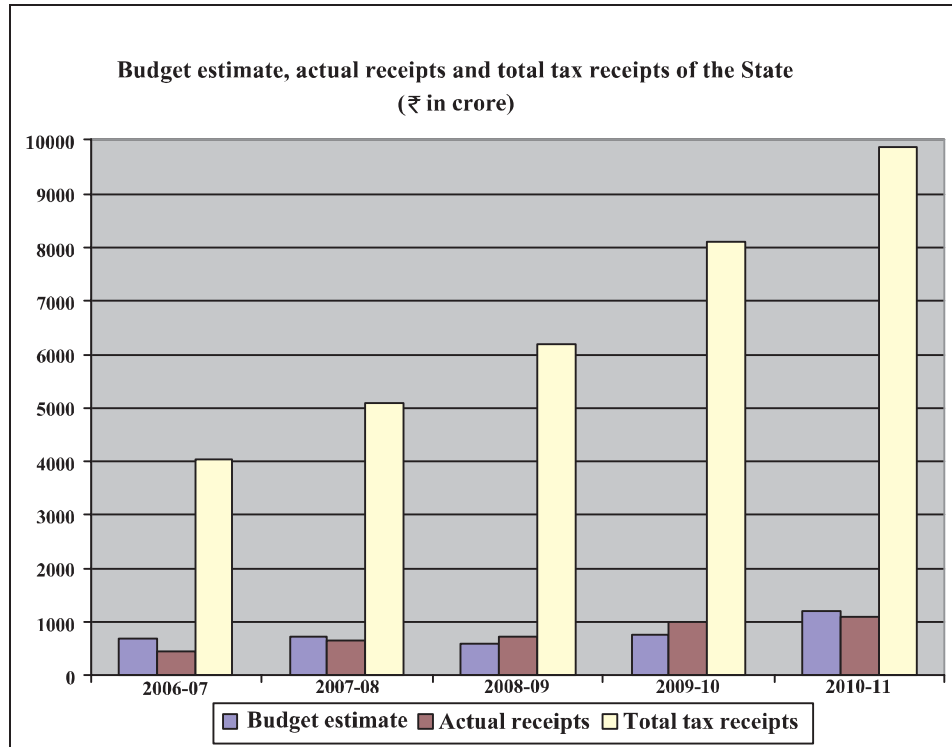
Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2006-07	700.00	455.02	(-) 244.98	(-) 35.00	4,033.08	11.28
2007-08	720.00	654.15	(-) 65.85	(-) 9.15	5,085.53	12.86
2008-09	581.02	716.19	(+) 135.17	(+) 23.26	6,172.74	11.60
2009-10	750.00	997.90	(+) 247.90	(+) 33.05	8,089.67	12.34
2010-11	1215.00	1,098.68	(-) 116.32	(-)9.57	9,869.85	11.13

The above table indicates that the percentage of receipts from stamp duty and registration fees when compared with the budget estimates varied between (-) 35 per cent to (+) 33.05 per cent during the period 2006-11 which indicates that the budget was prepared by the Finance Department unrealistically.

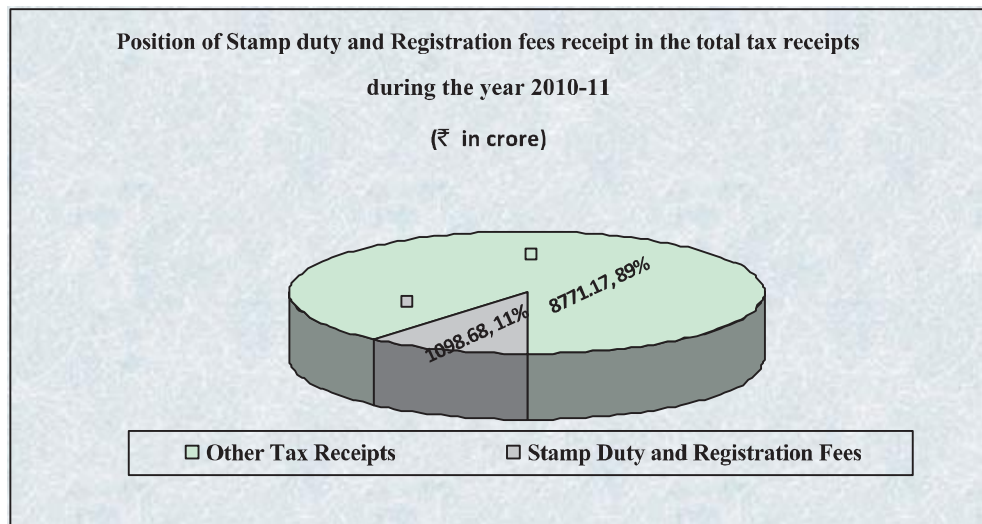
The trend of receipts vis-à-vis the estimated receipts of stamp duty and registration fees and total tax receipts are given in the following bar diagram:

<sup>2</sup> The Indian Stamp Act, 1899; The Registration Act, 1908; The Bihar Stamp Rules, 1991 and the Bihar Stamp (Prevention of Under-valuation of Instruments) Rules, 1995.





The pie chart below depicts the contribution of receipts from Stamp duty and Registration fees to the total tax receipts (₹ 9,869.85 crore) of the State during 2010-11:



### 4.2.3 Cost of collection

The gross collection of stamp duty and registration fees, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the all India average percentage of

expenditure on collection to gross collection for the relevant previous years are mentioned in the following table:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the previous year
2008-09	716.19	37.68	5.26	2.09
2009-10	997.90	45.90	4.60	2.77
2010-11	1,098.68	46.58	4.24	2.47

The above table indicates that during the year 2008-11, the percentage of expenditure on collection in respect of stamp duty and registration fees was higher than the all India average percentage for the previous year.

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

#### 4.2.4 Impact of audit

##### Revenue impact

During the period from 2007-08 to 2009-10, we have pointed out through our inspection reports, non/short levy, non/short realisation, loss of revenue etc., with revenue implication of ₹ 40.47 crore in 184 cases. The Department/ Government had accepted audit observations in 185 cases involving ₹ 37.03 crore which also include the cases pointed out by us during earlier years and had since recovered ₹ 3.16 lakh. The details are shown in the following table:

Year	No. of units audited	Pointed out		Accepted		Recovered	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in lakh)
2007-08	20	11	0.17	4	0.01	1	1.52
2008-09	39	81	33.42	95	31.69	Nil	Nil
2009-10	31	92	6.88	86	5.33	2	1.64
<b>Total</b>	<b>90</b>	<b>184</b>	<b>40.47</b>	<b>185</b>	<b>37.03</b>	<b>3</b>	<b>3.16</b>

This negligible recovery of ₹ 3.16 lakh (0.09 *per cent*) against the accepted cases involving ₹ 37.03 crore indicates lack of promptness on the part of the Government/Department in realising the Government dues.

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

### 4.3 Results of audit

During 2010-11, our test-check of the records of the following receipts revealed non/short realisation, loss of revenue and other irregularities involving ₹ 183.90 crore in 258 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
<b>A: State excise</b>			
1	Non/delayed settlement of excise shops	51	120.20
2	Non-settlement of excise shops after cancellation	7	2.84
3	Loss due to non/short lifting of MGQ	3	0.08
4	Non-realisation of license fee	4	0.58
5	Loss of revenue due to low yield of spirit	1	0.62
6	Other cases	29	7.30
<b>Total</b>		<b>95</b>	<b>131.62</b>
<b>B: Stamp duty and registration fees</b>			
1	Blocking of Government revenue due to non-disposal of referred cases	20	2.11
2	Blocking of Government revenue due to non-disposal of penalty cases	5	0.13
3	Other cases	13	0.78
<b>Total</b>		<b>38</b>	<b>3.02</b>
<b>C: Land revenue</b>			
1	Loss due to non-settlement of sairats	6	0.29
2	Non-settlement of <i>G.M Khas</i> land	7	0.09
3	Short / collection of demand	22	41.30
4	Loss of interest	4	0.07
5	Other cases	86	7.51
<b>Total</b>		<b>125</b>	<b>49.26</b>
<b>Grand total</b>		<b>258</b>	<b>183.90</b>

During the year 2010-11, the concerned Departments accepted underassessment and other deficiencies *etc.* involving ₹ 79 lakh in 14 cases, out of which two cases involving ₹ 6 lakh were pointed out during the year 2010-11 and the rest during the earlier years.

A few illustrative cases involving tax effect of ₹ 4.35 crore are mentioned in the following paragraphs.

#### 4.4 Non-compliance of the Government notification/decision

*Our scrutiny of the records of the offices of the Assistant Commissioners of Excise/Supintendent of Excise and District Registrar/Sub Registrar revealed several cases of non-compliance of the provisions of the Act/Rules and departmental orders as mentioned in the following paragraphs. These cases are illustrative and are based on test-checks carried out by us. Such omissions on the part of the departmental officers are pointed out by us each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system and the internal audit.*

#### A: STATE EXCISE

#### 4.5 Settlement of Excise shops

##### 4.5.1 Non-settlement of excise shops

Under the Bihar Excise (Settlement of Licences for Retail sale of Country/Spiced Country Liquor, Foreign Liquor, Beer and Composite Liquor Shop) Rules, 2007 framed under the Bihar Excise Act, 1915, the settlement of licences for retail excise shops is to be made through lottery system. According to the Bihar Excise Rules, 2007 and conditions of the sale notification, the excise shops are required to be settled before the commencement of the excise year. Further, the Rules provide that failure in deposit of monthly licence fee in time shall lead to cancellation of licence and forfeiture of security deposit.

Department of Excise and Prohibition instructed (January 2009) all District Collectors to settle licences of hundred *per cent* excise shops. For this, the excise shops were required to be offered for lottery in a group of one to three shops. The groups were required to be made in such a manner that each shop is settled in the interest of revenue. Further, if any retail shop was not settled through lottery, the Bihar State Beverage Corporation Limited (BSBCL), with the approval of the Commissioner of Excise, was authorised to establish and run such shops.

In course of test-check of settlement registers/files in 18<sup>3</sup> District excise offices, we observed between May 2010 and March 2011 that out of total sanctioned 2,915 excise shops<sup>4</sup>, licences for 720<sup>5</sup> shops remained unsettled for the year 2009-10 leading to loss of revenue of ₹ 97.43 crore. **(Annexure-XX)**

Non-settlement of these shops were indicative of the fact that either the revenue potential of these shops was not properly assessed or proper grouping was not done. In absence of an authorised excise shop, supply of liquor in these areas from other

excise shop(s) at the expense of licence fee for the unsettled shop as also apprehended (January 2009) by the Department can not be ruled out.

<sup>3</sup> Araria, Begusarai, Bhagalpur, Bhojpur, East Champaran, Gaya, Gopalganj, Jehanabad, Katihar, Khagaria, Madhepura, Madhubani, Nalanda, Patna, Purnea, Rohtas, Saran and West Champaran.

<sup>4</sup> Country Spirit/Spiced Country Spirit (CS/SCS): 818, India Made Foreign Liquor (IMFL): 736 and Composite shops :1,361.

<sup>5</sup> CS/SCS: 195, IMFL: 144 and Composite shops : 381.

#### 4.5.2 Delayed settlement of excise shops

We observed between June 2010 and March 2011 that in 11 excise districts<sup>6</sup>, 80 excise shops<sup>7</sup> were settled after expiry of time ranging between six and 256 days during 2009-10 which resulted in loss of revenue of ₹ 2.95 crore to the Government (Annexure-XXI).

#### 4.5.3 Non-settlement of excise shops after cancellation

We observed between December 2010 and March 2011 that in five<sup>8</sup> excise districts, licences of 17 excise shops<sup>9</sup> settled for the year 2009-10 were cancelled between April and December 2009 which resulted in loss of revenue of ₹ 1.40 crore to the Government.

After we pointed this out, the Assistant Commissioners of Excise/Superintendents of Excise concerned stated that efforts were made to settle the shops. The reply is not acceptable because the excise shops were required to be operated through BSBCL during the period when these shops remained unsettled. However these shops were neither settled nor operated through BSBCL.

Thus, the Government was deprived of revenue of ₹ 101.78 crore<sup>10</sup> during the period 2009-10. Besides, the Department could not achieve its own target of hundred *per cent* settlement of excise shops.

The matter was reported to the Government/Department in June 2011; we are yet to receive their reply (October 2011).

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<sup>6</sup> Begusarai, Bhagalpur, Bhojpur, Gaya, Khagaria, Muzaffarpur, Nalanda, Patna, Purnea, Saran and West Champaran.

<sup>7</sup> CS/SCS: 19, IMFL: 28 and Composite shops: 33.

<sup>8</sup> Jehanabad, Nalanda, Patna, Sitamarhi and West Champaran.

<sup>9</sup> CS/SCS: 05, IMFL: 07 and Composite shops: 05.

<sup>10</sup> Amount calculated on the basis of monthly licence fee fixed for respective excise shops.



# **CHAPTER V**

## **NON-TAX RECEIPTS**



**B: STAMP DUTY AND REGISTRATION FEES****4.6 Blocking of Government revenue due to non-disposal of referred cases**

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

We observed between January and February 2011 during scrutiny of the register of referred cases and information made available by the registering authority (District Sub Registrar, Aurangabad and Sub Registrar, Daudnagar) that 227 cases were referred to the Collector, Aurangabad / IRO, Gaya for determination of market value of property under section 47(A) during the period 2001-10. We further test checked (July 2011) the case

records of 194 cases out of the above 227 cases and observed that 58 cases involving ₹ 25.31 lakh referred to IRO, Gaya between August 2006 and July 2009 were still pending for disposal. Besides, 54 number of cases involving ₹ 36.13 lakh relating to the period from 2001-02 to May 2006 which were transferred from the Collector, Aurangabad to the IRO Gaya were also pending for disposal. Thus non-disposal of referred cases resulted in blocking of Government revenue of ₹ 61.44 lakh.

After we pointed this out, the DSR/SR concerned stated that IRO would be requested for early disposal of pending cases, while IRO, Gaya stated that large number of cases were disposed and rest of the cases were under process. The replies were not acceptable as the cases were to be disposed off within 90 days.

The matter was reported to the Government/ Department in August 2011; we are yet to receive their reply (October 2011).

### 5.1 Results of audit

We test-checked the records of the receipts from water rates, mines and minerals, forest *etc.*, during the year 2010-11 and detected loss/non-recovery of revenue *etc.* and other deficiencies of ₹ 135.62 crore in 294 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
<b>A: Mines and Minerals</b>			
1	Non-levy of penalty against works contractors for illegal procurement of minerals	38	75.14
2	Non/short realisation of royalty and cess	37	10.49
3	Non-levy of penalty for illegal removal of brick earth	37	7.58
4	Non/short levy of auction money due to non/irregular settlement of sandghats	21	8.48
5	Non-levy of stamp duty and registration fees	7	1.64
6	Non-levy of interest	28	0.32
7	Loss due to non-levy of fine for continued contravention	4	0.23
8	Other cases	68	14.30
<b>Total</b>		<b>240</b>	<b>118.18</b>
<b>B: Water Rates</b>			
1	Loss of revenue due to non-assessment of target of irrigation	14	3.23
2	Loss of revenue due to non-raising of demand of water rates	11	9.26
3	Loss of revenue due to non-settlement of <i>chat land</i>	4	0.42
4	Other cases	13	0.82
<b>Total</b>		<b>42</b>	<b>13.73</b>
<b>C: Forest Receipts</b>			
1	Blocking of revenue due to non-disposal of collected/ unclaimed timber	4	0.09
2	Non-recovery of compensatory amount	1	1.54
3	Other cases	7	2.08
<b>Total</b>		<b>12</b>	<b>3.71</b>
<b>Grand total</b>		<b>294</b>	<b>135.62</b>

During the year 2010-11, the concerned Departments accepted underassessment and other deficiencies *etc.* involving ₹ 2.06 crore in 18 cases, of which one case involving ₹ 19,000 was pointed out during the year 2010-11 and the rest during the earlier years.

A few illustrative cases involving tax effect of ₹ 8.12 crore are mentioned in the succeeding paragraphs.

## 5.2 Non-compliance of the provisions of the Acts/ Rules

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

### A: MINES AND MINERALS

## 5.3 Operation of brick kilns

### 5.3.1 Non/short realisation of royalty

#### Nine<sup>1</sup> District Mining offices

Under the provisions of Rule 26 (A) and 28 of the Bihar Minor Mineral Concession (BMMC) Rules 1992 and notification issued (March 2001) thereunder, brick kiln owners are required to pay the consolidated amount of royalty in two equal installments at the prescribed rates based on the Category of the brick kiln areas after obtaining permit by paying an application fee of ₹ 2,000 per kiln. Further, the BMMC Rules and instructions issued in October 1987 provide that if the brick kiln owner fails to make payment of consolidated amount of royalty in the manner so prescribed, the competent officer shall stop such business and initiate certificate proceedings for realisation of outstanding royalty/penalty under rule 37 of the BMMC Rules. Besides, interest at the rate of 24 per cent per annum may also be charged on the rent, royalty, fee or other sum due to the Government.

We observed from the brick kiln register, Mining Inspector's report and other relevant records kept in the individual files of the brick owners during test-check between January and April 2011 that 420 brick kilns (Category-II<sup>2</sup>: 25 and Category-III<sup>3</sup>:395) were operated in brick season<sup>4</sup> 2009-10, out of which 305 brick kilns owners did not pay due royalty of ₹ 1.61 crore while the other 115 owners made partial payment of royalty of ₹ 33.94 lakh against a total amount of ₹ 62.20 lakh. The concerned MOs did not stop their business. Thus non-initiation of follow up action by the

MOs for stopping illegal operation of brick kilns resulted in non/short realisation of royalty of ₹ 1.89 crore. Besides, simple interest of ₹ 35.63 lakh

<sup>1</sup> Arwal, Aurangabad, Buxar, Darbhanga, Hajipur, Jehanabad, Kaimur, Madhubani, and Nawada.

<sup>2</sup> Brick kilns situated in urban areas except Patna, Muzaffarpur, Gaya and Darbhanga having capacity of 35 lakh bricks.

<sup>3</sup> Brick kilns situated in rural areas having capacity of 25 lakh bricks.

<sup>4</sup> Brick season starts from the month of October every year to March of the subsequent year.

calculated from April 2010 till the previous month of audit on the royalty payable is also leviable at the rate of 24 *per cent* per annum under the rules.

After we pointed this out, MOs concerned stated that certificate cases would be instituted and action would be taken for realisation of royalty. We await further developments (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 5.3.2 Non-levy of penalty for illegal removal of brick earth

#### Thirteen<sup>5</sup> District Mining Offices

Rule 40 (8) of BMMC Rules prescribes that the penalty for any illegal mining includes recovery of the price of the mineral, rent, royalty or taxes as the case may be, for the period during which the land was occupied by such person without any lawful authority. Further, Rule 40(1) *ibid* prescribes initiation of criminal proceedings attracting punishment of simple imprisonment that may extend to six months or with fine which may extend to ₹ five thousand or both.

We observed between September 2010 and March 2011 from the demand and collection register and permit register of brick kiln owners kept in mining offices that 538 brick kilns (Category-I<sup>6</sup>: 35, II: 40 and III : 463) were operated in brick season 2009-10 without paying the consolidated amount of royalty and without

obtaining quarrying permit. We further observed that out of this, 46 brick kiln owners of five<sup>7</sup> districts had also operated their brick kilns illegally during brick season 2008-09. Despite that the Department did not take any action to stop the business or levy penalty as per the BMMC Rules. Thus, taking the minimum price of mineral equivalent to royalty, there was non-levy of penalty of ₹ 2.91 crore.

After we pointed this out, three<sup>8</sup> MOs stated that action was being taken as per rules while remaining MOs stated that no specific provision for imposition of penalty lies under BMMC Rules. We do not agree as the mining was done without obtaining quarrying permit and as such these cases were to be treated as illegal excavation and penalty is leviable under the Rules. We await further developments in the matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

<sup>5</sup> Arrah, Arwal, Aurangabad, Buxar, Darbhanga, Hajipur, Jehanabad, Kaimur, Madhubani, Muzaffarpur, Nalanda, Nawada and Patna.

<sup>6</sup> Brick kilns situated in urban areas of Patna, Muzaffarpur, Gaya and Darbhanga having capacity of 45 lakh bricks.

<sup>7</sup> Arrah, Bhagalpur, Muzaffarpur, Nawada and Saharsa.

<sup>8</sup> Hajipur, Madhubani and Muzaffarpur.



## 5.4 Settlement of sand *ghats*

### 5.4.1 Non-realisation of interest on delayed payment

#### Banka and Bhagalpur District Mining Offices

Rule 11 (A) of BMMC Rules provides that settlement of sand as minor mineral will be done by public auction by the Collector to the highest bidder on annual basis. Rule 11 (D) of BMMC Rules provides that every such settlement shall be valid only for the calendar year in which it is so made irrespective of the date on which such settlee comes in its possession and in no case shall such settlement or possession continue in the succeeding calendar year.

However, the Mines and Geology Department, Government of Bihar issued a notification in December 2009 for settlement and operation of sand *ghats* for the calendar years 2010-12. As per clause 17 of the said notification, if the sand *ghat* could not be settled by 31 December 2009 for the calendar year 2010, the previous settlees would be allowed to extract sands on prescribed reserve deposit for the year 2010 till 31 January 2010 or new dates of settlement, whichever was earlier. Further, as per clause 11, the settlees were required to pay 50 per cent of the settlement amount before operation of sand *ghats*, 25 per cent up to 15<sup>th</sup> of April and remaining 25 per cent up to 25<sup>th</sup> September for the calendar year 2010. As per rule 43 (A) of the BMMC Rules, Government may charge simple interest at the rate of 24 per cent per annum on any rent, royalty, fee or other sum due to the Government.

We observed in February 2011 from the settlement files of sand *ghats* in two districts for the calendar year 2010 that two settlees of sand *ghats* paid ₹ 12.81 crore against their proportionate auction amount of ₹ 15.49 crore with a delay ranging between one day and 285 days. This resulted in non-realisation of interest of ₹ 36.34 lakh on delayed payment.

After we pointed this out, the MO Banka stated that action would be taken after obtaining directives from the Department while MO Bhagalpur stated that the certificate case would be instituted against the defaulter. We await further development in this matter (October 2011).

The matter was reported to the Government/ Department in June

2011; we are yet to receive their reply (October 2011).

### 5.4.2 Loss of revenue due to delay in settlement of sand *ghats*

We observed in February 2011 from the settlement files of sand *ghats* in two<sup>9</sup> districts for the calendar year 2010 that in violation of the notification (December 2009), two sand *ghats* were settled in February 2010 i.e. with a delay of 15 days resulting in loss of Government revenue of ₹ 65.62 lakh as detailed below:

<sup>9</sup> Banka and Bhagalpur.

(₹ in lakh)

S.I. No.	Name of Unit	Date of settlement	Bid amount of Calendar year 2010	Sand Ghat operated by previous settlee			Proportionate amount of delay period leviable on bid amount for 2010	Difference to be realised
				No of days	Reserve price for the year 2010	Proportionate reserve price for year 2010		
1	Banka	16.2. 2010	1010.50	15	59.90	2.46	41.53	39.07
2	Bhagalpur	17.2.2010	755.00	15	108.90	4.48	31.03	26.55
<b>Total</b>								<b>65.62</b>

After we pointed this out, MO concerned stated that settlement had been done as per notification. The reply is not acceptable because sand *ghats* were required to be settled by 31 January 2010. We await further development in this matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

### 5.5 Short realisation of royalty and interest from settlee of stone quarry

#### Banka and Bhagalpur District Mining Offices

Under rule 9 (A) of the BMMC Rules, 1972 the Government may by notification in Official Gazette, direct that any mineral be leased out or settled by Public auction/tender in the manner prescribed under Rule 52, *ibid* and the period of quarrying lease shall not be less than five years. Sub Rule 4 and 5 provides that the bid amount shall be deposited on yearly basis in equal installments and each installment shall be deposited before 31<sup>st</sup> January. If any installment is not deposited before the prescribed period, 24 *per cent* simple interest per annum shall be charged up to two months and after that action for cancellation shall be taken. Rule 33 (3) of the BMMC Rules also provides that every lessee/permit holder shall submit every month to the competent officer a true and correct return for minerals in Form 'H' by the 15 of the following month to which it relates.

During test-check we observed in February 2011 from the settlement files of lessee of stone quarry and monthly returns submitted by them in two districts that six stone quarries were auctioned at ₹ 2.02 crore between July 2007 and November 2008. The settlees had to pay installment on yearly basis which accumulated to ₹ 1.57 crore upto January 2011 against which they paid a sum of ₹ 87.13 lakh only till the date of audit. Besides this, interest of ₹ 2.78 lakh on short payment/ belated payment of installment of royalty was also

chargeable. Despite the short payment of yearly installment of royalty action for cancellation of lease had not been initiated by the concerned MOs against

five settlees and in one case of Bhagalpur, though the lease was cancelled in May 2010, action for realising the dues was not taken. This omission not only violated the rules but also resulted in non-realisation of revenue of ₹ 72.56 lakh including interest.

After we pointed this out, the MO Banka stated that demand notice would be issued while MO Bhagalpur stated that action for realisation would be taken as per rules. We await further development in this matter (October 2011).

The matter was reported to the Government/ Department in June 2011; we are yet to receive their reply (October 2011).

## B: WATER RATES

### 5.6 Non-realisation of revenue due to non-raising of demand

#### Two<sup>10</sup> irrigation divisions

Under rule 3.4.1 to 3.4.10 (B) of the Bihar Flood Management and Drainage Rules, 2003 framed under the Bihar Irrigation Act, 1997, preparation of the Statement of land irrigated (*Sudkar*), cultivator-wise measurement (*Khesra*) and Demand Statement (*Khatiani*) are required to be completed yearly, by 30 November for *Kharif*, 30 April for *Rabi* and 15 June for hot weather crops by the Irrigation Department for recovery of water rates from the beneficiaries to whom water is supplied for irrigation purpose. Thereafter, this *khatiani* is required to be executed by the division itself for recovery in the light of restructuring of the Department in June 2005.

From the information furnished by the divisions, we observed between July and August 2010 that though *sudkar* for the area irrigated (1,27,839.97 acre of *kharif* and 1,10,991.12 acre of *rabi* crops) for the period 2008-10 was prepared but cultivator wise measurement (*khesra*), to facilitate the respective divisional officers to verify the correctness of the area irrigated and endorse the same to the Junior Engineers for preparation of *khatiani* (abstract of demand), was not prepared by the *Amin*<sup>11</sup>. In the

absence of *khesra* and *khatiani* the demands for collection of water rates could not be raised against the beneficiaries. This resulted in non-realisation of water rates of ₹ 1.96 crore.

After we pointed this out, Executive Engineers concerned stated between July and August 2010 that shortage of staff was the reason for non-preparation of *khatiani*.

The matter was reported to the Government/Department in June 2011; we are yet to receive their reply (October 2011).

<sup>10</sup> Ganga Pump Canal Division Chausa, Buxar; Kamala Canal Division Jainagar.

<sup>11</sup> *Amin* means a qualified person who measures the area of the land.

## C: ROAD CONSTRUCTION DEPARTMENT

### 5.7 Non-realisation of land use charges

#### Four<sup>12</sup> Road Construction Divisions

As per Resolution dated 28.03.2008 circulated vide letter no. 4881(5) WC dated 04.04.2008, the Road Construction Department, Government of Bihar decided to realise land use charge at the rate of ₹ 5,000 per km per year from agencies laying optical fibre cables, electricity lines, water supply, sewer lines etc. in the roads under the jurisdiction of the Road Construction Department. The amount was to be deposited by 30<sup>th</sup> March in advance for the next financial year. It was also applicable to those licencees who were permitted to lay optical fibre cables previously.

We observed during scrutiny of records of the divisions between February 2010 and March 2011 that six<sup>13</sup> companies were involved in using the roads under the Road Construction Department for the laying of optical fibre cable and electricity lines. However, a sum of ₹ 62.89 lakh as land use charge was not realised from the user companies for the years between 2008-09 and 2010-11.

After we pointed this out, three<sup>14</sup> Executive Engineers replied (between February 2010 and March 2011) that notices would be issued to the concerned companies for realisation of the outstanding land use charge while the Executive Engineer,

Dehri-on-Sone stated in February 2011 that demand notice had already been issued. We await report on recovery in the cases where the demand notices were issued and further developments in remaining cases (October 2011).

<sup>12</sup> Begusarai, Biharsharif, Dehri –on- Sone and Madhubani.

<sup>13</sup> Aditya Birla Telecom Ltd., Bharti Airtel Ltd., BSNL, Power Grid Corporation of India Ltd., TataTele Services Ltd. (brand name-Tata Indicom) and Vodafone Ltd.

<sup>14</sup> Begusarai, Biharsharif and Madhubani.

The matter was reported to the Government/ Department in August 2011; we are yet to receive their reply (October 2011).

Patna  
The



(R.B.SINHA)  
Principal Accountant General (Audit),  
Bihar

Countersigned

New Delhi  
The



(VINOD RAI)  
Comptroller and Auditor General of India



## Non-production of records to Audit for scrutiny

(Reference: Paragraph 1.2.3)

Sl. No.	Revenue head	Name of offices	Year in which it was to be audited	Number of assessment cases/records not audited
1	State excise	Superintendent of Excise, Muzaffarpur	2009-10	1
		Superintendent of Excise, Chapra	2009-10	3
		Superintendent of Excise, Purnea	2009-10	3
		Superintendent of Excise, Samastipur	2009-10	3
		Assistant Commissioner of Excise, Patna	2009-10	3
2	Stamp duty and registration fees	Sub-Registrar, Tekari, Gaya	2009-10	1
		Sub-Registrar, Kamtaul (Darbhanga)	2009-10	2
		District Sub-Registrar, Aurangabad	2009-10	1
3	Non-ferrous mining and metallurgical industries	Mines Development Officer, Sheikhpura	2009-10	4
		Mining Inspector, Motihari	2009-10	2
		Mining Inspector, Sitamarhi	2009-10	5
		Mines Development Officer, Bettiah	2009-10	5
		Assistant Director of Mines, Sasaram(Rohtas)	2009-10	6
		Mines Development Officer, Munger	2009-10	2
		Deputy Director of Mines, Darbhanga	2009-10	1
		Mining Inspector, Sheohar at Sitamarhi	2009-10	6
4	Transport	Regional Transport Authority, Bhagalpur	2009-10	3
		District Transport Officer, Samastipur	2009-10	2
		District Transport Officer, Madhepura	2009-10	3
		State Transport Commissioner, Bihar, Patna	2009-10	5
		District Transport Officer, Kishanganj	2009-10	6
		District Transport Officer, Gaya	2009-10	3
		District Transport Officer, Darbhanga	2009-10	3
5	Medium irrigation	Dhaka Canal, Dhaka (East Champaran)	2008-09 to 2009-10	2
		Tirhut Canal Division, Motihari	2008-09 to 2009-10	3
		Irrigation Division, Bathnaha	2008-09 to 2009-10	3
		Triveni Canal Division, Raxaul(East Champaran)	2007-08 to 2009-10	6

## Annexure-I

6	Land Revenue	Circle Officer, Saraiya, Muzaffarpur	2009-10	2
		Circle Officer, Majorganj, Sitamarhi	2009-10	3
		Deputy Collector Land Reform, Sheikhapura	2009-10	2
		Circle Officer, Areraj (East Champaran)	2009-10	4
		Circle Officer, Raxaul (East Champaran)	2009-10	2
		Circle Officer, Aadapur, Motihari	2009-10	3
		Circle Officer, Chauraut, Sitamarhi	2009-10	4
		Circle Officer, Hathua, Gopalganj	2009-10	4
		Circle Officer, Jhanjharpur, Madhubani	2009-10	6
		Circle Officer, Harnaut, Biharsharif	2009-10	3
		Circle Officer, Paru, Muzaffarpur	2009-10	3
		Circle Officer, Ghoghardiha, Madhubani	2009-10	5
		Deputy Collector Land Reform, Jhanjharpur, Madhubani	2009-10	3
		Circle Officer, Rajnagar, Madhubani	2009-10	4
		Circle Officer, Giriyak, Biharsharif	2009-10	2
		Circle Officer, Kumarkhand, Madhepura	2009-10	1
		Deputy Collector Land Reform, Madhepura	2009-10	3
		Circle Officer, Madhepura	2009-10	2
		Circle Officer, Punpun	2009-10	4
		Circle Officer, Sahebganj, Muzaffarpur	2009-10	4
		Circle Officer, Danapur	2009-10	6
		Circle Officer, Biroul, Darbhanga	2009-10	4
		Circle Officer, Murliganj, Madhepura	2009-10	1
		Circle Officer, Gaura Bauram, Darbhanga	2000-01 to 12/2010	7
Circle Officer, Narkatiaganj, Bettiah	2003-04 to 2009-10	2		
Circle Officer, Katiya, Gopalganj	2003-04 to 2010-11	4		
Circle Officer, Lauriya (West Champaran)	2003-04 to 2009-10	3		
Circle Officer, Darbhanga Sadar, Darbhanga	2005-06 to 2010-11	6		
Deputy Collector Land Reform, Barh, Patna	2006-07 to 2009-10	3		
<b>Total</b>	<b>No. of offices – 56</b>		<b>187</b>	

## Audit Planning

(Reference: Paragraph 1.4)

Sl. No.	Head of revenue	Total No. of units due for audit	No. of units planned for audit	No. of units audited
1	Commercial taxes	55	48	48
2	Motor vehicle taxes	48	48	48
3	State Excise	49	39	38
4	Stamp duty and registration fees	139	30	30
5	Land revenue	612	46	46
6	Mines and minerals	48	48	48
7	Irrigation	34	14	14
8	Forestry and wildlife	37	23	8
<b>Total</b>		<b>1,022</b>	<b>296</b>	<b>280</b>

## Discrepancy in accounting of declaration forms

(Reference: Paragraph 2.2.10)

Name of circle	Year	No. of forms shown issued by the Commissionerate		No. of forms shown received from the Commissionerate		Difference	
		'C'	'F'	'C'	'F'	'C'	'F'
Bhagalpur	2009-10	---	nil	---	200	---	200
Darbhanga	2009-10	2,000	---	2,625	---	625	---
Gopalganj	2009-10	2,000	---	2,025	---	25	---
Muzaffarpur	2006-07	---	2,000	---	2,500	---	500
Patna City West	2009-10	6,000	---	4,000	---	2,000	---
Patna North	2007-08	12,000	---	8,000	---	4,000	---
	2009-10	6,000	---	8,000	---	2,000	---
Patna South	2006-07	10,000	8,000	12,000	8,250	2,000	250
	2008-09	6,000	4,000	4,000	2,500	2,000	1,500
	2009-10	6,000	4,000	14,000	2,000	8,000	2,000
Patna West	2008-09	10,000	---	6,000	---	4,000	---
	2009-10	8,000	---	4,000	---	4,000	---
Shahabad (Ara)	2006-07	2,000	---	1,125	---	875	---
Sitamarhi	2006-07	---	---	250	---	250	---

(Source: Information provided by the Department)

# Annexure IV

## Irregular grant of concession/exemption due to variation in figures of the declaration forms

(Reference: Paragraph 2.2.14.2)

(Amount in ₹)

Source State	Name of Circle	Dealer Name/TIN	Form No.	Period	Amount of Form as per Bihar's Dealer	Amount of form as other State's Dealer	Excess availing of exemption/Concession	Name of commodity	Rate of tax leviable / levied (in per cent)	Tax	Interest	Total
Chhatisgarh	Patliputra	M/s Titan Industry / 101E+10	F-1 082390	2007-08	19,99,721	1,99,971	17,99,750	Watches & Sunglasses	12.5/0	2,24,969	1,31,607	3,56,576
Delhi	Samastipur	Dy.Chief Material Manager (Depo)ECR/142102 6027	15P-492922	2008-09	24,82,212	11,03,319	13,78,893	Scrap	4/2	27,578	11,169	38,747
Jharkhand	Patliputra	M/s Reliance Telecom. Infrastructure/ 10050415120	JG/F 0119279	2008-09	13,18,699	3,18,699	10,00,000	Telecom goods	4/0	40,000	16,200	56,200
		M/s Tafe Motors/ 10050327141	JG/C 0943798	2008-09	2,67,08,539	2,66,10,551	97,988	Tractors	4/2	1,960	794	2,754
	Patna West	M/s Shiva Polytubes Pvt. Ltd/ 10140479135	JG/C 0950284	2008-09	6,44,068	3,62,711	2,81,357	Polyvinyl chloride pipes	4/2	5,627	2,279	7,906
Madhya Pradesh	Munger	M/s ITC/ 10560001128	CSTG01-110393	2008-09	56,30,685	55,27,916	1,02,769	Cigarette	12.5/0	12,846	5,203	18,049
Meghalaya	Begusarai	M/s Mahavir Petro Product Pvt.Ltd./ 10360364070	94593	2008-09	11,69,855	1,16,855	10,53,000	Petro Coke	4/2	21,060	8,529	29,589
			46668	2008-09	25,31,085	17,38,188	7,92,897	-do-	4/2	15,858	6,422	22,280
			47393	2008-09	15,30,861	90,640	14,40,221	-do-	4/2	28,804	11,666	40,470
Orissa	Kishanganj	Gajumukhi woodcraft/105E+10	PQY-0541114	2008-09	9,77,071	8,26,557	1,50,514	Plywood	4/2	3,010	1,219	4,229



## Annexure-IV

Uttar Pradesh	Samastipur	Dy.Chief Material Manager(Depo)/104 21026027	11-2110700	2009-10	76,34,742	2,42,000	73,92,742	Scrap	4/2	1,47,855	33,267	1,81,122	
			32-0775553	2007-08	11,81,500	6,875	11,74,625	-do-	4/3	11,746	6,872	18,618	
			0253328	2006-07	9,43,317	9,01,489	41,828	-do-	8/4	1,673	1,280	2,953	
			341563829	2008-09	27,78,315	15,47,818	12,30,497	-do-	4/2	24,610	9,967	34,577	
			212122374	2009-10	37,70,500	17,89,956	19,80,544	-do-	4/2	39,611	8,912	48,523	
	Begusarai	M/s Kanishka Carbon/ 10360367077	2226329	2008-09	9,70,740	4,85,370	4,85,370	Petro Coke	4/2	9,707	3,931	13,638	
	Patna West	M/s R.B Electronics/ 10140615032	20-1330085	2007-08	15,54,965	6,84,585	8,70,380	Electronics goods	12.5/3	82,686	48,371	1,31,057	
			16-1330090	2007-08	18,83,330	1,77,378	17,05,952	-do-	12.5/3	1,62,065	94,808	2,56,873	
			17-1330091	2007-08	30,12,930	6,90,249	23,22,681	-do-	12.5/3	2,20,655	1,29,083	3,49,738	
			18-1330092	2007-08	17,91,473	10,98,877	6,92,596	-do-	12.5/3	65,797	38,491	1,04,288	
			30-1956423	2008-09	33,98,294	11,52,894	22,45,400	-do-	12.5/2	2,35,767	95,486	3,31,253	
			31-1956424	2008-09	27,84,981	7,84,479	20,00,502	-do-	12.5/2	2,10,053	85,071	2,95,124	
			32-1956425	2008-09	21,53,087	19,36,180	2,16,907	-do-	12.5/2	22,775	9,224	31,999	
		M/s Shiva Polytubes(P) Ltd/10140476135	26-0193706	2007-08	18,65,963	7,32,847	11,33,116	Chloride pipe	4/3	11,331	6,629	17,960	
	West Bengal	Patliputra	NAFED/1005E+10	95C 1263720	2008-09	51,08,267	12,35,098	38,73,169	Agricultural goods	4/2	77,463	31,373	1,08,836
				M/s Tafe Motors/ 10050327141	95C 0730676	2008-09	33,41,664	19,18,895	14,22,769	Tractor	4/2	28,455	11,524
		Kadamkuan	M/s G.D Apparel/ 10130351074	730424	2008-09	15,635	7,617	8,018	Hosiery goods	4/2	160	65	225
Samastipur		Dy.Chief Material Manager ECR/10421026027	95C 559061	2006-07	18,23,884	7,41,000	10,82,884	Scrap	8/4	43,315	33,136	76,451	
<b>Total</b>					<b>9, 10,06,383</b>	<b>5,30,29,014</b>	<b>3,79,77,369</b>			<b>17,77,436</b>	<b>8,42,578</b>	<b>26,20,014</b>	

# Annexure V

## Irregular grant of concession/exemption on forms issued to other dealers

(Reference: Paragraph 2.2.14.3)

(Amount in ₹)

Sl. No.	Name of the circle	Name of the Dealer/TIN	Form No.	Period	Name of dealer to whom the form was actually issued	Name of the dealer who actually used the form	Name of the dealer from whom the goods were actually shown purchased by the dealer who received the form from the circle	Amount of exemption/concession/availed	Commodity	Rate of tax leviable/levied (in per cent)	Tax	Interest	Total	
1	Barh	M/s United Spirit Ltd. 10020044129	FF/055734 (C)	2008-09	Milestone beverage RBD.CST/312	Milestone beverage RBD/CST/312	Item imported from United Spirit, Kolkata	21,01,518	IMFL	50/3	9,87,713	4,00,024	13,87,737	
			DD/0045240 (C)	2008-09	Milestone beverage 17090134248	Milestone beverage 17090134248	Item imported from United Spirit, Kolkata	1,32,300	-do-	50/3	62,181	25,183	87,364	
		M/s Asian Ply Akbarpur Barh, 10020154127	TN-2006-C BB 165974 (C)	2007-08	-	Paul Adams distributor, 33983363756			2,94,016	Ply wood	12.5/3	27,932	16,340	44,272
			TN-2006-C BB 165973 (C)	2007-08	-	Paul Adams distributor, 33983363755			17,85,073	-do-	12.5/3	1,69,582	99,205	2,68,787
2	Begusarai	Kaniska Carbon (P) Ltd. 10360367077	1578020 (C)	2008-09	Maa Maha Maya Alloys Mirzapur, 9714902226.	Maa Maha Maya Alloys Mirzapur, 9714902226.	The dealer actually purchased goods from M/s Roy & Birdi Engineers, Calcutta	10,48,168	Raw Petroleum Coke & Calcined Petroleum Coke	4/1	31,445	12,735	44,180	
3	Kishanganj	M/s Ayesha exports 10470382052	030-903018 (F)	2008-09	M/s Super King Manufacturing Tyres /07800041645	M/s K. P. Trading	-	36,17,352	Bettel Nuts	4/0	1,44,694	58,601	2,03,295	
								32,52,862	-do-	4/0	1,30,114	52,696	1,82,810	

## Annexure-V

		M/s AAR BEE Tea Co. (Pvt) Ltd. 10471243024	14P 428010 (C)	2008-09	-	M/s Amit Trading Co /07110282418	-	76,967	Tea	4/1	2,309	935	3,244
			14P 715493 (C)	2008-09	M/s Karishma 07770120086	M/s Ajmera sales Corp. 07320207197	-	1,34,819	-do-	4/1	4,045	1,638	5,683
		M/s Kishanganj Flour Mills Pvt. Ltd. 10470262160	95P449760 (F)	2006-07	M/s Saurav Traders 19744935202	M/s Saurav Traders 19744935202	M/s Kali Roller flour Mills Pvt. Ltd. Unit-II 10490608104	1,58,15,468	Wheat product	2/0	3,16,309	2,41,977	5,58,286
			95P449761	2006-07	M/s Saurav Traders 19744935202	M/s Saurav Traders 19744935202	M/s Kali Roller flour Mills Pvt. Ltd. 10450609184	65,75,921	-do-	2/0	1,31,518	1,00,612	2,32,130
			95P466355	2006-07	M/s Om Prakash Sanjay Kr. 19741172281	M/s Om Prakash Sanjay Kr. 19741172281	M/s Bishnu Roller flour Mills Pvt. Ltd. 10450609184	65,31,164	-do-	2/0	1,30,623	99,927	2,30,550
			95P435217 (F)	2006-07	M/s Om Prakash Sanjay Kr. 2295 (AS) C	M/s Om Prakash Sanjay Kr. 2295 (AS) C	M/s Kali Roller flour Mills Pvt. Ltd. Unit-II 10490608104	1,00,07,361	-do-	2/0	2,00,147	1,53,113	3,53,260
			95P466350	2006-07	M/s Om Prakash Sanjay Kr. 19741172281	M/s Om Prakash Sanjay Kr. 19741172281	M/s Kali Roller flour Mills Pvt. Ltd. 10450609184	1,27,87,779	-do-	2/0	2,55,756	1,95,653	4,51,409
			95P466351(F)	2006-07	M/s Om Prakash Sanjay Kr. 19741172281	M/s Om Prakash Sanjay Kr. 19741172281	M/s Jamshedpur Roller Flour Mills Pvt. Ltd. GS1598C	90,11,270	-do-	2/0	1,80,225	1,37,872	3,18,097
4	Patliputra	M/s United Paper Board Ltd. 10050005198	MH/08/0840447 (C)	2008-09	M/s Jejani enterprises	Atmaraj paper craft industries, Nagpur, 27670392381		4,56,855	Paper product	4/1	13,706	5,551	19,257
		M/s Tata Motors Ltd, Patna 100501129067	NL 075392 (C)	2007-08	M/s Jagdish & Company Pvt. Ltd, Dimapur 13020110037	M/s Jagdish & Company Pvt. Ltd. Dimapur 13020110037	The dealer actually purchased goods from M/s Tata Motors Ltd. Chandigarh.	2,22,054	Motor Vehicle	12.5 / 3	21,095	12,341	33,436

## Annexure-V

5	Samastipur	Dy. Chief Material Manager (Depo) ECR, 10421026027	0092582 (C)	2006-07	Pratibha traders, Mz 5154520	Pratibha traders, Mz 5154520	M/s Jindal Steel ,Darjeeling (as per consumption statement)	7,44,000	Scrap	8/4	29,760	7,588	37,348
			92592 (C)	2007-08	Pratibha traders, Mz 5154526	Pratibha traders, Mz 5154526	M/s Bhuvnesh Associates, Jaipur (as per consumption statement)	25,94,808	-do-	4/3	25,948	15,180	41,128
			92593 (C)	2007-08	Pratibha Traders Mz 5154527	Pratibha Traders Mz 5154527	M/s Ganesh Enterprises, Rourkela(as per consumption statement)	1,04,15,434	-do-	4/3	1,04,154	60,930	1,65,084
			31-0775552 (C)	2007-08	Metal Alloy Ms 5014550	Metal Alloy Ms 5014550	Metal Alloy has purchased goods from General Metal product Calcutta	7,65,750	-do-	4/3	7,658	4,480	12,138
			0382867 (C)	2006-07	Metal Alloy Ms 5014550	Metal Alloy Ms 5014550	The dealer purchased goods from Fateh Chand and Om Prakash, Delhi	7,65,000	-do-	8/4	30,600	23,409	54,009
			0130196 (C)	2006-07	Metal Alloy Ms 5014550	Metal Alloy Ms 5014550	The dealer actually purchased goods from Baidnath Metal, Calcutta	16,17,000	-do-	8/4	64,680	49,480	1,14,160
			95C0802286	2007-08	Maa Baisnav Metal Stores	Maa Baisnav Metal Stores	The dealer actually purchased goods from M/S Bharat Cookies Coal Ltd.	8,89,000	-do-	4/3	8,890	5,201	14,091
			95C0978516	2007-08	Maa Baisnav Metal Stores	Maa Baisnav Metal Stores	The dealer actually purchased goods from M/S Bharat Cookies Coal Ltd	10,93,880	-do-	4/3	10,939	6,399	17,338
			95C0802285	2007-08	Maa Baisnav Metal Stores	Maa Baisnav Metal Stores	The dealer actually purchased goods from M/S Bharat Cookies Coal Ltd	6,54,000	-do-	4/3	6,540	3,826	10,366
<b>Total</b>							<b>93389819</b>			<b>3098563</b>	<b>1790896</b>	<b>4889459</b>	

# Annexure VI

## Suppression of inter-state sales

(Reference: Paragraph 2.2.15.1)

(Amount in ₹)

Source State	Name of Circle	Dealer Name/TIN	Declaration Form No.	Period	Amount of sale as per Bihar's dealer record	Amount of purchase as per records of other state's dealer	Concealment of sales	Name of commodity/ Rate (in per cent)	Tax	Penalty	Total
Assam	Kishanganj	M/s North Bihar Rice Mill/ 10470163123	445570	2006-07	3,56,284	7,56,284	4,00,000	Rice Bran/10	40,000	1,20,000	1,60,000
Chhatisgarh	Munger	M/s ITC Munger/106E+10	F1/284749	2007-08	1,59,81,439	2,08,11,626	48,30,187	Cigarette/ 12.5	6,03,773	18,11,319	24,15,092
			F1/284747	2007-08	2,53,10,327	3,37,59,474	84,49,147	Cigarette/ 12.5	10,56,143	31,68,429	42,24,572
Madhya Pradesh	Munger	M/s ITC Munger/ 10560001128	CstG01-104851	2007-08	96,23,952	7,15,34,327	6,19,10,375	Cigarette/ 12.5	77,38,797	2,32,16,391	3,09,55,188
Uttar Pradesh	Patna West	M/s Shiva Polytube/ 10140479135	33-1837464	2007-08	7,67,464	17,67,664	10,00,200	Choloride Pipe 4	40,008	1,20,024	1,60,032
		M/s R.B Electronics/ 10140615032	29-1956422	2008-09	12,06,455	20,01,882	7,95,427	Electronics goods/12.5	99,428	2,98,284	3,97,712
	Samastipur	Dy. Chief Material Manager ECR/ 10421026027	0092583	2006-07	4,38,650	6,12,500	1,73,850	Scrap/8	13,908	41,724	55,632
			0130196	2006-07	16,17,000	17,79,009	1,62,009	scrap/8	12,961	38,883	51,844
			202122283	2009-10	6,92,892	7,06,753	13,861	Scrap/4	554	1,662	2,216
			142122304	2009-10	11,26,500	11,67,056	40,556	Scrap/4	1,622	4,866	6,488
	Kadamkaun	M/s G. D. Apparel/ 10130351074	962463	2007-08	7,943	9,418	1,475	Hosery Garments/4	59	177	236
			1059843	2008-09	10,142	23,960	13,818	Hosery Garments/4	553	1,659	2,212
			1059845	2008-09	33,958	49,696	15,738	Hosery Garments/4	630	1,890	2,520
West Bengal	Patliputra	M/s Tafe Motors/ 10050327141	95c 0731933	2008-09	3,51,336	7,02,673	3,51,337	Tractor/4	14,053	42,159	56,212
			95c 0730677	2008-09	7,02,673	33,41,664	26,38,991	Tractor/4	1,05,560	3,16,680	4,22,240
<b>Total</b>					<b>5,82,27,015</b>	<b>13,90,23,786</b>	<b>8,07,96,771</b>		<b>97,28,041</b>	<b>2,91,84,123</b>	<b>3,89,12,196</b>



# Annexure VII

## Unauthorised utilisation of declaration forms

(Reference: Paragraph 2.2.15.2)

(Amount in ₹)

Source State	Name of Circle of Bihar	Dealer's name/ TIN	Form No.	Period	Amount	Commodity	Rate of tax leviable (in per cent)	Tax	Penalty	Total
Chattisgarh	Aurangabad	M/s Ansar Traders/ CST No. 416© 10170655156	BH04 701153	2004-05	1,78,396	Tendu Leaves	10	17,840	53,519	71,358
Haryana	Bhagalpur	M/s Ramanand, Deepak kumar, Bhagalpur	273173	2006-07	32,25,089	Sarson oil	4	1,29,004	3,87,011	5,16,014
		M/s Sanjay Tiwari Banka kunda (Bihar)	528397	2006-07	70,81,934	Mustard Oil	4	2,83,277	8,49,832	11,33,109
		M/s Shree Lal Gokul Chand Bhagalpur/ 10520915172 (Bihar)	443389	2006-07	25,98,145	Mustard Oil	4	1,03,926	3,11,777	4,15,703
Jharkhand	Muzaffarpur West	M/s Mithila Coal Industries (P) Ltd/ MZ- 3427 (C ) 10305488066	GOB/C 886360	2007-08	2,68,406	Coal	4	10,736	32,209	42,945
Nagaland	Saharsa	M/s Mithila Plywood, Saharsa/10510148172	BG/2/C 0287663	2007-08	1,77,121	Timber, Plywood	4	7,085	21,255	28,339
Rajasthan	Patna South	M/s Bagga Motor Company/ 10120316036	GOB/C 128566	2008-09	2,61,650	Do	4	10,466	31,398	41,864
	Siwan	M/s Delhi Auto Sales/ 10352145066	561516	2008-09	1,93,556	Do	4	7,742	23,227	30,969
			561517	2008-09	1,47,726	Do	4	5,909	17,727	23,636
			665678	2008-09	79,090	Do	4	3,164	9,491	12,654
			665677	2008-09	59,178	Do	4	2,367	7,101	9,468
Sikkim	Muzaffarpur West	M/s Laxmi Agency/ 10301182139	GOB/F 156365	2007-08	2,29,010	Ready to Eat Food	12.5	28,626	85,879	1,14,505
			GOB/F 156366	2008-09	1,49,118	Do	12.5	18,640	55,919	74,559
			GOB/F 156367	2008-09	34,617	Do	12.5	4,327	12,981	17,309
		<b>Total</b>			<b>1,46,83,036</b>			<b>6,33,109</b>	<b>18,99,326</b>	<b>25,32,432</b>

# Annexure VIII

## Short/non-accounting of goods imported through use of declaration forms

(Reference: Paragraph 2.2.15.3)

(Amount in ₹)

Source State	Name of Circle of Bihar	Dealer Name	TIN	Form No.	Period	Amount of purchase as per Bihar dealer's information	Amount of purchase as per other State's dealer's information	Difference/Concealment	Commodity	Rate of tax leviable (in per cent)	Tax	Penalty	Total
Jharkhand	Aurangabad	M/s Aman Coke Plant Pvt. Ltd.	10170206113	GOB/C 123040	2007-08	5,12,655	5,79,506	66,852	Coal	4	2,674	8,022	10,696
	Babhua	M/s Ruhi Enterprises	10180480189	GOB/C 279490	2007-08	2,96,789	3,38,366	41,577	-do-	4	1,663	4,989	6,652
	Shahabad	M/s Indica Smokeless Fuel Industries	10160980182	GOB/C 247259	2007-08	3,01,878	4,25,664	1,23,786	-do-	4	4,951	14,853	19,804
	Teghra	M/s Neo Carbons Pvt. Ltd.	CST 10430082141	GOB/C/083707	2007-08	13,197	4,13,197	4,00,000	Fire Bricks & Refractory Goods	4	16,000	48,000	64,000
Tamil Nadu	Patna special	M/s Crompton Greaves Ltd	CST 10010003174	GOB/C 226778	2009-10	12,77,569	22,59,411	9,81,842	Monoblock Pump Spares	4	39,274	1,17,822	1,57,096
			CST 10010003174	GOB/C 226825	2009-10	7,19,978	9,82,518	2,62,540	-do-	4	10,502	31,506	42,008
			CST 10010003174	GOB/C 226843	2009-10	21,33,076	23,76,759	2,43,683	-do-	4	9,747	29,241	38,988
Tripura	Begusarai	M/s Shri Kanaiya Trading Co., Begusarai, Bihar	CST No. BG-2043(C) & TIN 10361776002	GOB/C 165862	2008-09	3,14,721	5,65,743	2,51,022	Old Used Gunny Bag	4	10,041	30,123	40,164
			CST No. BG-2043(C) & TIN 10361776002	GOB/C 192983	2008-09	10,09,953	13,31,253	3,21,300	-do-	4	12,852	38,556	51,408
	Khagaria	M/s Sahu Traders	10462000185	GOB/C 330437	2007-08	69,396	1,66,860	97,464	Old Empty Gunny Bags	12.50	12,183	36,549	48,731
West Bengal	Patna Special	M/s Allen Lab, C/oJanki Pharma	10010147025	104641	2004-05	70,826	7,08,261	6,37,435	Hompth Med	8	50,995	1,52,985	2,03,980
<b>Total</b>						<b>67,20,038</b>	<b>1,01,47,538</b>	<b>34,27,501</b>			<b>1,70,882</b>	<b>5,12,646</b>	<b>6,83,527</b>

# Annexure IX

## Non-levy of Central Sales Tax (2<sup>nd</sup> bullet)

(Reference: Paragraph 2.2.16)

(Amount in ₹)

Sl. No	Name of the circle	Name of the dealer/ TIN no	Year	Amount of deduction on account of interstate sale not supported by form C/F	Commodity	Rate of tax Leviable/ Levied (in per cent)	Amount of tax leviable	Amount of tax levied	Amount of demand raised after pointed out by audit (excluding interest)	Non/Short levy
<b>Form 'C'</b>										
1	Patliputra	M/s Aditya Birla Telecom Ltd/ 10050411046	2008-09	3,51,51,144	Telecom goods	4/2	14,06,046	7,03,023	NIL	7,03,023
<b>Form 'F'</b>										
1	Patliputra	M/s Bharti Airtel Ltd/10050212002	2007-08	60,69,65,024	Telecom goods	4	2,42,78,601	-	84,193	2,42,78,601
		M/s Hindustan Coca-Cola/10050081052	2008-09	10,06,91,832	Soft drinks	12.5	1,25,86,479	-	4,02,793	1,25,86,479
		M/s Su-Kam Power Sys Ltd	2008-09	1,19,67,583	Electronic goods	12.5	14,95,948	-	14,95,948	14,95,948
		Aditya Birla Tele. Ltd/10050411046	2008-09	37,99,23,512	Telecom goods	4	1,51,96,940	-	Nil	1,51,96,940
		M/s Dishnet Wireless Ltd./10050333252	2008-09	19,77,77,264	-do-	4	79,11,091	-	79,11,091	79,11,091
		M/s Jullandhar Motor Agencies	2007-08	4,71,102	Auto Parts & Auto Mobiles	12.5	58,887	-	nil	58,887
		M/s Dunlop India Ltd/10050703046	2008-09	11,11,206	Tyre & Tube	12.5	1,38,901	-	1,38,901	1,38,901
<b>Total</b>				<b>1,33,40,58,667</b>			<b>6,23,69,870</b>	<b>-</b>	<b>1,00,32,926</b>	<b>6,23,69,870</b>

## Suppression of turnover

(Reference: Paragraph 2.4)

**Table - I**  
**Short levy of tax due to suppression of purchase turnover**

												(Amount in ₹)
Sl. No.	Circle	Name of the dealer/ TIN	Period	Rate (in per cent)	Actual Purchase	Purchase accounted for	Value suppressed	Tax	Interest	Penalty	Total	Difference found in
1	Ara	M/s Prasad Motors/ 10160060040	2008-09	12.5	3056443	163640	2892803	361600	122040	1084800	1568440	Purchase receipt and utilisation of Form-C
2	Danapur	M/s JMD Alloys Ltd./ 10040159019	2008-09	4	224408699	195114165	29294534	1171781	298804	3515343	4985928	Annual return and utilisation of Form-C
3	Darbhanga	M/s Shiv Shakti Traders/ 10381246036	2007-08	4	12963660	5374355	7589305	303572	118393	910716	1332681	Annual return and schedule of TAR
		M/s Baidyanath Mahto/ 10380039065	2007-08	4	38577787	28151688	10426099	417044	168903	1251132	1837079	Diff.in A/R & schedule of TAR
4	Hazipur	M/s Rakesh Mashala Pvt. Ltd./ 10293647082	2008-09	4	155273277	152749937	2523340	100934	22710	302802	426446	Diff. in A/R & TAR-IV
5	Jehanabad	M/s Ally Pvt. Ltd./ 10220290056	2007-08	12.5	1021980	737700	284280	35535	14925	106605	157065	Diff. in A/R & Road Permit (D-IX)
6	Khagaria	M/s Lal Kumar Singh/ 10460682052	2008-09	12.5	4183140	4056714	126426	15803	4741	47409	67953	Diff. in A/R & TAR
7	Lakhisarai	M/s Balajee ignot pvt. Ltd./ 10550322080	2007-08	4	157473489	146212623	11260866	450435	189181	1351305	1990921	Diff. in A/R, ET-V & TAR
8	Motihari	M/s Kamal Sah / 10270004011	2008-09	4	1752559	966300	786259	31450	10143	94350	135943	Diff. in A/R, TAR & D-IX statement

## Annexure-X

9	Muzaffarpur East	M/s Mehrotra Eng. Works pvt. Ltd/ 10310592012	2008-09	4	127757650	112183813	15573837	622953	130820	1868859	2622632	Diff. in ET-V & A/R,
10	Nawada	M/s Shree Laxmi Trading Co/ 10230170088	2006-07	4	5419054	4597852	821202	32848	21680	98544	153072	Diff. in A/R & utilization statement of Form-C
		M/s J.A. Indane/ 10230227027	2009-10	1, 4 & 12.5	5251305	0	5251305	98641	11837	295923	406401	Diff. in Trading A/C & RT - III/TAR
11	Patliputra	M/s Kone Elevator Ind. P. Ltd./ 10050218016	2007-08	12.5	11941403	10927664	1013739	126717	62725	380151	569593	Diff. in A/R ,TAR & utilization of Form-F
		M/s Tata Teleservices Ltd./ 10050254294	2007-08	4	1310360888	1291081471	19279417	771177	381732	2313531	3466440	Diff. in A/R & Road Permit (D-IX)
			2008-09	4	1462973995	1453688872	9285123	371405	116992	1114215	1602612	Diff. in A/R & Road Permit (D-IX)
		M/s Hindustan Coco cola Ltd./ 10050081052	2008-09	12.5	270931041	225359679	45571362	5696420	1794372	17089260	24580052	Diff. in A/R & TAR-IV
		M/s Ashoka Leyand Ltd./ 10050153026	2008-09	12.5	259652061	227507928	32144133	4018017	1265675	12054051	17337743	Diff. in A/R, ET-V
12	Patna city East	M/s J.G. Foundry/ 10060288071	2008-09	4.	153763532	138590959	15172573	606903	172967	1820709	2600579	Diff. in A/R & Entry tax return
13	Patna city West	M/s Manish Glass House/ 10081735159	2008-09	12.5	1315109	12946020	206089	25761	6955	77283	109999	Diff. in A/R & Road Permit (D-IX)



## Annexure-X

14	Patna North	M/s Win Medicare P. Ltd/ 10101493089	2006-07	4	44701554	41259463	3442091	137684	80555	413052	631291	Diff.in A/R & TAR
		M/s Salora International/ 10100785086	2007-08	12.5	144731065	138417021	6314044	789255	319648	2367765	3476668	Diff. in TAR-I& TAR-IV
		M/s Amco Batterries Ltd./ 10102068008	2007-08	12.5	26314621	23814523	2500098	312512	126567	937536	1376615	Diff.in A/R & TAR
15	Patna South & Kadamkuan	M/s Sonali Autos/ 10121686161	2007-08	12.5	93540868	85249665	8291203	1036400	497472	3109200	4643072	Diff. in A/R & TAR
		M/s Singh Bajaj Auto P. Ltd./ 10125076020	2007-08	12.5	19797752	19287203	510549	63819	30633	191457	285909	Diff. in A/R & consumption statement of Form-C
			2008-09	12.5	46158235	43553805	2604430	325554	97666	976662	1399882	Diff. in A/R & consumption statement of Form-C
		M/s Lotte India Corp. Ltd/ 10120601119	2007-08	12.5	25818885	19487499	6331386	791423	385819	2374269	3551511	Diff. in Q/R & consumption statement of Form-F
		M/s Sanya Pharma/ 10130468056	2008-09	4	93841190	91742313	2098877	83955	25187	251865	361007	Diff. in AR & consumption statement of Form-F
		M/s Graphic Traders/ 10130105082	2006-07	12.4	51211591	37825386	13386205	535448	273079	1606344	2414871	Diff. in A/R & Trading A/C

## Annexure-X

16	Patna Special	M/s Siemens Ltd./ 10010122096	2006-07	12.5	68186336	30129588	38056748	4757094	2497474	14271282	21525850	Diff. in A/R & Trading A/C
			2007-08	12.5	27951995	7863868	20088127	2511016	866300	7533048	10910364	Diff. in A/R & Trading A/C
		M/s ITC Ltd. / 10010052062	2008-09	4	64911082	51114741	13796341	551854	186251	1655562	2393667	Diff. in ET-V & TAR
		M/s Essar Oil Ltd./ 10010411059	2008-09	18.36	181150797	179218012	1932785	354859	119765	1064577	1539201	Cross verification from IOC
		M/s GSBCH Ltd./ 10010180005	2007-08	12.5	989063029	980336043	8726986	1090873	564527	3272619	4928019	Diff. in A/R & consumption statement of Form-F
			2008-09	12.5	1427227159	1417783877	9443282	1180410	398388	3541230	5120028	Diff. in A/R & consumption statement of Form-F
		M/s Kesoram Spun Pipes & foundries/ 10220290056	2006-07	4	214191716	208493700	5698016	227921	123077	683763	1034761	Diff. in A/R & Road Permit (D-IX)
17	Purnea	M/s Purnia Motors/104934390 49	2008-09	12.5	45152755	42688996	2463759	307970	108559	923910	1340439	Diff. in A/R & consumption of D-IX
		M/s Rahul Traders/ 10490902014	2007-08	4	9572128	6364303	3207825	128313	68327	384939	581579	Diff. in A/R & TAR (Annexure-V)
		M/s Flawless Hoding & industries Ltd./ 10490885039	2007-08	4	528566387	477695505	50870882	2034835	732541	6104505	8871881	Diff. in A/R & Road Permit (D-IX)

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18	Samastipur	M/s Jagdamba Enterprises/ 10421861003	2007-08	4	7335750	6913773	421977	16879	8229	50637	75745	Diff.in A/R & TAR
		M/s Maa Chhinmastika Ent.P. Ltd./ 10422191094	2007-08	4	2257143	1603928	653215	26129	12542	78387	117058	Diff. in A/R & consumption statement of Form-F
19	Siwan	M/s Marketting point/ 10350273063	2008-09	4 & 12.5	9009830	8153433	856397	34668	11960	104004	150632	Diff. in AR & consumption statement of Form-C
		M/s Dev Motors/ 10353254067	2008-09	12.5	21548871	20473191	1075680	134460	46389	403380	584229	Diff. in AR & consumption statement of Form-C
			2009-10	12.5	47338270	46217115	1121155	140144	23124	420432	583700	Diff. in AR & consumption statement of Form-C
<b>Total</b>					<b>8409493081</b>	<b>7996098331</b>	<b>413394748</b>	<b>32832471</b>	<b>12519674</b>	<b>98497413</b>	<b>143849558</b>	

## Annexure-X

**Table - II**  
**Short levy of tax due to suppression of sales turnover**

(Amount in ₹)

Sl No.	Name of the Circle	Name of the dealer	Period	Rate (in per cent)	Actual sale	Sale accounted for	Value suppressed	Tax	Interest	Penalty	Total	Remarks
1	Barh	M/s Maihar enterprises/ 10020325041	2008-09	4	4856904	0	4856904	194276	59740	582828	836844	Cross verification of A/R & purchase statement of united sprit Ltd.
		M/s Maa Kali Traders/ 10020870084	2008-09	4	11428574	0	11428574	457143	140571	1371429	1969143	Cross verification of A/R & purchase statement of united sprit Ltd.
2	Begusarai	M/s SST Traders/ 10361955064	2006-07	4	9573307	0	9573307	382932	261351	1148796	1793079	Cross verification of A/R & purchase statement of united sprit Ltd.
			2007-08	4	7148082	0	7148082	285923	143676	857769	1287368	Cross verification of A/R & purchase statement of united sprit Ltd.
3	Hazipur	M/s Rakesh Mashala Pvt. Ltd/ 10293647082	2008-09	4	151636389	144040039	7596351	303854	72925	911562	1288341	Diff. in A/R , TAR & sale statement
		M/s Jain Infra Project Ltd./ 10293197002	2007-08	4	323450168	291050295	32399873	1295995	544318	3887985	5728298	Diff. in A/R & C-II
4	Lakhisarai	M/s Hari Ram Nand Lal/ 10550002077	2007-08	12.5	20090936	18816504	1274432	159304	66908	477912	704124	Difference in Annual Return, TAR and Sale statement

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5	Patliputra	M/s Bharti Airtel Ltd./ 10050212002	2007-08	12.5	971583617	606965024	364618593	45577324	21877116	136731972	204186412	Cross verification of A/R & Road Permit (D-IX)
		M/s BSFCSCSL/ 10050353040	2007-08	1, 4 & 12.5	9793785670	7553921786	2239863883	55396741	27421387	166190223	249008351	Diff. in A/R & sale statement of TAR
			2008-09	1, 3 (AT) & 12.5	6903034828	4221618408	2681416420	105863328	33346948	317589984	456800260	Diff. in A/R & sale statement of TAR
		M/s Hindustan Steel works Construction Ltd./ 10050036044	2006-07, 2007-08, 2008-09	1,4&12.5	318250000	0	318250000	35340000	11132100	106020000	152492100	Diff. in A/R & letter issued by the Rly
6	Patna West	M/s Kores India Ltd./ 10140218108	2008-09	4 & 12.5	40861745	7064818	33796927	1696606	534431	5089818	7320855	Diff. in A/R , TAR ( details of pending Form-F)
7	Purnea	M/s Baba Const./ 10492453044	2006-07	12.5	85930256	78593005	7337251	917156	0	0	917156	Diff. in A/R & Assessment order
8	Saharsa	M/s Arvind Kumar Singh/ 10510185032	2008-09	4	15648541	12021836	3626705	145068	30464	435204	610736	Diff. in Q/R & A/R
9	Samastipur	M/s Sushila Enterprises/ 10423340059	2009-10	12.5	69596355	63299486	6296869	787109	94453	2361327	3242889	Diff. in A/R & TAR (Form-3CD)
		<b>Total</b>			<b>18726875372</b>	<b>12997391201</b>	<b>5729484171</b>	<b>248802759</b>	<b>95726388</b>	<b>743656809</b>	<b>1088185956</b>	

### ABSTRACT

(Amount in ₹)

Table	Caption	Actual purchase/ sale	Purchase/ Sale accounted for	Value suppressed	Short Levy			
					Tax	Interest	Penalty	Total
I	Suppression of Purchase	8409493081	7996098331	413394748	32832471	12519674	98497413	143849558
II	Suppression of Sale	18726875372	12997391201	5729484171	248802759	95726388	743656809	1088185956
<b>Total</b>		<b>27136368453</b>	<b>20993489532</b>	<b>6142878919</b>	<b>281635230</b>	<b>108246062</b>	<b>842154222</b>	<b>1232035514</b>



# Annexure XI

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

(Reference: Paragraph 2.5)

Sl. No.	Name of Circle	Name of Dealer / TIN	Year	Commodity	Sale value	Rate of tax leviable / levied (in %)	Short levy of tax	Int. on short levy	Penalty to be imposed	Total
1	Arrah	M/s Madan Pd Raj Kumar/ 10160095057	2006-07	Cosmetics	20934156	12.5/4	1779403	1201097	5338209	8318709
		M/Bhartiya Electronic/ 10160727012	2007-08	Inverter	2866162	12.5/4	243624	124248	730872	1098744
2	Bhabhua	M/s Madan Stone Crusher/ 10181048027	2005-06	Stone chips	338650	12.5/4	28785	25043	86355	140183
			2006-07	Stone chips	446650	12.5/4	37965	23918	113895	175778
3	Bhagalpur	M/s Shukla & Singh Associates/ 10524070097	2007-08 & 2008- 09(up to 3 <sup>rd</sup> qtr)	Packaged drinking water	1134911	12.5/4	96467	33479	289401	419347
4	Biharsarif	M/s Vishal Infrastructure Ltd./ 10190571002	2006-07	Moorum	1766919	12.5/4	150188	87860	450564	688612
5	Buxar	M/s Buxar Trading Company/ 10030002052	2006-07	Hair Oil	32655125	12.5/4	2339271	1438651	7017813	10795735
6	Darbhanga	M/s Shyam Sunil Const. India ltd./ 10384606019	2007-08	Stone chips	58795028	12.5/4	4997577	1949055	14992731	21939363
		M/s Shyam Kishore Const. India ltd./ 10381512010	2006-07	Stone chips	75737027	12.5/4	6437647	3669459	19312941	29420047

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7	Muzaffarpur (West)	M/s Shri Sai Sales & Services/ 10306077050	2008-09	Earth moving machine, loader machine	69492083	12.5/4	5906827	1949253	17720481	25576561
		M/s Prakash Stores/ 10302209078	2006-07	Digestive tablet & churan	5298900	12.5/4	450407	310780	1351220	2112407
			2007-08	-do-	11662450	12.5/4	991308	505567	2973925	4470800
			2008-09	-do-	16524558	12.5/4	1404587	463514	4213761	6081862
8	Nawada	M/s Zunaid Auto Electric/ 10230607073	2006-07	Inverter	1740766	12.5/4	147965	97657	443895	689517
			2007-08	Inverter	1263219	12.5/4	107374	51539	322122	481035
			2008-09	Inverter	1150051	12.5/4	97754	29326	293262	420342
				Road Roller, DG Set etc.	127141137	12.5/4	10806997	3404204	32420991	46632192
9	Patliputra	M/s Speed Craft Ltd./ 10050003064/ 10050003161	2008-09	Road Roller, DG Set etc.	127141137	12.5/4	10806997	3404204	32420991	46632192
		M/s Phooltas Tamper Pvt. Ltd./ 10050043028	2007-08 & 2008-09	Rail Road Vehicle, utility track vehicle, gang car etc	234334460	12.5/4	19918429	7669561	59755287	87343277
		M/s Pep infotech Ltd./ 10050215009	2007-08 & 2008-09	Telephone Billing machine	40274904	12.5/4	3423367	1443864	10270101	15137332
		M/s NAFED/ 10050127030	2008-09	Wheat & Rice	1169792763	1/0	11697928	3684847	35093784	50476559
		M/s Progressive Const. Pvt. Ltd./ 10050289020	2005-06	Sand & bitumen	22791015	12.5/4	1937236	1656337	5811708	9405281
		M/s Samsung India electronic pvt. ltd./ 10050130037	2008-09	TV, AC & other electronic goods	9842620	12.5/4	836623	263536	2509869	3610028

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10	Patna city (West)	M/s Indo Asian Mineral Water & Allied Products/10081276058	2007-08	Package drinking water	1164820	12.5/4	99010	35643	297030	431683
			2008-09	-do-	2093698	12.5/4	177964	32034	53389 2	743890
11	Patna North	M/s Lakhmani Infotech/ 10110510015	2006-07	cartridge	9473515	12.5/4	805249	471071	2415747	3692067
12	Patna (South)	M/s Linkwell Telesystem pvt. Ltd./ 10122317049	2009-10	PCO Billing machine	7245480	12.5/4	615866	78523	1847598	2541987
		M/s Jeevan Dhara Products/ 10123111091	2006-07	Package drinking water	78826	12.5/4	6700	4523	20100	31323
			2007-08	-do-	118680	12.5/4	10088	5901	30264	46253
13	Patna (Special)	M/s B. K. Trading Company /10010256053	2006-07	Hair Oil	1597343	12.5/4	126994	66672	380982	574648
			2007-08	Hair Oil	5491497	12.5/4	377337	130181	1132011	1639529
		M/s Dabur India Ltd./ 10010037027	2006-07	Medicinal Food Items	127446684	12.5/4	10832968	5687308	32498904	49019180
			2007-08	-do-	145027346	12.5/4	12327324	4252927	36981972	53562223
			2008-09	Isabgoal, chawanpras	228472351	12.5/4	19420150	6401649	58260450	84082249
		M/s Merico Ltd./ 10010186019	2008-09	Medicar Shampoo	20217595	12.5/4	1456163	480534	4368489	6305186
		M/s Tantiya Const. Pvt. Ltd./ 10010124036	2006-07	Stone Chips	9071335	12.5/4	771063	404808	2313189	3489060
			2007-08	Stone Chips	43964288	12.5/4	3736964	1345307	11210892	16293163
	2007-08	PSC Pole	7991290	12.5/4	679260	326045	2037780	3043085		
14	Patna (West & Central)	M/s Pure & Sure/ 10151931052	2008-09	Packaged mineral water	23410827	12.5/4	1989920	596977	5969760	8556657
		M/s Shivam aqua industries pvt. ltd./ 10150391080	2007-08	Packaged mineral water	3443626	12.5/4	292708	140498	878124	1311330
			2008-09	Packaged mineral water	5913332	12.5/4	502378	150713	1507134	2160225

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15	Purnea	M/s Ganga Jyoti purifier/10492467012	2007-08	Packaged mineral water	463680	12.5/4	39413	13597	118239	171249
			2008-09	Packaged mineral water	539118	12.5/4	45825	7561	137475	190861
			2009-10	Packaged mineral water	428958	12.5/4	36461	6290	109383	152134
	M/s Baba Const./10492453044	2007-08	Paints & emulsion	24552505	12.5/4	2086963	1111308	6260889	9459160	
		2008-09	Paints & emulsion	3888123	12.5/4	330490	116498	991470	1438458	
16.	Samastipur	M/s Chhinmastika enterprises /10422191094	2007-08	PSC Pole	517518	12.5/4	43989	21115	131967	197071
17	Sasaram	M/s Maa Luxmi Bhandar/1024520305	2008-09	Husk	13052549	4/0	522102	172295	1566306	2260703
<b>TOTAL</b>					<b>2591648538</b>		<b>131171078</b>	<b>52142773</b>	<b>393513234</b>	<b>576827085</b>

# Annexure XII

## Excess allowance of Input Tax Credit (ITC)

(Reference: Paragraph 2.6)

(Amount in ₹)

Sl. No.	Name of Circle	Name of Dealer / TIN	Year	Purchase value	ITC availed	Actual entitlement	Excess availing of ITC	Penalty Interest	Total	Cause of excess ITC
1	Bhabhua	M/s Kalyani Traders/ 10180011097	2007-08	3970989	543435	492588	50847	<u>152541</u> 25931	229319	ITC claim were not in conformity with the purchase shown in annual return.
			2009-10	4722753	611547	584219	27328	<u>81984</u> 4099	113411	-do-
		M/s Dayanand Pd. Sinha & Co./ 10181534049	2008-09	4261185	281092	228554	52538	<u>157614</u> 15761	225913	ITC were claimed on in admissible capital inputs like motor vehicle and office fixtures and equipments.
2	Danapur	M/s Iceberg Industries/ 10040518016	2008-09	40126710	1634203	0	1634203	<u>4902609</u> 441235	6978047	The inputs were used in manufacturing of schedule -IV goods.
3	Forbesganj	M/s Auto Traders/ 10440168007	2008-09	142985	17873	0	17873	<u>53619</u> 6300	77792	ITC were claimed / allowed on those goods which were not re-sold rather used as consumables.



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4	Muzaffarpur (East)	M/s BSC-C&C JV/ 10310938011	2008-09	198346588	8251408	7191043	1060365	<u>3181095</u> 222676	4464136	ITC claimed in Return were not in conformity with the ITC shown in Tax Audit Report
		M/s Ganesh foundry & casting Ltd./ 10310584058	2008-09	37074892	1519043	1222438	296605	<u>889815</u> 62288	1248708	ITC claimed in Return were not in conformity with the ITC shown in Tax Audit Report
5	Muzaffarpur (West)	M/s Parle Biscuit Pvt. Ltd./ 10305416092	2008-09	159515657	1837002	882574	954428	<u>2863284</u> 314961	4132673	ITC was claimed in excess of the amount of reverse credit shown in declaration in form D-IV
6	Patliputra	M/s Kalpataru power transmission Ltd./ 10050290087	2007-08	77216439	7433190	5482597	1950593	<u>0</u> 965544	2916137	ITC were allowed by the assessing officer more than the claim.
		M/s FCI/ 10050225097	2008-09	7120538952	116919098	33000749	83918349	<u>251755047</u> 26434280	362107676	ITC were claimed on additional tax also.
7	Patna (South)	M/s Krish Motor Pvt. Ltd./ 1012486006	2008-09	5024453	626535	333645	292890	<u>878670</u> 90064	1261624	ITC were claimed / allowed on those goods which were not re-sold rather used as consumables in the work shop.

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8	Patna Special	M/s Tania Const./ 10010124036	2007-08	38489614	10680837	8817209	1863628	<u>5590884</u> 978405	8432917	ITC were claimed / allowed on those goods which were not re-sold rather used as consumables.
			2008-09	104574280	8847475	7097494	1749981	<u>5249943</u> 590618	7590542	-do-
		M/s Bharat Petroleum corp. Ltd./ 10010121029	2008-09	16345562	653822	0	653822	<u>1961466</u> 220665	2835953	ITC were claimed on the goods not sold in the same form but mixed with schedule-IV goods.
<b>Total</b>				<b>7810351059</b>	<b>159856560</b>	<b>65333110</b>	<b>94523450</b>	<u><b>277718571</b></u> <b>30372827</b>	<b>402614848</b>	

# Annexure XIII

## Incorrect allowance of deductions

(Reference: Paragraph 2.7)

(Amount in ₹)

Sl. No.	Circle	Name of the dealer/TIN	Year	Items of inadmissible deduction	Amount of such deduction	Apportioned value of material	Rate (per cent)	VAT
1	Arrah	M/s Kamal Builders/ 10162619094	2008-09	Profit and Establishment expenses and other expenses such as repair & maintenance, transportation	250564007	211066630	4 and 12.5	8873241
2	Bagha	Ujjain Enjicon (India) Pvt. Ltd./ 10250248021	2006-07	Soil Purchase and other Miscellaneous expenses	26642358	26642358	4 and 12.5	2243287
3	Begusarai	Upendra Prasad Singh Hitech Construction/ 10360329053	2008-09 2009-10	Profit, VAT and Service Tax	12466775	12466775	4 and 12.5	654584
4	Bettiah	CECON & SPM (JR)/ 10262831055	2008-09	Profit	11798620	9336287	4 and 12.5	373451
		Durga Construction/ 10260267054	2008-09	Profit, VAT, Royalty and other miscellaneous expenses	13712352	11248348	4 and 12.5	449934
		Narayani Nirman/ 10260708016	2007-08	Profit and other Miscellaneous expenses	121305726	114851049	4	4594042
5	Bhagalpur	Rungta Enterprises/ 10520936027	2007-08	Other administrative expenses and Profit	7179279	4031475	4 and 12.5	224071
6	Buxar	Janmejai Singh/ 10031761050	2007-08	Gross Profit	7921472	6535461	4 and 12.5	661389
		Sushant Sagar Construction/ 10030874082	2007-08	Profit and other administrative expenses	10140669	3355227	4 and 12.5	285362
7	Darbhanga	Tara Construction/ 10384624061	2008-09	Administrative and Estt. expenses	9608370	8271205	4 and 12.5	548794
		Raghav Construction/ 10381595042	2006-07 2007-08	Earth Work, Royalty and VAT	44359385	26637875	4 and 12.5	1715440
		Shyam Kishor Construction India Pvt. Ltd./ 1010381512010	2006-07	Gross Profit	25127482	22296535	4 and 12.5	2189134
		Shyam Sunil Construction/ 1038460619	2007-08	Gross Profit	28855830	28157825	4 and 12.5	2011877

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8	Jamui	Sudesh Kr. Singh/ 10540663014	2007-08 2008-09	Office expenses, TDS and profit	38094834	38094834	4 and 12.5	2844197
		M/s Ashok and Company/ 10540629064	2008-09	Office expenses, TDS and profit	10156122	10156122	4 and 12.5	820614
		M/s Sudesh Kr. Singh & Co./ 10540164046	2007-08 2008-09	Profit Royalty and Sales Tax	8156949	8156949	4 and 12.5	648412
9	Khagaria	M/s Anil Kumar/ 10460652079	2007-08	Royalty	568909	568909	4 and 12.5	59024
			2009-10	Profit and other misc expenses	1923285	1193312	4 and 12.5	93985
10	Lakhisarai	Munger Construction Co./ 10551619067	2007-08	Profit Royalty and VAT	17554820	17554820	4 and 12.5	702193
		Nex-Gen Construction/ 10551461054	2008-09	Profit and other miscellaneous expenses	3400308	2883109	4 and 12.5	197519
		Nishant Kr./ 10551703069	2008-09	Profit, Royalty and Sales Tax	14828209	14828209	4 and 12.5	937595
11	Motihari	M/s R.K.Garg/ 10273127023	2008-09	Profit & other Misc. expenses	61677486	31897808	4 and 12.5	1600457
12	Muzaffarpur (East)	M/s BSc-C&C (JV)/ 10310938011	2008-09	Profit	261192589	126839529	4 and 12.5	6558174
13	Patliputra	M/s MGCPL-VCBPL (JV)/ 10050442086	2008-09	Hire charges of vehicles other expenses & profit	80483113	68622095	4 and 12.5	4030450
		M/s M.G. Contractor Pvt. Ltd/ 10050485057	2008-09	Hire charges of vehicles other expenses & profit	13877870	11115426	4 and 12.5	770766
		M/s Oriental structural Engineering Pvt. Ltd./10050184066	2006-07	Depreciation, Estt. & other overheads including repair and maintenance	74579070	68431105	4 and 12.5	5878232
		M/s Kalpataru Power Transmission Ltd./10050290087	2005-06	Estt. and administrative expenses	29437273	15653359	4 and 12.5	1365114
			2006-07	do	97249223	61147355	do	6017114
			2007-08	do	154710129	64536884	do	5921679
			2008-09	do	132342611	38223616	do	2463034
		M/s Progressive Const Ltd./ 10050289020	2005-06	Estt. expenses, hire charges, Profit & other admn. expenses .	56367627	43302633	4 and 12.5	5061688
2006-07	202687326		166530923		do	12119454		
2007-08	520186393		469221385		do	28101669		

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14	Patna (South)	M/s Mother India Const. Pvt. Ltd./ 10120984075	2007-08 2008-09 2009-10	Cost of Establishment & other expenses, profit	206897945	163810750	4 and 12.5	7671051
		M/s Ajanta Const. Co./ 10120312059	2008-09	Misc. expenses & Profit	7053785	5638883	4 and 12.5	225555
		M/s Arjun Enjicom Pvt. Ltd./ 10122788081	2007-08	Profit & other Estt. & Admn expenses.	10633269	6061288	4 and 12.5	330037
15	Patna Special	M/s Tantia Const./ 10010124036	2008-09	Profit & Administrative & Estt. expenses	723737716	407126959	4 and 12.5	21285615
		M/s GPT Infrastructure/ 10010645050	2008-09	TDS	2018190	2018190	4 and 12.5	142278
16	Patna (West and Central)	M/s Jyoti Structure Ltd./10150374008	2006-07	Profit	78553071	20842538	4 and 12.5	1560064
17	Purnea	M/s Baba Const./ 10492453044	2006-07	Cost of Soil and freight expenses.	4730134	4730134	4 and 12.5	591267
18	Sasaram	M/s A.K.Builders and transporters/ 10240936021	2008-09	Cost of Estt. and other admn expenses, profit	27578396	18112736	4 and 12.5	810110
<b>Total</b>					<b>3410358977</b>	<b>2372196910</b>		<b>143631953</b>



# Annexure XIV

## Incorrect adjustment of entry tax towards payment of VAT

(Reference: Paragraph 2.20)

(Amount in ₹)

Sl. No.	Name of Circle	Name of Dealer / TIN	Year	ET paid	ET adjusted	Actual amount of ET to be adjusted	Difference	Interest	Total	Remarks
1	Danapur	M/s Balmukund concast Ltd./ 10040196073	2008-09	31459526	30116914	27954935	2161979	551305	2713284	Claimed adjustment on inter state stock transfer
		M/s Ice Burg Industries Ltd./ 10040518016	2008-09	1396480	1396480	0	1396480	356102	1752582	The dealer does not come under small, medium or sick unit
2	Hajipur	M/s Sumitra trading co./ 10290610012	2008-09	2775956	2781088	2168716	612372	137784	750156	Rate of VAT is less than the rate of ET
3	Muzaffarpur West	M/s Shyama Power India Ltd./ 10302993032	2008-09	2500000	2500000	908581	1591419	525168	2116587	-do-
4	Patliputra	M/s Amara Raja Batteries/ 10050107048	2008-09	12186642	11981724	9683941	2297783	723802	3021585	Claimed adjustment on replaced goods under warranty
		M/s Exide Industries Ltd./ 10050070091	2007-08 (Scrutinized in Feb.2010)	68665397	68665397	64712900	3952497	1897199	5849696	-do-
		M/s IRCTC/ 10050163017	2007-08 2008-09	2628553 2364050	2628553 2318917	986701 748403	1641852 1570514	812717 494712	2454569 2065226	Claimed adjustment on inter state stock transfer
5	Patna Special	M/s Bharat Petroleum Cor. Ltd./ 10010121223	2008-09	50252556	50252556	37222805	13029751	4299818	17329569	Rate of VAT is less than the rate of ET
		M/s Hindustan Petroleum Corp. Ltd./ 10010120253	2008-09	38291231	38291231	9215542	29075689	9594977	38670666	Rate of VAT is less than the rate of ET
		M/s JP Associates/ 10010083005	2007-08 (Assessed in June 2009)	123851907	123851907	123322507	529400	269994	799394	Claimed adjustment on damage goods
6	Sasaram	M/s Nasimuddin & Sons/ 10242253087	2008-09	2860705	2860705	2234916	625789	215897	841686	Rate of VAT is less than the rate of ET
<b>Total</b>				<b>339233003</b>	<b>337645472</b>	<b>279159947</b>	<b>58485525</b>	<b>19879475</b>	<b>78365000</b>	

# Annexure XV

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

(Reference: Paragraph 2.21)

(Amount in ₹)

Sl. No.	Name of Circle	Name of Dealer / TIN	Year	Commodity/ rate	Actual purchase purchase accounted for	Suppression	Entry tax	Penalty	Interest	Total
1	Arrah	M/s Prasad Motor / 10160060234	2009-10	Motorcycle / 8%	<u>3585610</u> Nil	3585610	286849	860547	45179	1192575
2	Nawadah	M/s Twinderjit Mining & Const. / 10231406062	2008-09	Diesel Generator Set, Electrical goods, Bucket etc	<u>9456647</u> Nil	9456647	772927	2318781	237675	3329383
3	Patliputra	M/s GTL Infra Ltd./ 10050455278	2008-09	Iron & telecom / 4% 8%	<u>54560186</u> 45487088	9073098	606482	1819446	191042	2616970
		M/s Progressive Const. Ltd./ 10050289214	2007-08	HSD, Lubricant./ 16% & 8%	<u>41640661</u> Nil	41640661	6630230	19890690	3281964	29802884
		M/s Gamon India Ltd./ 10050198228	2007-08	Bitumen, DG Set, transformer, iron and steel, bitumen etc./4 and 8%	<u>330116137</u> 165501990	164614147	8598859	25796577	4256435	38651871
		M/s Reliance Telecom/ 10050157294	2007-08 (Assessed in July 2008)	Telecom goods/ 4%	<u>2204310499</u> 2186409348	17901151	716046	2148138	354443	3218627

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4	Patna Special	M/s Tantiya Const./ 10010124230	2008-09	Motor vehicle/ 8%	<u>155655227</u> 137706747	17948480	1435878	4307635	473840	6217352
		M/s Dipak Vegpro Pvt. Ltd./ 10010526295	2007-08 & 2008-09 (Assessed in July 2008)	Granules/ PP Gas, C B Boxes & DG Sets/ 4% & 8%	<u>69029348</u> 14054134	54975214	2301511	6904533	931818	10137862
		M/s Hindustan Petroleum Cor. Ltd./ 10010120253	2008-09	MS, HSD, LPG, Bitumen, Asphalt/ 16% & 4%	<u>2523941937</u> 1305366759	1218575178	139346226	418038678	45984254	603369158
		M/s Bharat Petroleum Cor. Ltd./ 10010121223	2008-09	MS, HSD, LPG, Lubricants/ 4%, 8% & 16%	<u>7379717693</u> 807397733	6572319960	1018425244	3055275732	336080331	4409781307
		M/s Indian Oil Cor. Ltd./ 10010116276	2008-09	DG Set, Highlight Tower/ 8%	<u>8660556536</u> 8654119330	6437206	514976	1544928	169942	2229846
5	Purnea	M/s Popular Gas Distributers/ 10490210210	2007-08	LPG/ 8%	<u>14418135</u> 4357645	10060490	804840	2414520	350105	3569465
6	Sasaram	M/s Bihar State Hydro Electric Power Corp./ 10244900217	2007-08	Power plant, Machinery and	<u>127593226</u> 115410694	12182532	974603	2923809	497050	4395462
			2008-09	Electricals goods 8%	<u>93311852</u> 88021817	5290035	423203	1269609	146005	1838817
<b>Total</b>					<u>21667893694</u> 13523833285	<b>8144060409</b>	<b>1181837874</b>	<b>3545513623</b>	<b>393000083</b>	<b>5120351580</b>

# Annexure XVI

## Application of incorrect rate of entry tax

(Reference: Paragraph 2.22)

(Amount in ₹)

Sl. No.	Name of the circle	Name of the dealer TIN	Period	Import Value	Commodity	Rate leviable/ Rate levied	Difference in tax amount	Penalty leviable	Interest leviable	Total
<b>Assessed/scrutinised cases</b>										
1	Darbhanga	M/s Baidhyanath Gami Satyanarayan/10380023254	2007-08	54993779	Tobacco Products	16/5	6049316	18147948	2359233	26556497
2	Jamui	M/s Shyam Biri Works/10540543025	2007-08	3913165	Tobacco (Biri)	8/5	117395	352185	49306	518886
		M/s Nasiruddin Biri Merchant Pvt. Ltd./10540669222	2007-08	22360765	Tobacco	8/5	670822	2012466	281745	2965033
3	Madhubani	M/s Rahul Zarda Stores/10410501042	2007-08	4691903	Zarda	16/5	516109	1548327	193541	2257977
4	Patliputra	M/s Reliance Telecom Infrastructure Ltd./10050415217	2008-09	22426984	Electricals goods	8/4	897079	2691237	282580	3870896
		M/s Reliance Communication Ltd./10050112286	2007-08	148279025	Electricals goods	8/4	5931161	17793483	2935925	26660569
			2008-09	44333839	Battery and Electricals goods	8/4	1773354	5320062	558606	7652022
		M/s Reliance Telcom Ltd./10050157294	2007-08	29516605	Electricals goods	8/4	1180664	3541992	584429	5307085
<b>Total</b>				<b>330516065</b>			<b>17135900</b>	<b>51407700</b>	<b>7245365</b>	<b>75788965</b>
<b>Self Assessed cases</b>										
1	Arrah	M/S Kamal Builders/10162619288	2008-09	1221852	LDO Fuel	16/8	97748	293244	30791	421783
2	Jamui	M/s M.K. Brother/10540543219	2007-08	4470282	Tobacco	8/5	134108	402324	56325	592757

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3	Kishanganj	M/s Kailash Tobacco Store/ 10470596228	2008-09	565420	Tobacco	8/5	16963	50889	5343	73195
		ITD Cementation India Ltd./10470433074	2008-09	8588919	Cement	12/5	601224	1803672	189386	2594282
4	Patliputra	M/s Aditya Birla Telcom Ltd./10050411240	2007-08	7443968	Electricals goods / Tiles	8/4	297759	893277	147390	1338426
			2009-10	408707457	Telecom	4/0	16348298	49044894	3678367	69071559
		M/s Tata Tele Services Ltd./ 10050254294	2008-09	80008922	Battery and Electricals goods	8/4	3200357	9601071	1008112	13809540
		M/s Bharti Infratel Ltd./10050418224	2007-08	63542789	Electricals goods	8/4	2441712	7325136	1258147	11024995
		M/s BSNL (Electrical)/ 10050459255	2007-08	5812151	Electricals goods	8/4	232486	697,458	115081	1045025
		M/s Idea Cellular Infrastructure Services Ltd./ 10050484281	2008-09	316443832	Electricals goods	8/4	12657753	37973259	3797326	54428338
		M/s Dishnet wireless Ltd./10050333252	2008-09	20089127	Telcom ,Battery and Electricals goods	4,8/0,4	870754	2612262	356837	3839853
5	Patna city West	M/s Hariom Enterprises/10082366241	2007-08	6560376	Gutka	16/5	721641	2164923	259791	3146355
6	Patna Special	M/s ITC Ltd./ 10010052256	2008-09	1459007494	Cigarettes & Smoking Tobacco	16/12.5	51065262	153195786	16851537	221112585
7	Sasaram	M/s Bihar State Hydroelectric Power Corporation Ltd./ 10244900217	2007-08	52258577 32750016	Power plant Machinery	8/4 8/0	4710332	14130996	2472924	21314252
<b>Total</b>				<b>2467471182</b>			<b>93396397</b>	<b>280189191</b>	<b>30227357</b>	<b>403812945</b>
<b>GRAND TOTAL</b>				<b>2797987247</b>			<b>110532297</b>	<b>331596891</b>	<b>37472722</b>	<b>479601910</b>



# Annexure XVII

## Incomplete Database

(Reference: Paragraph 3.2.13)

Name of office	Total number of vehicle	Owner's Name	address	Engine No	Vehicle class	Maker/Model	PAN /GIR	Sale amount	Seating capacity zero	Cubic capacity/ HP	Unladen weight	Laden weight	Wheel base	Purchase date
Bhagalpur	19823		5	5		5	19818	962	149	745	182	3	3	1
Gaya	6017		558	558		558	3698	198	439	576	269		7	
Katihar	9132		214	193		216	9132	58	184	193	121			1
Muzaffarpur	60480		878	411	2133	20559	60473	1975	422	1338	18887	75	2545	2137
Patna	242037	27	1381	890	678	59241	237565	3708	640	80762	13133	93	3465	3233
Purnea	15152		1365	1238		1365	15152	838	944	309	288		92	
Vaishali	25055		473	3		486	25014	516	340	17	157	4	20	689
<b>Total</b>	<b>377696</b>	<b>27</b>	<b>4874</b>	<b>3298</b>	<b>2811</b>	<b>82430</b>	<b>370852</b>	<b>8255</b>	<b>3118</b>	<b>83940</b>	<b>33037</b>	<b>175</b>	<b>6132</b>	<b>6061</b>

Name of office	Total number of vehicle	duplicate engine number	same engine & chassis number
Bhagalpur	19823	16	247
Gaya	6017	10	189
Hajipur	25055	22	500
Katihar	9132	2	90
Muzaffarpur	60480	1180	591
Patna	242037	773	1588
Purnea	15152	12	117
<b>Total</b>	<b>377696</b>	<b>2015</b>	<b>3322</b>

## Non-realisation of motor vehicle taxes

(Reference: Paragraph 3.4)

Sl. No.	Name of the DTOs	No. of vehicles for which tax calculated	Period for which tax was not paid	Amount of tax (in ₹)		
				Tax	Penalty	Total
1	Arrah	36	9/02 to 3/10	1215724	2431448	3647172
2	Arwal	08	7/07 to 3/10	52009	104018	156027
3	Aurangabad	36	5/06 to 3/10	699967	1399934	2099901
4	Banka	16	01/08 to 3/10	225300	450600	675900
5	Begusarai	42	7/02 to 11/10	1544443	3088886	4633329
6	Betiah	42	4/01 to 6/10	1182804	2365608	3548412
7	Bhagalpur	69	4/06 to 3/10	2829480	5658960	8488440
8	Buxar	21	7/01 to 6/10	588166	1176332	1764498
9	Chapra	97	5/06 to 12/10	2380089	4760178	7140267
10	Gaya	40	7/02 to 3/10	7504475	15008950	22513425
11	Jamui	12	5/06 to 3/10	136467	272934	409401
12	Jehanabad	28	7/02 to 3/10	3567821	7135642	10703463
13	Kaimur (Bhabua)	21	07/02 to 3/10	1856805	3713610	5570415
14	Katihar	23	4/07 to 3/10	420751	841502	1262253
15	Khagaria	16	7/06 to 3/10	403107	806214	1209321
16	Lakhisarai	27	11/06 to 3/10	1069316	2138632	3207948
17	Madhepura	06	1/02 to 3/10	185841	371682	557523
18	Madhubani	22	1/02 to 3/10	680773	1361546	2042319
19	Motihari	33	09/08 to 11/10	701443	1402886	2104329
20	Munger	30	10/06 to 3/10	620767	1241534	1862301
21	Muzaffarpur	26	9/02 to 4/10	2330005	4660010	6990015
22	Nalanda	32	07/02 to 3/10	4333403	8666806	13000209
23	Nawada	25	08/02 to 3/10	762313	1524626	2286939
24	Patna	132	7/02 to 3/10	10977485	21954970	32932455
25	Purnia	25	12/03 to 11/10	1524441	3048882	4573323
26	Samastipur	15	8/02 to 3/10	974953	1949906	2924859
27	Sasaram	43	5/06 to 3/10	857874	1715748	2573622
28	Sheikhpura	34	5/06 to 3/10	898139	1796278	2694417
29	Sheohar	06	6/02 to 3/10	709989	1419978	2129967
30	Siwan	22	09/02 to 3/10	1299199	2598398	3897597
31	Supaul	25	3/07 to 3/10	322500	645000	967500
32	Vaishali	15	2/05 to 3/10	537024	1074048	1611072
	<b>Total</b>	<b>1025</b>		<b>53392873</b>	<b>106785746</b>	<b>160178619</b>

## Non-settlement of excise shops

(Reference: Paragraph 4.5.1)

**Table - I**  
**Country Spirit/Spiced Country Spirit**

(Amount in ₹)

Sl. No.	Name of excise districts	No. of sanctioned excise shops	No. of shops settled	No. of shops remained unsettled	Monthly licence fee	Loss of revenue (Col. 5x6) x no. of months
1	2	3	4	5	6	7
1	Begusarai	36	27	8	1,75,000	1,68,00,000
				1	35,000	4,20,000
	<b>Total</b>	<b>36</b>	<b>27</b>	<b>09</b>		<b>1,72,20,000</b>
2	Bhagalpur	51	25	11	1,22,010	1,61,05,320
				04	1,13,120	54,29,760
				03	1,07,030	38,53,080
				03	94,780	34,12,080
				05	50,400	30,24,000
<b>Total</b>	<b>51</b>	<b>25</b>	<b>26</b>		<b>3,18,24,240</b>	
3	Bhojpur	59	52	02	2,35,200	56,44,800
				02	2,19,520	52,68,480
				01	1,96,000	23,52,000
				02	94,080	22,57,920
<b>Total</b>	<b>59</b>	<b>52</b>	<b>07</b>		<b>1,55,23,200</b>	
4	East Champaran	56	46	02	1,56,800	37,63,200
				05	1,25,440	75,26,400
				01	1,09,760	13,17,120
				02	62,720	15,05,280
<b>Total</b>	<b>56</b>	<b>46</b>	<b>10</b>		<b>1,41,12,000</b>	
5	Gaya	64	43	02	2,16,930	52,06,320
				10	1,56,870	1,88,24,400
				05	1,17,250	70,35,000
				04	63,070	30,27,360
<b>Total</b>	<b>64</b>	<b>43</b>	<b>21</b>		<b>3,40,93,080</b>	
6	Gopalganj	17	12	01	2,73,000	32,76,000
				04	2,45,000	1,17,60,000
<b>Total</b>	<b>17</b>	<b>12</b>	<b>05</b>		<b>1,50,36,000</b>	
7	Jehanabad	17	10	06	1,80,320	1,29,83,040
				01	1,62,260	19,47,120
<b>Total</b>	<b>17</b>	<b>10</b>	<b>07</b>		<b>1,49,30,160</b>	
8	Katihar	42	29	08	1,26,000	1,20,96,000
				05	93,450	56,07,000
<b>Total</b>	<b>42</b>	<b>29</b>	<b>13</b>		<b>1,77,03,000</b>	
9	Khagaria	28	19	06	1,19,000	85,68,000
				02	90,160	21,63,840
				01	64,400	7,72,800
<b>Total</b>	<b>28</b>	<b>19</b>	<b>09</b>		<b>1,15,04,640</b>	

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10	Madhubani	32	25	06	85,330	61,43,760
				01	77,630	9,31,560
	<b>Total</b>	<b>32</b>	<b>25</b>	<b>07</b>		<b>70,75,320</b>
11	Patna	203	161	08	2,99,600	2,87,61,600
				08	2,90,360	2,78,74,560
				06	2,87,070	2,06,69,040
				12	2,82,240	4,06,42,560
				02	1,58,830	38,11,920
				05	1,68,355	1,01,01,300
				01	1,96,425	23,57,100
<b>Total</b>	<b>203</b>	<b>161</b>	<b>42</b>		<b>13,42,18,080</b>	
12	Purnea	39	32	06	78,400	56,44,800
				01	1,72,480	20,69,760
				<b>Total</b>	<b>39</b>	<b>32</b>
13	Rohtas	88	82	02	2,74,400	65,85,600
				01	2,56,970	30,83,640
				02	1,96,000	47,04,000
				01	1,17,180	14,06,160
				<b>Total</b>	<b>88</b>	<b>82</b>
14	Saran	34	20	10	1,37,200	1,64,64,000
				04	1,19,000	57,12,000
				<b>Total</b>	<b>34</b>	<b>20</b>
15	West Champanan	52	40	12	2,03,000	2,92,32,000
	<b>Total</b>	<b>52</b>	<b>40</b>	<b>12</b>		<b>2,92,32,000</b>
<b>Grand Total</b>		<b>818</b>	<b>623</b>	<b>195</b>		<b>38,81,41,680</b>



## Annexure-XX

**Table - II**  
**India Made Foreign Liquor**

(Amount in ₹)

Sl. No.	Name of excise districts	No. of sanctioned excise shops	No. of shops settled	No. of shops remained unsettled	Monthly licence fee	Loss of revenue (Col. 5x6) x no. of months
1	2	3	4	5	6	7
1	Araria	29	25	04	98,500	47,28,000
	<b>Total</b>	<b>29</b>	<b>25</b>	<b>04</b>		<b>47,28,000</b>
2	Begusarai	31	22	08	2,37,000	2,27,52,000
				01	37,500	4,50,000
	<b>Total</b>	<b>31</b>	<b>22</b>	<b>09</b>		<b>2,32,02,000</b>
3	Bhagalpur	50	27	10	2,17,410	2,60,89,200
				04	1,88,492	90,47,616
				03	1,38,960	50,02,560
				02	1,24,830	29,95,920
				04	70,010	33,60,480
	<b>Total</b>	<b>50</b>	<b>27</b>	<b>23</b>		<b>4,64,95,776</b>
4	Bhojpur	46	36	07	1,72,950	1,45,27,800
				01	51,120	6,13,440
				01	50,150	6,01,800
				01	49,000	5,88,000
	<b>Total</b>	<b>46</b>	<b>36</b>	<b>10</b>		<b>1,63,31,040</b>
5	East Champaran	54	52	01	94,290	11,31,480
				01	63,510	7,62,120
	<b>Total</b>	<b>54</b>	<b>52</b>	<b>02</b>		<b>18,93,600</b>
6	Gaya	52	32	02	2,55,800	61,39,200
				06	1,98,130	1,42,65,360
				05	1,00,310	60,18,600
				07	93,920	78,89,280
	<b>Total</b>	<b>52</b>	<b>32</b>	<b>20</b>		<b>3,43,12,440</b>
7	Gopalganj	14	10	01	1,48,000	17,76,000
				03	1,27,920	46,05,120
	<b>Total</b>	<b>14</b>	<b>10</b>	<b>04</b>		<b>63,81,120</b>
8	Jehanabad	16	14	02	69,450	16,66,800
	<b>Total</b>	<b>16</b>	<b>14</b>	<b>02</b>		<b>16,66,800</b>
9	Katihar	36	34	02	69,758	16,74,192
	<b>Total</b>	<b>36</b>	<b>34</b>	<b>02</b>		<b>16,74,192</b>
10	Khagaria	22	21	01	67,950	8,15,400
	<b>Total</b>	<b>22</b>	<b>21</b>	<b>01</b>		<b>8,15,400</b>
11	Madhubani	24	21	02	67,050	16,09,200
				01	56,870	6,82,440
	<b>Total</b>	<b>24</b>	<b>21</b>	<b>03</b>		<b>22,91,640</b>

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12	Patna	151	127	06	3,91,183	2,81,65,176
				12	1,83,650	2,64,45,600
				03	1,07,804	38,80,944
				03	77,077	27,74,772
	<b>Total</b>	<b>151</b>	<b>127</b>	<b>24</b>		<b>6,12,66,492</b>
13	Purnea	36	35	01	82,680	9,92,160
	<b>Total</b>	<b>36</b>	<b>35</b>	<b>01</b>		<b>9,92,160</b>
14	Rohtas	65	57	01	1,24,600	14,95,200
				01	89,000	10,68,000
				02	58,920	14,14,080
				04	50,280	24,13,440
				<b>Total</b>	<b>65</b>	<b>57</b>
15	Saran	34	20	10	1,19,750	1,43,70,000
				04	89,250	42,84,000
				<b>Total</b>	<b>34</b>	<b>20</b>
16	West Champan	48	32	12	1,17,250	1,68,84,000
				02	89,500	21,48,000
				02	61,250	14,70,000
				<b>Total</b>	<b>48</b>	<b>32</b>
17	Madhepura	28	27	01	68,535	8,22,420
				<b>Total</b>	<b>28</b>	<b>27</b>
<b>Grand Total</b>		<b>736</b>	<b>592</b>	<b>144</b>		<b>24,84,19,800</b>

## Annexure-XX

**Table - III  
Composite shops**

(Amount in ₹)

Sl. No.	Name of excise districts	No. of sanctioned excise shops	No. of shops settled	No. of shops remained unsettled	Monthly licence fee	Loss of revenue (Col. 5x6) x no. of months
1	2	3	4	5	6	7
1	Araria	58	36	01	64,500	7,74,000
				01	79,340	9,52,080
				12	76,870	1,10,69,280
				04	79,120	37,97,760
				02	60,500	14,52,000
				02	79,870	19,16,880
2	Begusarai	86	82	04	77,250	37,08,000
3	Bhagalpur	70	45	25	80,330	2,40,99,000
4	Bhojpur	77	73	04	72,000	34,56,000
5	East Champaran	117	76	08	84,210	80,84,160
				32	76,370	2,93,26,080
				01	68,530	8,22,360
6	Gaya	78	29	49	74,320	4,37,00,160
7	Jehanabad	26	22	04	86,830	41,67,840
8	Katihar	79	51	28	72,530	2,43,70,080
9	Khagaria	43	38	05	70,584	42,35,040
10	Madhepura	57	32	25	68,042	2,04,12,600
11	Madhubani	133	104	29	79,600	2,77,00,800
12	Nalanda	83	77	06	76,380	54,99,360
13	Patna	110	74	36	69,555	3,00,47,760
14	Purnea	65	41	24	76,810	2,21,21,280
15	Rohtas	70	57	13	69,470	1,08,37,320
16	Saran	109	54	55	69,330	4,57,57,800
17	West Champaran	100	89	11	71,110	93,86,520
<b>Total</b>		<b>1361</b>	<b>980</b>	<b>381</b>		<b>33,76,94,160</b>

### ABSTRACT

(Amount in ₹)

Table	Type of liquor	No. of sanctioned excise shops	No. of shops remained unsettled	Loss of revenue
Table I	Country liquor/Spiced country liquor shops	818	195	38,81,41,680
Table II	India Made Foreign Liquor Shops	736	144	24,84,19,800
Table III	Composite shops	1,361	381	33,76,94,160
<b>Grand Total</b>		<b>2,915</b>	<b>720</b>	<b>97,42,55,640</b>

## Delayed settlement of excise shops

(Reference: Paragraph 4.5.2)

(Amount in ₹)

Sl. No.	Name of excise districts	Type of liquor	No. of shops	Monthly licence fee	Date of Settlement	Delayed period (in days)	Loss of licence fee
1	Begusarai	IMFL	02	4,74,000	Between 02.06.2009 and 07.09.2009	60 to 150	16,59,000
		CS	02	3,50,000	Between 02.06.2009 and 03.09.2009	60 to 150	12,25,000
2	Bhagalpur	IMFL	04	4,96,390	Between 24.04.2009 and 11.11.2009	23 to 220	13,67,235
		CS	02	1,57,430	Between 24.04.2009 and 11.11.2009	23 to 220	4,51,656
		Composite	02	1,60,660	Between 19.06.2009 and 11.11.2009	78 to 220	7,97,945
3	Bhojpur	IMFL	01	51,120	07.04.2009	6	10,224
		CS	03	2,82,240	Between 07.04.2009 and 08.04.2009	6 to 07	62,720
		Composite	01	72,000	30.04.2009	29	69,600
4	Gaya	IMFL	05	9,70,550	21.04.2009	20	6,47,033
		CS	01	1,17,250	21.04.2009	20	78,167
		Composite	02	1,48,640	Between 21.04.2009 and 15.09.2009	20 to 164	4,44,896
5	Khagaria	IMFL	01	67,950	23.07.2009	113	2,52,073
		Composite	03	2,11,752	Between 15.04.2009 and 23.07.2009	14 to 113	3,27,722
6	Muzaffarpur	Composite	04	3,52,800	17.12.2009	256	30,04,492
7	Nalanda	CS	03	3,59,310	Between 15.04.2009 and 21.04.2009	14 to 20	2,15,587
		Composite	02	1,52,760	Between 15.04.2009 and 22.09.2009	14 to 171	4,71,010
8	Patna	IMFL	09	24,82,982	Between 13.04.2009 and 18.09.2009	12 to 167	86,02,935
		CS	04	9,63,980	Between 13.04.2009 and 13.11.2009	12 to 222	20,91,665
		Composite	08	5,56,444	Between 13.04.2009 and 13.11.2009	12 to 222	16,16,145
9	Purnea	Composite	01	76,810	07.12.2009	240	6,14,480
10	Saran	IMFL	04	3,67,530	Between 06.05.2009 and 09.10.2009	37 to 188	11,34,080
		CS	04	4,34,700	Between 08.05.2009 and 09.10.2009	37 to 188	13,85,946
		Composite	02	1,38,660	Between 17.04.2009 and 21.08.2009	16 to 142	3,59,025
11	West Champaran	IMFL	02	2,34,500	01.12.2009	240	18,76,000
		Composite	08	5,68,880	Between 05.05.2009 and 26.05.2009	34 to 55	7,38,627
<b>Total</b>		<b>IMFL</b>	<b>28</b>				<b>2,95,03,263</b>
		<b>CS</b>	<b>19</b>				
		<b>Composite</b>	<b>33</b>				