

Overview

OVERVIEW

This Report contains 40 paragraphs including one Performance Audit of 'Levy and collection of motor vehicle tax' and two Audits of 'Levy and collection of Stamp duty and Registration fee' and 'System for collection of arrears of revenue in Commercial Taxes Department' relating to underassessment/short levy of tax, duty, fees, interest, penalty etc. involving ₹ 1,416.97 crore. Some of the major findings are mentioned below:

I General

Total receipts of the Government of Bihar for the year 2015-16 were ₹ 96,123.10 crore. The revenue raised by the State Government amounted to ₹ 27,634.82 crore comprising tax revenue of ₹ 25,449.18 crore and non-tax revenue of ₹ 2,185.64 crore. The receipts from the Government of India were ₹ 68,488.28 crore (States' share of divisible Union taxes: ₹ 48,922.68 crore and grants in aid: ₹ 19,565.60 crore). Thus, revenue raised by the State Government was only 29 *per cent* of total revenue receipts. Taxes on Sales, Trade etc. (₹ 10,603.40 crore) and Non-ferrous Mining and Metallurgical Industries (₹ 971.34 crore) were the major sources of tax and non-tax revenue respectively during 2015-16.

(Paragraph 1.1.1)

The number of inspection reports (IRs) and paragraphs issued up to December 2015 but not settled by June 2016 stood at 2,008 and 15,426 respectively involving ₹ 10,662.75 crore. We are yet to receive even first replies for 1,209 IRs though these were required to be furnished within four weeks of its receipt.

(Paragraph 1.6)

We conducted test-check of the records of commercial taxes, State excise, taxes on vehicles, stamp duty and registration fees, land revenue and non-ferrous mining and metallurgical industries during the year 2015-16 and observed underassessment/short levy/loss of revenue of ₹ 3,663.11 crore in 2,990 cases. During the period 2015-16, the Department accepted underassessment and other deficiencies of ₹ 275.41 crore in 293 cases.

(Paragraph 1.9)

II Taxes on Vehicles

The Performance Audit of 'Levy and collection of motor vehicle tax' indicated the following deficiencies:

- More than 80 *per cent* of people living in urban areas are exposed to air quality levels that exceed the limits specified by World Health Organisation (WHO). A survey conducted by WHO based on Central Pollution Control Board (CPCB) reports found that Patna is the sixth most polluted city in the world with an annual averaged ultrafine particle level of 2.5 or less microns at 149 (year 2013) and level of particles of 10 and above microns at 167 (year 2012). The Indira Gandhi Science Centre Planetarium, Patna under CPCB declared (16 December 2016) the air quality of the City as 'Most Unhealthy' with Respirable Suspended Particulate Matter (RSPM) at
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280 against a permissible limit of 60 microgram per cubic metre ($\mu\text{g}/\text{m}^3$). Guidelines for Ambient Air Quality Monitoring issued by CPCB states that one of the main sources of RSPM is vehicular emission. Audit observed that Patna witnessed a steep increase in number of vehicles from 2.34 lakh as on 1 April 2011 to 6.74 lakh as on 31 March 2016. This made it clear that the exponential increase in number of vehicles in Patna played an important role in the rise in pollution level in the City.

(Paragraph 2.4.9.1)

- Though the vehicular pollution levels in the City has increased as per data maintained by CPCB, scrutiny of records in State Transport Commissioner (STC), Bihar, Patna, revealed that the office was not maintaining the database of pollution testing stations in the City as well as in the State. As a result, the Department could not monitor the standards of pollution testing stations to ensure that the tests conducted by them are authentic and only those vehicles which were certified as 'Pollution under Control' (PUC) after following due procedure were allowed to ply in the State. Absence of any control by STC over the functioning of the pollution testing stations may be a reason for the increased pollution levels in Patna.

(Paragraph 2.4.9.2)

- There were 35 cases of fictitious transactions (in district transport office, West Champaran) and 81 cases of irregular cancellation of money receipts (in five district transport offices) due to absence of validation checks and proper monitoring. The scale of fictitious transactions/malpractices in handling money receipts rendered the integrity and security of VAHAN database doubtful.

(Paragraph 2.4.8)

- Due to absence of validation checks in registration module of VAHAN software and lack of inter-connectivity amongst the district transport offices, 132 vehicles were registered at reduced sale value. Further, 52 vehicles were registered in other districts after the actual date of purchase and on reduced sale amount. There was delivery of 19,447 vehicles without assigning temporary registration number and 32,797 commercial tractors were registered without trailers. These irregularities resulted in short realisation of revenue of ₹ 30.90 crore.

(Paragraph 2.4.10)

- In district transport office, West Champaran, driving licences were issued to 3,188 applicants without conducting test of competency to drive motor vehicle. However, SARATHI database indicated that the licences were issued after passing the test which indicates that the database was tampered with. Issue of licences in such a way is also fraught with risks of accident and fatalities.

(Paragraph 2.4.11)

- As the Department failed to inter-link the database of offices of the District Transport Officers with that of offices of Regional Transport

Authorities, the plying of three wheelers, tractor-trailer combination and buses of educational institutions without valid permit remained undetected.

(Paragraph 2.4.12)

- An amount of ₹ 10.10 crore collected as fees was remitted into Government account with a delay ranging from two days to 10 months in contravention of the provision of the Bihar Financial Rules. Further, 596 bank drafts received from different States/Regional Transport Authorities as permit fee were not encashed during their validity period.

(Paragraph 2.4.14)

In 17 district transport offices, tax dues of ₹ 94.22 lakh pertaining to 698 transport vehicles for the period between March 2011 and July 2015 were neither paid by the vehicle owners nor notices of demand for realisation of dues of ₹ 2.82 crore (including penalty) were issued by the concerned District Transport Officers.

(Paragraph 2.6)

In 15 district transport offices, the owners of 5,150 vehicles either not paid One Time Tax or paid short. The taxing officers did not impose the leviable One Time Tax/penalty amounting to ₹ 4.41 crore.

(Paragraph 2.8)

III Stamps and Registration Fee

Audit of ‘Levy and collection of Stamp duty and Registration fee’ indicated the following deficiencies:

- In the offices of the four District Sub Registrars, 93 cases referred to Assistant Inspector General during the period between January 2013 to December 2015 involving stamp duty of ₹ 1.65 crore were pending for disposal till date of audit, though required to be disposed off within 90 days.

(Paragraph 3.4.8)

- Nine Registering Authorities had irregularly granted exemption of stamp duty of ₹ 7.57 crore in 99 cases without ensuring fulfilment of conditions for claiming exemption.

(Paragraph 3.4.10)

IV Commercial Taxes

Audit of ‘System for collection of arrears of revenue in the Commercial Taxes Department’ indicated the following deficiencies:

- In the selected circles, the amount of arrear increased from ₹ 378.60 crore as on 1 April 2011 to ₹ 3,637.55 crore as on 31 March 2016, thus registering an increase of 860.79 per cent during 2011-12 to 2015-16.

(Paragraph 4.4.9)

- The provisions of the Act/Rules/instructions regarding recovery of arrears of taxes/interest/penalty were not complied in 230 cases out of test-checked 2,787 cases in 15 circles, as a result arrears of ₹ 223.89 crore including leviable interest of ₹ 11.64 crore and penalty of ₹ 35.86 crore was not recovered by the Assessing Authorities (AAs).

(Paragraph 4.4.11)

- In 15 circles, out of 11,497 cases of arrears involving ₹ 3,637.55 crore as on 31 March 2016, only 2,641 cases involving ₹ 83.19 crore (2.29 per cent) were covered by certificate cases.

(Paragraph 4.4.12.1)

- No time limit for issuing of demand notice and standard procedures such as attachment of Bank account, filing of certificate cases and enforcing the liability of surety was prescribed in the BVAT Act.

(Paragraph 4.4.13)

- Arrears of ₹ 1,203.95 crore were blocked due to pendency of 2,454 cases in the Appellate as well as Commissioner of Commercial Taxes Court as on 31 March 2016.

(Paragraph 4.4.21.1 and 4.4.21.2)

Absence of a system of cross-verification of the turnover as disclosed in the returns with other records of the dealer or information of sales and purchases obtained from the records of other dealers resulted in under-assessment of tax of ₹ 12.41 crore including leviable penalty and interest.

(Paragraph 4.6)

In eight Commercial Taxes circles, Assessing Authorities could not detect the actual import value of scheduled goods of ₹ 776.12 crore in respect of eight dealers, which resulted in short levy of entry tax of ₹ 78.27 crore.

(Paragraph 4.20)

In Patna Special Commercial Taxes circle, Assessing Authorities did not detect the availing of deduction of entry tax on account of scheduled goods manufactured or produced within the local area by a dealer, which resulted in short levy of entry tax of ₹ 740.70 crore.

(Paragraph 4.22)

V Other Tax Receipts

Two District Land Acquisition officers did not ensure realisation and remittances of the establishment charges of ₹ 111.72 crore for lands acquired on behalf of requisitioning body/departments.

(Paragraph 5.5)

District Land Acquisition Officer, Bhagalpur did not realise ₹ 11.68 crore relating to transfer of Government land from the requisitioning authority.

(Paragraph 5.6)

Excise authorities had cancelled 95 groups of excise shops with delay and did not cancel 33 groups of excise shops for not paying the monthly licence fee, which resulted in short realisation of Government dues of ₹ 9.15 crore.

(Paragraph 5.9)

VI Non-Tax Receipts

Due to lack of inter-departmental coordination, penalty of ₹ 44.69 crore against the works contractors for illegal procurement of minerals was not levied in 20 District Mining offices.

(Paragraph 6.5.1)

Penalty of ₹ 7.80 crore was not levied on works contractors for extraction of ordinary earth without obtaining requisite quarrying permits.

(Paragraph 6.5.2)