

OVERVIEW

OVERVIEW

This Report contains 26 paragraphs besides the results of audit of ‘**Implementation of transitional provisions of Goods and Services Tax Act in Bihar**’ and ‘**Computerisation in Registration Department**’. The total financial implication of the Report is ₹ 1,648.80 crore. Some of the major findings in this report are summarised below:

1. General

The total receipts of the Government of Bihar for the year 2017-18 amounted to ₹ 1,17,446.74 crore, of which revenue raised by the State Government from its own sources was ₹ 26,643.23 crore (22.69 *per cent*). The share of receipts from the Government of India amounting to ₹ 90,803.51 crore (77.31 *per cent* of the total receipts) comprised of State’s share of divisible Union taxes of ₹ 65,083.38 crore (55.42 *per cent* of the total receipts) and grants-in-aid of ₹ 25,720.13 crore (21.90 *per cent* of the total receipts).

(Paragraph 1.1)

Arrears of revenue as on 31 March 2018 on taxes on sales, trade etc., taxes on goods and passengers, taxes and duties on electricity, taxes on vehicles, other taxes and duties on commodities and services, land revenue, state excise and non-ferrous mining and metallurgical industries amounted to ₹ 4,979.85 crore of which ₹ 670.97 crore was outstanding for more than five years.

(Paragraph 1.2)

The Public Accounts Committee (PAC) discussed selected paragraphs pertaining to the Audit Reports for the years 2008-09 to 2015-16 and issued recommendations on 47 paragraphs relating to Commercial taxes Department, Prohibition, Excise and Registration Department, Revenue and Land Reforms Department, Transport Department and Mines and Geology Department as incorporated in aforesaid Reports. However, no action taken report has been received from these departments on PAC recommendations (September 2019).

(Paragraph 1.3)

Audit observed (between April 2017 and October 2018) underassessment/ short levy/loss of revenue aggregating to ₹ 4,515.17 crore in 3,452 cases. The departments concerned accepted (between April 2017 and July 2019) underassessment and other deficiencies of ₹ 2,353.28 crore in 1,830 cases, out of which 356 cases involving ₹ 870.47 crore were pointed out during 2017-18 and the rest in earlier years. The departments reported (between April 2017 and July 2019) recovery of ₹ 39.77 crore in 416 cases.

(Paragraph 1.6)

Revenue earning departments did not address audit observations included in 2,493 Inspection Reports (IRs) (21,994 audit observations) involving potential revenue of as much as ₹ 24,304.01 crore whereas the total revenue collection of the State is ₹ 26,643.23 crore. Even the first replies, required to be received from the heads of offices within four weeks of receipt of the IRs, were not received in respect of

1,183 IRs (10,111 audit observations) involving potential revenue of as much as ₹ 12,893.64 crore, issued from 2008-09 onwards.

(Paragraph 1.4.1)

2. Commercial Taxes

Goods and Services Tax (GST) was introduced from 1 July 2017. Audit of **‘Implementation of transitional provisions of Goods and Services Tax Act in Bihar’** revealed the following:

The Department did not re-assess the workload as well as the sanctioned strength of the Department after GST implementation in the light of increase of 53 *per cent* in the number of dealers and redundancies of work in the computerised environment.

Audit recommends that the Department should re-assess the workload after increase in the taxpayer base as well as the GST automation in the interest of revenue.

(Paragraph 2.3.9)

726 existing dealers having a turnover of ₹ 20 lakh or more during 2016-17 and ₹ five lakh or more during first quarter of 2017-18 did not migrate to GST. The Department could not detect such non-migration of these 726 potential dealers.

Audit recommends that the Department should examine the reason for non-migration of existing potential dealers to GST and initiate proceedings under GST for levy of tax as well as penalty.

(Paragraph 2.3.10.1)

The Department did not collect statistics and relevant information as per Section 150 and 151 of BGST Act and it also failed to undertake any survey and other enforcement measures as per rule 16 of BGST Rules to identify potential and eligible dealers during 2017-18 to augment the tax base of the GST.

Audit recommends that the Department should initiate process to detect un-registered and potential dealers by conducting survey and other enforcement measures and examine the reason for non-registration under GST.

(Paragraph 2.3.10.2)

12,746 taxpayers already registered under existing tax regime, were allowed new registration into GST instead of migration, and 401 dealers were allowed to migrate to GST regime despite their registration already cancelled in the existing laws.

(Paragraphs 2.3.10.4 and 2.3.10.5)

Instructions of the Commissioner, State Tax to conduct verification of transitional ITC in a time-frame were not fully complied by the field JCSTs as only 24 *per cent* cases were verified by them indicating inadequate monitoring.

(Paragraph 2.3.11.1)

The IT system of GST was not integrated with the VATMIS which resulted into non-migration of legacy data from VAT to GST system facilitating the dealers to claim irregular transitional Input Tax Credit (ITC). Irregular claims of transitional ITC of ₹ 42.79 crore by 95 dealers out of 484 test checked dealers (total 1,944 dealers under State tax authority claimed SGST claims) were detected by audit.

(Paragraphs 2.3.11.3 to 2.3.11.9)

The AAs did not scrutinise returns of the dealers to detect suppression of turnover of ₹ 32.13 crore which resulted in under-assessment of VAT of ₹ 6.09 crore including leviable penalty and interest in cases of 13 dealers out of total 1,293 test checked dealers.

(Paragraph 2.4)

The AAs did not scrutinise the returns of the dealers to detect application of incorrect rate of tax which resulted in short levy of tax of ₹ 4.70 crore including leviable interest in cases of nine dealers out of total 733 test checked dealers.

(Paragraph 2.5)

Due to non-scrutiny of returns and absence of a system of cross-verification of purchase and sales figures of the dealers, there was excess/incorrect availing of ITC of ₹ 73.80 crore including penalty and interest in cases of 94 dealers out of total 3,114 test checked dealers.

(Paragraph 2.6)

Availing of incorrect adjustment of entry tax towards payment of VAT remained undetected by the AAs due to non-scrutiny of returns by them which resulted in short levy of VAT of ₹ 1.74 crore including leviable interest in cases of three dealers out of total 463 test checked dealers.

(Paragraph 2.7)

Assessing Authorities did not scrutinise the returns of the dealers to detect the short/delayed payment of admitted tax, which resulted in short realisation of tax of ₹ 20.15 crore and non-levy of interest of ₹ 1.57 crore in cases of 125 dealers out of total 4,836 test checked dealers.

(Paragraph 2.10)

Assessing Authority levied electricity duty of ₹ 12.21 crore only against leviable duty of ₹ 16.64 crore on sale of electrical energy of ₹ 277.30 crore to distribution franchisees, which led to short realisation of electricity duty of ₹ 4.43 crore.

(Paragraph 2.13)

3. Revenue and Land Reforms

Five District Land Acquisition Officers (DLAOs) failed to remit establishment charges of ₹ 299.65 crore into the Consolidated Fund of the State though the fund was available with them.

Audit recommends that the Department should ensure that the amount of establishment charges realisable, realised and kept in PD/bank accounts are reconciled and the balance amount is remitted into the Consolidated Fund of the State without further delay and responsibility is fixed on the erring DLAOs who inordinately delayed deposit of establishment charges into the Consolidated Fund of the State.

(Paragraph 3.3)

Due to non-adherence of the sanction order by the Additional Collector/Circle Officer, the Government was deprived of revenue of ₹ 16.01 crore.

(Paragraph 3.4)

4. Taxes on Vehicles

Road safety cess (RSC) from 12,865 commercial vehicles was realised at the rate of one *per cent* of One Time Tax (OTT) paid instead of one *per cent* of sales value due to issuance of amendment notification contrary to the approval of the Transport/ Finance departments which resulted into short levy of RSC of ₹ 3.39 crore. Further due to delayed mapping of RSC in *VAHAN*, ₹ 21.89 lakh could not be realised from owners of 2,905 personalised vehicles.

(Paragraph 4.3)

Due to absence of requirement for payment of tax before registration of vehicle, applications of owners of 429 tractors for registration were accepted and processed to generate a registration mark in *VAHAN* without realising OTT of ₹ 2.78 crore including leviable penalty.

(Paragraph 4.4)

Absence of mechanism for periodic review of *VAHAN* database by the District Transport Officers to detect tax defaulter vehicles resulted in non-realisation of taxes of ₹ 1.90 crore (Road tax: ₹ 62.51 lakh; Green tax: ₹ 0.65 lakh and Road safety cess: ₹ 0.75 lakh) including penalty of ₹ 1.26 crore in 12 District Transport Offices.

(Paragraph 4.6)

5. Stamps and Registration fee

Audit of Computerisation in Registration Department revealed the following:

System Design Document, Business Continuity and Disaster Recovery Plan were not available/documented. Standardisation Testing and Quality Certification (STQC) of SCORE software was not done.

(Paragraphs 5.3.8, 5.3.9 and 5.3.11)

The Department did not avail facility of State Wide Area Network (SWAN) and State Data Centre (SDC) and obtained intranet and data centre services from outsourced vendors and made avoidable payments of ₹ 3.98 crore.

(Paragraphs 5.3.13 and 5.3.14)

Only 27 *per cent* of the deeds executed between April 2011 and March 2018 were found uploaded (upto March 2018) on System for Computerised Registration (SCORE) database. Further, though six vendors were paid ₹ 23.94 crore for digitisation and uploading of 1,26,37,896 records pertaining to period 1995 to 2010, details of only 5,87,576 deeds (five *per cent*) were available in database and further pdf format of only 23 deeds were found uploaded (March 2018). In absence of data on server, the main purpose of digitisation to facilitate online access to digitised data was defeated.

(Paragraph 5.3.15)

Crucial fields such as area of land, period of lease were not found entered in SCORE database which indicates that leviable stamp duty and registration fees were manually entered and not auto calculated by SCORE defeating one of its objectives.

(Paragraph 5.3.16)

Details of challans were not entered in SCORE database for 50,62,399 deeds and 42,350 challans were not linked with the concerned deed/token number though these facilities were available in the application system.

(Paragraph 5.3.17)

Gaps in system generated token number/deed number, duplication in system generated deed number/Book deed number and reference of incorrect page numbers in endorsement of certificate of registration were noticed.

(Paragraphs 5.3.18, 5.3.19 and 5.3.21)

Fees relating to search of documents, inspection, issuance of certified copy of deeds, etc. were collected manually and not reflected in the SCORE database. As a result, daily fee books and monthly fee books generated by SCORE database did not include all transactions.

(Paragraph 5.3.22)

Non-encumbrance certificates were issued manually though its online issuance was one of the objectives of SCORE.

(Paragraph 5.3.24)

The Registration Department illegally made provision for collection of service charge in the Bihar Registration Rules, 2008 and consequently not only collected service charge of ₹ 152.60 crore during 2008-09 to 2017-18 by putting undue burden on stakeholders but also kept them in bank account instead of the Consolidated Fund of the State.

Audit recommends that the Department should amend the Bihar Registration Rules, 2008 so that service charge may not be collected in violation of the legislative intent of Section 69 of the Registration Act. The Department should reconcile the collected service charge (kept in bank account) and remit it into the Consolidated Fund of the State immediately. Further the Department may

also investigate how the amount thus collected has been used by the Bihar Society for Computerisation of Registration offices (BISCORE) and District Society for Computerisation of Registration Offices (DISCORE).

(Paragraph 5.3.27)

Assistant Inspector General (AIG) Muzaffarpur overlooked factual position of land while finalising case referred by SR Chakia which resulted in short levy of Stamp Duty (SD) and Registration Fee (RF) of ₹ 4.32 crore. Six Registering Authorities failed to detect undervaluation of properties which resulted in short levy of SD and RF of ₹ 3.96 crore in 11 deeds.

(Paragraph 5.4)

6. Mining Receipts

Lackadaisical approach of State officials in settlement of stone quarries resulted in non/delayed settlement of ten blocks of stone quarries of Gaya, three blocks of stone quarries of Rohtas and one block of stone quarry of Aurangabad and therefore, the State Government was deprived of revenue of ₹ 710.18 crore during 2015-19.

(Paragraph 6.3)

Delayed approval of Mining Plan and Environmental Clearance and lackadaisical approach of the Collectors/District Mining Officers (DMOs) in resorting to alternative mechanism to safeguard the revenue, and taking decisions to issue work order as well as weak monitoring and supervision by the Mines Commissioner and the Director led to non-settlement/operation of sand *ghats* during 2016-2018 and consequently total revenue loss of ₹ 166.89 crore.

(Paragraph 6.4)

Absence of provisions to operationalise sand *ghats* during the interim period between cancellation of leases and their subsequent restoration, resulted in loss of revenue of ₹ 96.39 crore in four district mining offices.

(Paragraph 6.5)

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, to rectify them; and to put a system in place that would prevent such errors/omissions.