

CHAPTER-IV

REVENUE RECEIPTS

4.1 GENERAL

4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2009-10, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. no.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
I.	Revenue raised by the State Government					
	• Tax revenue ¹	105.53	119.02	131.37	156.02	180.51
	• Non-tax revenue	96.82	91.14	119.48	180.55	126.35
	Total I	202.35	210.16	250.85	336.57	306.86
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	248.50	316.93	399.77	421.84	434.03
	• Grants-in-aid	1,816.35	2,245.42	2,345.40	2,642.48	2978.87
	Total II	2,064.85	2,562.35	2,745.17	3,064.32	3412.90
III.	Total receipts of the State Government (I plus II)	2,267.20	2,772.51	2,996.02	3,400.89	3719.76
IV.	Percentage of I to III	9	8	8	10	8

The above table indicates that during the year 2009-10 the revenue raised by the State Government was eight *per cent* of the total revenue receipts (₹ 3719.76 crore) against 10 *per cent* in the preceding year. The balance 92 *per cent* of receipts during 2009-10 was from the Government of India.

¹ For details see Statement no. 11 - Detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Nagaland for the year 2009-10. Figures under Major heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 - showing the State's share of divisible Union taxes booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this table.

4.1.2 The details of tax revenue raised during the period 2009-10 along with the figures for the preceding four years are mentioned in the following table.

(Rupees in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Taxes on sales, trade etc.,	77.16	85.02	94.79	114.70	132.22	(+) 15
2.	Taxes on Vehicles	8.71	12.26	12.30	14.14	16.73	(+) 18
3.	Other Taxes on Income and Expenditure	14.89	16.35	17.72	19.86	22.54	(+) 13
4.	State Excise	1.96	2.13	2.83	3.34	3.13	(-) 6
5.	Stamps and Registration fees	0.89	1.05	1.02	1.01	1.19	(+) 18
6.	Other Taxes and duties	0.01	0.00	0.00	0.00	0.00	0
7.	Land Revenue	0.55	0.50	0.50	0.60	0.63	(+) 5
8.	Taxes and Duties on Electricity	0.01	0.02	0.02	0.03	0.11	(+) 267
9.	Taxes on Goods and Passengers	1.35	1.69	2.19	2.34	3.96	(+) 69
Total:		105.53	119.02	131.37	156.02	180.51	(+) 16

The concerned departments did not inform (December 2010) the reasons for variation in receipts from that of the previous year despite being requested (November 2010).

4.1.3 The details of the major non-tax revenue raised during 2009-10 along with the figures for the preceding four years are mentioned in the following table.

(Rupees in crore)

Sl. no.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase(+)/ decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	5.60	5.22	5.66	11.57	10.02	(-) 13
2.	Public Service Commission	0.01	0.00	0.00	0.80	0.09	(-) 89
3.	Police	1.56	2.15	2.73	0.61	0.44	(-) 28
4.	Stationery and printing	0.05	0.08	0.07	0.01	0.01	0
5.	Public works	0.17	0.31	0.10	0.10	0.54	(+) 440
6.	Other administrative services	7.10	1.46	1.93	1.21	1.42	(+) 17
7.	Contribution and recoveries towards Pension & Other Retirement Benefits	0.40	0.23	0.21	1.05	0.21	(-) 80
8.	Miscellaneous general services	15.64	14.59	19.44	28.05	7.04	(-) 75
9.	Education, sports, art and culture	0.22	1.64	0.48	0.55	0.43	(-) 22
10.	Medical and Public Health	0.07	0.13	0.16	0.17	0.09	(-) 47
11.	Water supply and sanitation	1.06	2.26	1.07	0.98	0.94	(-) 4
12.	Housing	2.23	2.21	2.11	2.97	3.43	(+) 15

(Rupees in crore)

Sl. no.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase(+)/ decrease (-) in 2009-10 over 2008-09
13.	Social security and welfare	0.31	0.16	0.31	0.25	0.17	(-) 32
14.	Crop husbandry	0.06	0.15	0.12	0.11	0.13	(+) 18
15.	Animal husbandry	0.37	0.35	0.39	0.43	0.47	(+) 9
16.	Forestry and wildlife	6.21	5.95	4.81	4.78	7.70	(+) 61
17.	Food storage and warehousing	0.02	0.03	0.03	0.02	0.02	0
18.	Co-Operation	0.89	0.92	0.17	0.79	3.15	(+) 299
19.	Other agricultural programmes	0.04	0.05	0.01	0.01	0.03	(+) 200
20.	Minor irrigation	0.01	0.00	0.01	0.02	0.01	(-) 50
21.	Power	42.71	41.63	69.47	111.49	75.17	(-) 33
22.	Village and small industries	1.30	0.21	0.26	0.67	0.31	(-) 54
23.	Non-ferrous mining and metallurgical industries	0.05	1.91	0.30	0.89	0.59	(-) 34
24.	Road transport	7.34	8.03	8.37	9.38	10.81	(+) 15
25.	Tourism	0.26	0.30	0.21	0.13	0.30	(+) 131
26.	Other general economic services	2.57	0.07	0.08	0.08	0.12	(+) 50
27.	Miscellaneous	0.57	1.10	0.98	3.43 ²	2.71 ²	(-) 21
Total		96.82	91.14	119.48	180.55	126.35	(-) 30

The concerned departments did not inform (December 2010) the reasons for variation in receipts from that of the previous year despite being requested (November 2010).

4.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2009-10 in respect of the principal heads of tax and non-tax revenue are mentioned in the following table.

² This includes Other Non-tax Revenue receipt under Social Services-0515-other Rural Development Programmes (₹ 0.17 crore) and 1054-Roads and Bridges (₹ 2.34 crore).

(Rupees in crore)

Sl. no.	Head of revenue	Budget estimates	Actual receipts	Variations excess (+) shortfall (-)	Percentage of variation
1.	Other taxes on Income and expenditure	18.70	22.54	(+) 3.84	21
2.	State excise	3.35	3.13	(-) 0.22	(-) 7
3.	Taxes on sales, Trade etc.	115.64	132.22	(+) 16.58	14
4.	Taxes on vehicles	14.00	16.73	(+) 2.73	20
5.	Interest receipts	6.50	10.02	(+) 3.52	54
6.	Police	2.85	0.44	(-) 2.41	(-) 85
7.	Stationery and printing	0.30	0.01	(-) 0.29	(-) 97
8.	Public works	1.50	0.54	(-) 0.96	(-) 64
9.	Other administrative services	3.28	1.42	(-) 1.86	(-) 57
10.	Contribution and recoveries and other retirement benefits	0.24	0.21	(-) 0.03	(-) 13
11.	Miscellaneous general services	5.50	7.04	(+) 1.54	28
12.	Social security and welfare	0.22	0.17	(-) 0.05	(-) 23
13.	Forestry & wildlife	7.49	7.70	(+) 0.21	3
14.	Co-operation	0.06	3.15	(+) 3.09	5150
15.	Power	116.00	75.17	(-) 40.83	(-) 35
16.	Village and small industries	0.24	0.31	(+) 0.07	29
17.	Road transport	12.97	10.81	(-) 2.16	(-) 17
18.	Other general economic services	0.10	0.12	(+) 0.02	20
19.	Land revenue	0.75	0.63	(-) 0.12	(-) 16
20.	Stamps & registration fee	1.08	1.19	(+) 0.11	10
21.	Taxes and duties on electricity	0.02	0.11	(+) 0.09	450
22.	Public service commission	0.21	0.09	(-) 0.12	(-) 57
23.	Education, sports, art & culture	0.30	0.43	(+) 0.13	43
24.	Medical & public health	0.19	0.09	(-) 0.1	(-) 53
25.	Taxes on goods and passengers	2.35	3.96	(+) 1.61	69
26.	Housing	3.44	3.43	(-) 0.01	0
27.	Water supply and sanitation	1.19	0.94	(-) 0.25	(-) 21
28.	Crop husbandry	0.14	0.13	(-) 0.01	(-) 7
29.	Animal husbandry	1.00	0.47	(-) 0.53	(-) 53
30.	Food storage and warehousing	0.08	0.02	(-) 0.06	(-) 75
31.	Other agricultural programmes	0.05	0.03	(-) 0.02	(-) 40
32.	Minor irrigation	0.01	0.01	0	0
33.	Non-ferrous mining & metallurgical industries	0.08	0.59	(+) 0.51	638
34.	Tourism	0.30	0.30	0	0
35.	Other Rural Development Programmes	0.12	0.17	(+) 0.05	42
36.	Roads & bridges	0.15	2.34	(+) 2.19	1460
	Total	320.40	306.66	(-) 13.74	(-) 4

The concerned departments did not inform (December 2010) the reasons for variation despite being requested (November 2010).

4.3 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for the year 2008-09, are as mentioned in the following table.

(Rupees in crore)

Sl No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2008-09
1.	Taxes on sales, trade etc.	2007-08	94.79	4.48	4.73	0.88
		2008-09	114.70	3.41	2.97	
		2009-10	132.22	4.18	3.16	
2.	Taxes on vehicles	2007-08	12.30	2.79	22.68	2.93
		2008-09	14.14	1.97	13.93	
		2009-10	16.73	2.24	13.39	
3.	Stamps and registration fees	2007-08	1.02	0.38	37.25	2.77
		2008-09	1.01	0.38	37.62	
		2009-10	1.19	0.16	13.45	

The above table indicates that the percentage of expenditure on collection during 2009-10 as compared to the all India average percentage of expenditure on collection for 2008-09 was substantially higher in case of all the above taxes. While the percentage of expenditure on collection of revenue in respect of stamps and registration fees has improved, it has gone up since 2008-09 for Taxes on sales, trade etc.

The Government needs to take appropriate measures to bring down the cost of collection.

4.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 have not been furnished by the concerned Government departments (December 2010) despite being requested (August 2010).

4.5 Write-off and waiver of revenue

The concerned departments did not inform (December 2010) the details of amounts written off despite being requested (August 2010).

4.6 Failure to enforce accountability and protect interest of the Government

The Accountant General (AG), Nagaland, Kohima conducts periodical inspection of the various offices of the Government departments to test check the correctness of assessment, levy and collection of taxes/duties/fees etc., and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by the inspection reports (IR) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed during audit are also brought to the notice of Government/head of the department by the AG. A half yearly report regarding the pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of the audit observations raised in these IRs through the intervention of the Government.

A review of IRs issued up to September 2010 pertaining to the offices under the following departments disclosed that 81 IRs involving money value of ₹ 51.92 crore were pending at the end of September 2010 as shown below:

(Rupees in crore)

Sl. No.	Name of department	No. of IRs	No. of paragraphs	Amount
1.	State Excise	5	7	0.00
2.	Forest	28	82	5.74
3.	Sales Tax	22	134	32.46
4.	Nagaland State Transport	12	37	11.54
5.	Motor Vehicle	12	38	1.84
6.	State Lottery	2	9	0.34
Total		81	307	51.92

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officers/officials who do not send replies to the IRs/paragraphs as per the prescribed time schedule and also fail to take action to recover loss/outstanding demands in a time bound manner.

4.7 Audit Committee Meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. These committees are chaired by the Secretaries of the concerned administrative departments and their meetings are attended by the concerned officers of the state Government and officers of the AG.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2009-10, audit committee meetings were held with four departments³ and only 17 paragraphs involving money value of ₹ 0.30 crore were settled due to poor response from the concerned departments.

It is recommended that the Government may fix targets for settlement of paragraphs in each meeting and take suitable action for failure to achieve the targets.

4.8 Compliance with the earlier Audit Reports

During the period from 2003-04 to 2008-09, the Departments/Government accepted audit observations involving ₹ 11.77 crore of which ₹ 0.36 crore only had been recovered till September 2010 as mentioned below:

(Rupees in crore)

Sl. no.	Audit Report	Money value of Audit Report	Amount accepted by the departments	Amount recovered
1	2003-04	2.78	0.02	Nil
2	2004-05	1.50	1.37	0.12
3	2005-06	0.02	0.02	Nil
4	2006-07	1.17	0.24	0.24
5	2007-08	6.51	1.35	Nil
6	2008-09	11.78	8.77	Nil
Total		23.76	11.77	0.36

³ State Excise, Sales Tax, Nagaland State Transport, State lottery.

The amount recovered by the departments was only 3.06 *per cent* of the amount which was accepted by them.

It is recommended that the Government may institute a mechanism to pursue and monitor prompt recovery of dues involved in the accepted cases.

4.9 Results of Audit

This chapter contains two paragraphs relating to non-realisation of Government revenue and irregular exemption of NVAT involving ₹ 96.72 lakh.

PARAGRAPHS

Public Works Department

4.10 Non –realisation of Government revenue

Due to non adherence to the provision of the NVAT Act/rules regarding deduction of tax at source on works contract from the contractors' bill, there was non-realisation of Government revenue amounting to ₹ 81.08 lakh.

Section 92(3) of the Nagaland Value Added Tax (NVAT) Act, 2005 read with the NVAT Rules, 2005, as amended from time to time provides that tax on work contracts should be deducted at source from the contractor's bill at the rate of four *per cent* on the value of work done, after allowing deduction of 25 *per cent* on account of labour and other charges. With effect from 24 October 2008, the rate was revised to four *per cent* of the value of the total turnover of the works contract without any deduction whatsoever.

The NVAT Rules further provide that the person making such deductions at source (Drawing and Disbursing Officer) shall deduct and deposit the whole amount within ten days from the expiry of each calendar month, into the Government Treasury or designated bank through challan.

Audit scrutiny (April –May 2010) revealed that the Executive Engineers (EEs) of 12⁴ Public Works (R&B) Divisions released payments to the contractors between November 2008 to March 2009 against 183 works bills without deducting tax at source of ₹ 81.08 lakh on works contract from the contractors' bills. This resulted in non- realisation of Government revenue amounting to ₹ 81.08 lakh.

After the cases were pointed out, the Commissioner of Taxes stated (November 2010) that the EEs would realise the tax amount and deposit it under the Head of account 0040-VAT.

The matter was reported to the Department (June-August 2010) and Government (September 2010), their replies have not been received (January 2011).

⁴ Tseminyu (1), Peren(19), Baghty (6), Kohima (South) (22), Dimapur (55), Chiephobozou (Kohima) (25), Zunheboto (30), Aboi (8), Longleng (2), Mokokchung (8), NH-Division III, Tuensang (1) and Phek (6).

Education Department

4.11 Irregular exemption of NVAT

Director SCERT allowed exemption of NVAT to a supplier resulting in loss of revenue of ₹ 15.64 lakh.

The Government of Nagaland, Finance Department notified (November 2004) that sales tax exemption was conferred upon all new industrial units for a period of seven years with effect from 1 December 2000, under the State Industrial Policy 2000.

During audit scrutiny (September 2009) it was noticed that the Director, State Council for Educational Research and Training (SCERT) irregularly allowed (March 2009) tax exemption amounting to ₹ 15.64 lakh to a firm on taxable goods procured during 2008-09 which resulted in loss of revenue to that extent.

After this was pointed out, the Director, SCERT stated (October 2009) that the exemption was allowed on the ground that the firm comes under the purview of the above mentioned Government notification. The reply is not tenable as the tax exemption was allowed for a transaction that took place beyond the seven year period specified in the notification. Further the items supplied were branded items manufactured by other firms from outside the State of Nagaland. The Commissioner of Taxes also stated (November 2010) that the SCERT would realise the tax amount and deposit it under the Head of account 0040-VAT.

The matter was reported to the Department (June-August 2010) and the Government (September 2010), their replies have not been received (January 2011).