

## CHAPTER-V

### REVENUE SECTOR

#### 5.1 Composition of revenue receipts

**5.1.1** The tax and non-tax revenue raised by the Government of Mizoram during the year 2012-13, 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:

**Table-5.1.1**

(₹ in crore)					
Particulars of revenue receipts	2008-09	2009-10	2010-11	2011-12	2012-13
<b>I. Revenue raised by the State Government</b>					
• Tax revenue	94.62	107.58	130.44	179.07	223.14
• Non-tax revenue	158.67	126.51	146.72	168.03	212.80
<b>Total</b>	<b>253.29</b>	<b>234.09</b>	<b>277.16</b>	<b>347.10</b>	<b>435.94</b>
<b>II. Receipt from the Government of India</b>					
• State's share of divisible Union taxes/duties	383.39	394.53	451.66	827.38	785.96
• Grants-in-aid	2016.45	2334.89	2126.55	2650.42	3314.84
<b>Total</b>	<b>2399.84</b>	<b>2729.42</b>	<b>2578.21</b>	<b>3477.80</b>	<b>4100.80</b>
<b>III. Total receipts of the State</b>	<b>2653.13</b>	<b>2963.51</b>	<b>2855.37</b>	<b>3824.90</b>	<b>4536.74</b>
<b>IV. Percentage of I to III</b>	<b>9.55</b>	<b>7.90</b>	<b>9.71</b>	<b>9.07</b>	<b>9.61</b>

Source: Finance Accounts, Government of Mizoram, 2012-13

The above Table indicates that during the year 2012-13, the revenue raised by the State Government was 9.61 per cent of the total revenue receipts (₹ 4,536.74 crore) against 9.07 per cent in the preceding year. The balance 90.39 per cent of receipts during 2012-13 was from the Government of India. The revenue raised by the State Government was in increasing trend from 2008-09 to 2012-13, except the year 2009-10 due to less collection of Non-tax revenue by the State Government.

**5.1.2** The following Table presents the details of tax revenue raised during the period from 2008-09 to 2012-13:

**Table-5.1.2**

(₹ in crore)							
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1.	Taxes on Sales, Trades etc.	77.51	85.94	104.70	142.16	175.87	(+) 24
2.	State excise	1.87	2.10	2.39	2.31	2.83	(+)23
3.	Stamps and registration fee	0.46	0.39	0.34	0.69	0.64	(-) 7
4.	Taxes on vehicles	5.50	6.71	7.72	16.71	22.83	(+) 37
5.	Taxes on goods and passengers	1.43	1.39	1.72	2.05	3.77	(+) 84
6.	Land revenue	1.63	2.76	4.33	2.52	3.04	(+) 21
7.	Other tax revenue	6.22	8.29	9.24	12.63	14.16	(+) 12
	<b>Total</b>	<b>94.62</b>	<b>107.58</b>	<b>130.44</b>	<b>179.07</b>	<b>223.14</b>	<b>(+) 25</b>

Source: Finance Accounts, Government of Mizoram, 2012-13

The reasons for variation were not found on record.

**5.1.3** following Table presents the details of the non-tax revenue raised during the period 2008-09 to 2012-13.

**Table-5.1.3**

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1.	Interest receipts	32.91	17.85	12.72	15.60	16.86	(+) 8
2.	Forestry and wild life	2.20	2.53	2.40	3.19	2.39	(-) 25
3.	Miscellaneous general services (including lottery receipts)	3.01	10.00	9.43	0.45	3.86	(+) 758
4.	Power	93.40	67.86	72.63	109.52	111.27	(+) 2
5.	Medical and public health	0.55	0.27	0.19	0.31	0.38	(+) 23
6.	Co-operation	0.02	0.01	0.02	0.03	0.02	(-) 33
7.	Public works	2.02	4.12	1.70	1.42	0.25	(-) 82
8.	Police	3.56	0.26	7.33	0.95	0.41	(-) 57
9.	Other administrative services	2.02	2.23	2.65	4.00	4.73	(+) 18
10.	Other non-tax receipts	18.98	21.38	37.65	32.57	72.63	(+) 123
	<b>Total</b>	<b>158.67</b>	<b>126.51</b>	<b>146.72</b>	<b>168.04</b>	<b>212.80</b>	<b>(+) 27</b>

Source: Finance Accounts, Government of Mizoram, 2012-13

The reasons for variation were not found on record.

#### 5.1.4 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2012-13 are mentioned in the following Table:

**Table-5.1.4**

(₹ in crore)

Sl. No.	Head of revenue	Budget estimates	Actual revenue	Variations excess (+) shortfall (-)	Percentage of variation
<b>Tax revenue</b>					
1.	Taxes on Sales, Trades etc.	158.22	175.87	(+) 17.65	(+) 11
2.	State excise	2.63	2.83	(+) 0.20	(+) 8
3.	Taxes on vehicles	9.24	22.83	(+) 13.59	(+) 147
4.	Taxes on goods and passengers	3.00	3.77	(+) 0.77	(+) 26
5.	Stamps and Registration Fees	1.26	0.64	(-) 0.62	(-) 49
6.	Land Revenue	4.02	3.04	(-) 0.98	(-) 24
<b>Non-Tax Revenue</b>					
1.	Interest receipts	21.76	16.86	(-) 4.90	(-) 23
2.	Forestry and wild life	2.50	2.39	(-) 0.11	(-) 4
3.	Medical and public health	0.25	0.38	(+) 0.13	(+) 52
4.	Miscellaneous general services	10.50	3.86	(-) 6.64	(-) 63
5.	Power	119.11	111.27	(-) 7.84	(-) 7

Source: Budget and Finance Accounts, Government of Mizoram, 2012-13

The reasons for variation were not found on record.

### 5.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the period 2010-11 to 2012-13, along with the relevant all India average percentage of expenditure on collection to gross collections for 2011-12 are mentioned in the following Table:

**Table-5.1.5**

(₹ in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for 2011-12
1.	Taxes on Sales, Trades etc <sup>1</sup> .	2010-11	104.70	8.49	8.11	0.83
		2011-12	142.16	0.18	0.13	
		2012-13	175.87	0.15	0.09	
2.	Taxes on vehicles	2010-11	7.72	5.39	69.82	2.96
		2011-12	16.71	4.92	29.44	
		2012-13	22.83	5.99	26.24	

Source: Finance Accounts, Government of Mizoram, 2012-13

The percentage of expenditure on collection during 2012-13 reflected a downward trend but as compared to the corresponding all India average for 2011-12, the expenditure on collection was substantially high in respect of taxes on vehicles which the Government needs to look into.

### 5.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of the principal heads of revenue as reported by the Departments were ₹ 33.30 crore, as per the details mentioned in the following Table:

**Table-5.1.6**

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years
1.	Taxes/VAT on Sales, Trades etc.	11.67	NIL
2.	Taxes on Vehicles	21.54	Not intimated by the Department
3.	Taxes on Goods and Passengers	0.09	
<b>Total</b>		<b>33.30</b>	--

Source: Departmental figures

### 5.1.7 Arrears in assessment

The details of Sales Tax/VAT assessment cases pending at the beginning of the year 2012-13, cases which became due for assessment during the year, cases disposed during the year and

<sup>1</sup> Except for the year 2011-12 and 2012-13 in respect of Taxes on sales, trades etc., the expenditure on collection of revenue were inclusive of Direction and Administration charges

number of cases pending at the end of the year 2012-13 as furnished by Taxation Department are mentioned below:

Name of revenue	Opening balance as on 31 March 2012	New cases due for assessment during the year 2012-13	Total assessment due	Cases disposed of during the year 2012-13	Balance at the end of the year 2012-13	Percentage of disposals to the total assessment 5 to 4
1	2	3	4	5	6	7
Taxes/ VAT on Sales, Trades etc.	2964	1035	3999	1014	2985	25.35

Source: Departmental figures

Thus, the percentage of pending cases at the end of 2012-13 was 74.65 per cent. The Government has not fixed any norm prescribing the number of assessments to be completed by each assessing officer during a specified period. Immediate action needs to be taken to finalise the pending assessment cases.

### 5.1.8 Evasion of Tax

The details of cases of evasion of tax detected, cases finalised and demands for additional tax raised in 2012-13, as reported by the Departments concerned are mentioned in the following Table:

Name of tax/ duty	Cases pending as on 31 March 2012	Cases detected during the year 2012-13	Total	Number of cases in which assignments/investigation completed and additional demand including penalty etc. raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	(₹ in crore)	
1	2	3	4	5	6	7
Sales Taxes/ VAT	475	489	964	506	2.83	458
Taxes on Vehicles	35669	21645	57314	520	0.16	56794
Taxes on Goods and Passengers	2113	48	2161	161	0.01	2000

Source: Departmental figure

## 5.2 Response of the Departments/Government towards audit

Accounts of transactions and other records of the Departments are audited and Inspection Reports containing audit findings are issued to the Head of the Office so audited for comments/compliance. Audit findings of serious nature are processed into draft paragraph and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the Departments/Government towards audit is discussed in succeeding paragraphs.

### 5.2.1 Failure of Senior Officials to enforce accountability and protect the interest of the State Government

The Principal Accountant General (PAG) (Audit), Mizoram conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the Inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and report about the compliance made 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.

Inspection Reports issued upto December 2012 disclosed that 530 paragraphs involving ₹ 68.56 crore relating to 166 IRs remained outstanding at the end of June 2013 as mentioned in the following Table along with the corresponding figures for the preceding two years.

Particulars	June 2011	June 2012	June 2013
Numbers of outstanding IRs	134	148	166
Number of outstanding audit paragraphs	419	418	530
Amount involved (₹ in crore)	65.10	68.95	68.56

The Department-wise details of the IRs and audit paragraphs outstanding as on 30 June 2013 and the amounts involved are mentioned in the following Table:

Sl. No.	Name of Department	Name of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Paragraphs	Money Value involved (₹ in crore)
1.	Land Revenue	Land Revenue	22	44	7.24
2.	Excise	State Excise	2	8	-
3.	Taxation	Taxes/VAT on Sales, Trade etc.	60	192	22.94
4.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	26	64	5.54
5.	Forest & Environment	Forest & Wild Life	54	210	19.03
6.	Geology and Mineral Resources	Non-ferrous Mining and Metallurgical Industries	2	12	13.81
<b>Total</b>			<b>166</b>	<b>530</b>	<b>68.56</b>

Even the first replies required to be sent by the Heads of Offices within one month from the date of issue of the IRs have not been sent for 30 IRs issued upto December 2012. 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 failed to initiate action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

**It is recommended that the Government takes suitable steps to institute an effective procedure for prompt and appropriate response to audit observations as well as takes action against officials/officers who failed to send replies to the IRs/paragraphs within the prescribed time schedules and also failed to take action to recover loss/outstanding demand in a time bound manner.**

### **5.2.2 Departmental Audit Committee Meetings**

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are chaired by the Secretaries of the concerned Administrative Department and attended by the concerned officers of the State Government and officers of the Principal Accountant General (PAG). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. However, during the year 2012-13, no Departmental Audit Committee meeting was held.

**The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.**

### **5.2.3 Response of the Departments to the Compliance Audit**

Compliance Audit on Taxation and Environment & Forests Departments, proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2013 were forwarded (September 2013) to the Secretaries/Commissioners of the respective Departments through demi-officials letters. The Administrative Secretaries/Commissioners furnished reply (November 2013) in respect of the Taxation Department only.

### **5.2.4 Compliance with the earlier Audit Reports**

In the Audit Reports 2002-03 to 2011-12, cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands *etc.* involving ₹ 77.02 crore were reported. As of March 2013, the Departments concerned have accepted observations of ₹ 3.20 crore. Audit Report-wise details of cases accepted and recovered are given in the following Table:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	3.07	0.53	NIL
2003-04	4.98	0.27	NIL
2004-05	5.30	NIL	NIL
2005-06	10.04	NIL	NIL
2006-07	12.14	NIL	NIL
2007-08	4.98	0.04	NIL
2008-09	5.74	NIL	NIL
2009-10	8.85	NIL	NIL
2010-11	16.49	0.09	NIL
2011-12	5.43	2.27	0.07
<b>Total</b>	<b>77.02</b>	<b>3.20</b>	<b>0.07</b>

### 5.3 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 Performance Audits included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report.

The succeeding Paragraphs 5.3.2.1 to 5.3.2.2 discuss the performance of the Departments in dealing 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 2002-03 to 2011-12.

#### 5.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last four years, paragraphs included in these Reports and their status as on 30 June 2013 are given in the following Table:

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2010-11	126	373	39.09	21	91	61.24	2	56	18.17	145	408	82.16
2011-12	145	409	82.16	18	91	10.91	9	50	22.44	154	450	70.64
2012-13	154	450	70.64	8	75	2.37	0	10	1.00	162	515	72.01
2013-14	162	515	72.01	18	103	12.38	14	88	15.83	166	530	68.56

We reminded the Department periodically to furnish replies to the outstanding audit observations. However, the replies are still awaited (February 2014).

### 5.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

#### 5.3.2.1 Recovery of accepted cases

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

(₹ in crore)

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered as on 31 March 2013	Cumulative position of recovery of accepted cases
2002-03	15	3.07	7	0.53	--	--
2003-04	16	4.98	2	0.27	--	--
2004-05	10	5.30	NIL	NIL	--	--
2005-06	24	10.04	NIL	NIL	--	--
2006-07	15	12.14	NIL	NIL	--	--
2007-08	11	4.98	1	0.04	--	--
2008-09	6	5.74	NIL	NIL	--	--
2009-10	4	8.85	NIL	NIL	--	--
2010-11	3	16.49	1	0.09	--	--
2011-12	7	5.43	3	2.27	0.07	--

However, information on the recovery of accepted cases was not available.

**The Departments need to evolve a strong mechanism to monitor and ensure recovery of accepted cases.**

#### 5.3.2.2 Action taken on the recommendations accepted by the Departments/Government

The draft Performance Audits (PAs) conducted by the PAG required to be forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These PAs are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Departments featured in the last 10 Audit Reports including the recommendations and action taken by the Departments on the recommendations accepted by it as well as the Government.



Year of Audit Report	Name of the review	No. of recommendations	Details of the recommendations accepted
2002-03	Mizoram State Transport	NIL	--
2003-04	NIL	NIL	--
2004-05	a) Receipts under taxes on Motor Vehicles	5	NIL
	b) Information technology audit of the vehicle registration system in Mizoram	NIL	--
2005-06	NIL	NIL	--
2006-07	NIL	NIL	--
2007-08	NIL	NIL	--
2008-09	Transition from Sales Tax regime to Value Added Tax (VAT) System in Mizoram	6	NIL
2009-10	NIL	NIL	--
2010-11	Performance Audit on cross verification of declaration Forms in Inter State Trade and Commerce	5	NIL
2011-12	NIL	NIL	--

## 5.4 Result of audit

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

Test check of the records of 33 units of Taxation, Environment & Forest, Excise and other Departments conducted during the year 2012-13 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 453.91 lakh in 41 cases. Of these the Departments recovered ₹ 20.83 lakh in 13 cases and ₹ 18.11 lakh relating to the previous years in seven cases.

### 5.4.2 This Report

This Report contains Compliance Audit (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) on Taxation and Environment & Forests Departments involving financial effect of ₹ 257.02 crore. The Departments/Government have accepted audit observations involving ₹ 1.63 crore, out of which ₹ 0.35 crore has been recovered. The replies in the remaining cases have not been received (January 2014). These are discussed in succeeding paragraphs.

## COMPLIANCE AUDIT PARAGRAPHS

### ENVIRONMENT AND FORESTS DEPARTMENT

## 5.5 Management of Fund by Mizoram State Compensatory Afforestation Fund Management and Planning Authority (CAMPA)

### 5.5.1 Introduction

In pursuance of the instructions issued (July 2009) by the Ministry of Environment and Forests (MoEF), Government of India (GoI), the Government of Mizoram (GoM)

constituted (August 2009) State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA). The function of the State CAMPA shall include *inter alia* (i) funding, overseeing and; promoting compensatory afforestation on forest land diverted for non-forest purposes under the Forest (Conservation) Act, 1980; (ii) overseeing forest and wildlife conservation and protection works within forest areas undertaken and financed under the programme; (iii) maintaining a separate account in respect of the funds received for conservation and protection of protected areas; (iv) creating transparency for the programme and mobilizing citizen support; and (v) earmarking up to two *per cent* of the funds for monitoring and evaluation.

### **5.5.2 Organizational set up**

The Government of Mizoram constituted (August 2009) State CAMPA with three-tier function of the Governing Body, the Steering Committee and the Executive Committee. The Governing Body headed by the Chief Minister is responsible for laying down the broad policy framework for the functioning of State CAMPA and review its working from time to time. The Steering Committee headed by the Chief Secretary shall lay-down or approve rules and procedure for the functioning of the body and its Executive Committee. The Executive Committee headed by the Principal Chief Conservator of the Forests is responsible to take all steps for giving effect to the State CAMPA and overarching objectives and core principles, in accordance with rules and procedures approved by the Steering Committee.

The Chief Conservator of Forests, being the Member Secretary of the Executive Committee, functions as Nodal Officer of the State CAMPA.

### **5.5.3 Scope of Audit**

Audit of the Management of fund by the State Compensatory Afforestation Fund Management and Planning Authority (State CAMPA) covering the period from April 2010 to March 2013 was conducted during November-December 2012 and July 2013 with the main objectives to assess whether the State CAMPA has been functioning fulfilling the prescribed conditions/responsibilities laid down in the MoEF's Guidelines (July 2009).

Audit involved scrutiny of basic records and other documentary evidences through a test check of records of the Principal Chief Conservator of Forests and Nodal Officer of State CAMPA.

## **AUDIT FINDINGS**

The important points noticed during Audit are discussed in the following paragraphs:

## 5.5.4 Fund Management

### 5.5.4.1 Non-maintenance of basic records

Para 16(3) of the Guidelines for State CAMPA issued by the Ministry of Environment and Forests (MoEF) provides that the State CAMPA shall maintain proper accounts and relevant records and prepare annual statement of accounts in such a form as may be prescribed in consultation with the Accountant General concerned.

Test check of records of the Nodal Officer, State CAMPA revealed that no basic records *viz.* Accounts, Cash Book, annual statement of accounts *etc.* have so far been maintained by the Nodal Officer (NO) till date (July 2013), except maintenance of a Register showing transfer of fund to *ad-hoc* CAMPA under the MoEF. In the absence of such basic records, the year-wise transactions of fund, including collection of funds from the user agencies and its remittances to the *ad-hoc* CAMPA during the period covered under audit could not be ascertained.

### 5.5.4.2 Utilisation of fund

The *ad-hoc* CAMPA released (March 2013) the first compensatory afforestation fund of ₹ 1.07 crore to State CAMPA for its utilisation as per Annual Plan of operations relating to the year 2009-10. Out of ₹ 1.07 crore, an amount of ₹ 1.02 crore and ₹ 0.05 crore was released (March 2013) to the Divisional Forest Officer, Kolasib and Darlawn respectively by the Nodal Officer, State CAMPA for its utilisation as per approved Plan of Operations. The details of utilisation of the fund by the DFO, Kolasib were awaiting (January 2014).

### 5.5.4.3 Irregular retention of Compensatory Afforestation fund

In order to ensure proper utilisation of fund for Compensatory Afforestation in respect of permissions granted by the MoEF for user-agencies of forest land, the Supreme Court, based on recommendations (September 2002) of the Central Empowered Committee directed (29 October 2002) that all the Compensatory Afforestation Funds which have not been realised as well as the unspent funds already realised by the States shall be transferred to the *ad-hoc* CAMPA within six months of its constitution by the respective States and the user-agencies. Accordingly, the MoEF communicated (September 2003) the following guidelines for collection of Net Present Value (NPV) against the diversion of Forest land for non-forest purposes under the Forest (Conservation) Act, 1980:

- (i) The NPV shall be charged in all those cases which have been granted in-principle approval after 30 October 2002;
- (ii) The NPV shall be realised before Stage-II (Final) approval; and
- (iii) The State Government shall transfer these funds to the *ad-hoc* CAMPA as and when created.

Test check of records, of the Nodal Officer (NO), Mizoram State CAMPA disclosed that during May 1999 to November 2001, altogether 19.525 ha of forest area was diverted for

non-forest purposes under five projects. The user agencies of the concerned five projects had already deposited a Compensatory Afforestation (CA) fund of ₹ 10.83 lakh during April 2000 to August 2001 to the Government Accounts through Treasury challans. The details of project-wise forest area diverted and CA Fund deposited are given in the following Table:

**Table-5.5.1**

Sl. No.	Name of the project along with approval order No. and date	Forest Area diverted (in ha)	Amount of CA (₹ in lakh)	Treasury challan No. with date
1.	Construction/Widening of Lailapur to Sairang NH-54 No.8-9-35/97/RONE-MZ-331-36 Dated 05.05.1999	11.653	6.47	863/B Dated 25.04.2000
2.	Improvement of NH-54 Aizawl – Sairang road No.8-9-18/2000/RONE-MZ/22 Dated 07.04.2000	4.632	2.26	521/B Dated 26.04.2000
3.	Establishment of Co-operative Department Building, Kolasib No. 8-8-64/2000/RONE-MZ/304 Dated 07.07.2000	0.36	0.10	376/B Dated 09.02.2001
4.	Establishment of LPG bottling plant at Mualkhang No.8-2-81/2000/RONE-MZ/2374-79 Dated 02.11.2001	2.66	1.35	736/B Dated 02.08.2001
5.	Extraction of shell limestone at Saibuallui near Tuirial bridged No.8-5-10/99-RONE-MZ/936-41 Dated 27.07.1999	0.22	0.65	276/B Dated 30.05.2001
<b>Total</b>		<b>19.525</b>	<b>10.83</b>	<b>--</b>

Source: Departmental records

It was, however, noticed that the State Government had irregularly retained the CA Fund of ₹ 10.83 lakh in the Government Accounts without transferring the same to the *ad-hoc* CAMPA under MoEF till July 2013.

The State CAMPA stated (December 2012) that the CA fund could not be transferred to *ad-hoc* CAMPA due to loss of original treasury challans, which was noticed during 2009 while initiative was taken to transfer the funds.

The facts, however, remained that due to lack of initiative on the part of the Environment & Forests Department of the State Government, the Compensatory Afforestation fund have been locked up for more than 12 years, as a result of which the Compensatory Afforestation could not be implemented in these areas even though the fund was available with the Environment & Forests Department.

### **5.5.5 Levy of Net Present Value (NPV) for diverted forest land**

The MoEF issued (September 2003) guidelines for collection of Net Present Value (NPV) of forest land diverted for non-forest purposes under the Forest (Conservation) Act, 1980 wherein NPV shall be realised before final approval. The Ministry also clarified (October 2006) that NPV is payable in all cases of diversion of forest under the Forest (Conservation) Act, 1980 for which final approval has either already been granted on or after 30 October 2002, or shall be granted hereafter irrespective of the date of in-principle approval.

### 5.5.5.1 Non-levy of Net Present Value (NPV)

Test check of records of the PCCF/Nodal Officer (NO), State CAMPA, Mizoram revealed that in case of seven projects under the following forests divisions, altogether 3,361.024 ha of forest land was diverted for non-forest purposes, against which the minimum realisable NPV of ₹ 245.35 crore<sup>2</sup> was not realised from the concerned user agencies, although the NPV is to be realised on receipt of in-principle approval from the MoEF. Out of these seven cases, final approvals were already granted in respect of three projects and in the remaining four projects final approvals were not granted (July 2013). Out of four projects, two projects were already completed and remaining two were under completion (January 2014) without final approval.

The project-wise details of realisable NPV is given below in the following Table:

**Table-5.5.2**

(₹ in lakh)							
Sl. No.	Name of user agency	Name of the project	Name of the Forest Divisions	Area diverted (in ha)	Date of in-principle approval	Date of final approval	Cost of NPV leviable but not levied
1	2	3	4	5	6	7	8
1.	Power & Electricity Department	Serlui 'B' Hydel Electric Project, Serlui River	Kolasib	3000.000	26-03-1991	Not yet <sup>3</sup>	21900.00 <sup>4</sup>
2.	Home Department	Construction of SP office complex, Kolasib		1.690	07-07-2000	Not yet <sup>5</sup>	12.34 <sup>3</sup>
3.	State PWD	Kaladan Multi-Modal Trade-Route	Under Lai Autonomous District Council	196.750	10-06-2011	Not yet <sup>6</sup>	1436.28
4.	State PWD	Construction of PMGSY road between Zohmun-Mauchar villages	Kolasib	17.500	19-12-2011	Not yet <sup>7</sup>	127.75
5.	Power & Electricity Department	Construction of 20 MW Thermal Power Plant, Bairabi		3.570	04-01-2000	14-07-2003	26.06
6.	State PWD	Mizoram State Roads Project Phase-II	Lunglei	1.114	24-01-2003	18-03-2003	8.13 <sup>3</sup>
7.	Central PWD	Construction of IBB road between Demagiri and Marpara	Tlabung	140.400	01-05-1997	23-11-2004	1024.92
<b>Total</b>			--	<b>3361.024</b>	--	--	<b>24535.48</b>

<sup>2</sup> Calculated @ ₹ 7.30 lakh *per* ha (Eco-Class-I – opening forest) under the Forest (Conservation Act, 1980) as revised by MOEF in February 2009

<sup>3</sup> The project was technically commissioned in April 2010

<sup>4</sup> NPV calculated at the rate of ₹ 7.30 lakh *per* ha

<sup>5</sup> The project was completed in the year 2003

<sup>6</sup> Construction work started in February 2011 with 6.36 *per cent* completed in May 2013

<sup>7</sup> 71 *per cent* of the work have been completed in May 2013

Thus, due to non-realisation of NPV by the State Environment & Forests Department, less funds were available in Compensatory Afforestation for utilisation by the State Government for afforestation activity to that extent.

#### **5.5.5.2 Unauthorised diversion of forest land without levying NPV**

Similarly, under the Divisional Forest Officer (DFO), North Vanlaiphai Forest Division, the State Public Works Department (SPWD) unauthorisedly damaged a forest plantation of 1.663 ha during 2004 and 2005 for construction and widening of road in diverting the forest land without obtaining formal permission for such diversion of forest land into non-forest purposes. The leviable NPV amount was ₹ 12.14 lakh for diversion of 1.663 ha of forest land @ ₹ 7.30 lakh *per* ha, which was not levied (July 2013).

The State Environment & Forests Department did not take any action for realisation of NPV amount of ₹ 12.14 lakh from the SPWD for Compensatory Afforestation against the diverted forest land for non-forest purposes.

#### **5.5.6 Non-levy of Catchment Area Treatment Plan (CATP) Fund**

In accordance with section 2 of the Forest (Conservation) Act, 1980, the MoEF based on the proposal received from the State Government agreed (March 1991) in-principle for diversion of 30 sq.km. of forest land for Serlui 'B' hydel project on the conditions that the State Government should transfer the entire catchment area of 39,700 ha to the Forest Department within a period of three months. A detailed Catchment Area Treatment Plan (CATP) costing five *per cent* of project cost, concentrating primarily on afforestation was to be prepared and to be submitted to the Ministry. After receipt of the compliance report from the State Government, formal approval under section 2 of the Forest Conservation Act was to be issued. The MoEF further advised (September 1995) the State Government to prepare the CATP by the State Government costing 5 *per cent* of the project cost *i.e.* ₹ 17 crore.

Audit scrutiny (December 2012) revealed that the State Government had not prepared the CATP costing ₹ 17 crore for submission to the Ministry. As a result of this non-compliance, the Ministry failed to issue final approval order under Forest (Conservation) Act, 1980 although the Serlui 'B' Hydel project was technically commissioned in April 2010.

On being pointed out, the Additional Principal Chief Conservator of Forests (PCCF)/ Nodal Officer (NO) stated (February 2013) that as the project was revised, the revised CATP costing ₹ 9.56 crore (out of the total project cost of ₹ 191.13 crore) had been submitted (July 2012) to the Ministry for approval.

Thus, due to delay in submission of CATP for more than 16 years, no final approval of the project (which was commissioned in April 2010) could be granted by the Government of India, as a result of which fund for CATP remained unrealised as of February 2014.

The matter was reported to the State Government in September 2013; and the reply is awaited (February 2014).

## TAXATION DEPARTMENT

### 5.6 Escape of purchase turnover

**Under-assessment of purchase turnover of 10 dealers resulted in short-assessment of tax at ₹ 1.58 crore.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under Section 31 or 32 for any year, the Commissioner if he has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgement, the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly. Penalty not exceeding twice the amount of tax assessed is leviable under Section 31(7)(b) for furnishing incomplete and incorrect returns.

Test check (October-November 2011 and July-October 2012) of records of the two Assistant Commissioners of Taxes (ACT), North Zone and Central Zone, Aizawl, revealed that while assessing 10 dealers (North Zone : 06 dealers + Central Zone : 04 dealers), the Assessing Officers (AOs) determined the dealers' taxable purchase turnover at ₹ 55.29 crore and ₹ 41.91 crore, against the actual purchase turnover of ₹ 60.19 crore and ₹ 52.99 crore respectively taxable at the rate of 4 *per cent* and 12.5 *per cent* during the period covered under Audit Assessment.

Thus, there was an underassessment of the dealers' purchase turnover with consequential underassessment of sales turnover at ₹ 15.98 crore (taxable at 4 *per cent* : ₹ 4.90 crore + taxable at 12.5 *per cent* : ₹ 11.08 crore). The underassessment of purchase/sales turnover resulted in short assessment of tax of ₹ 1.58 crore (4 *per cent* : ₹ 0.20 crore + 12.5 *per cent* : ₹ 1.38 crore). The details of short assessment of the 10 dealers and present status as of January 2014 are given in the **Appendix-5.3.1**.

The purchase/sales turnover which escaped assessment was mainly due to irregular acceptance of concealed taxable purchase/sales turnover by the AOs. The dealers are liable to pay a tax of ₹ 1.58 crore besides, penalty not exceeding ₹ 3.16 crore for furnishing incomplete and incorrect returns.

The Government in its reply (November 2013) accepted audit observations in respect of nine dealers out of ten dealers and taken the following action:

- (i) In respect of six dealers<sup>8</sup>, after conducting re-assessment of the dealers at the instance of audit, the department levied an additional tax of ₹ 0.41 crore, out of which ₹ 0.35 crore was already realised (November 2013) leaving a balance of ₹ 0.06 crore.
- (ii) In respect of three dealers<sup>9</sup>, the Government has initiated (November 2013) process for re-assessment of the dealers at the instance of audit. However, result thereof was awaited (February 2014).
- (iii) In respect of one dealer (TIN 15110129025), as per re-assessment (January 2012), the dealer was to pay tax of ₹ 1.08 crore excluding Input Tax Credit (ITC) of ₹ 0.25 crore. Against which, the dealer paid a tax of ₹ 0.77 crore leaving a balance of ₹ 0.31 crore. The Government, however, claimed that the dealer was required to pay a tax of ₹ 0.77 crore excluding ITC of ₹ 0.25 crore and which was already paid. The contention of the Government is not acceptable as it contradicted the re-assessment order of January 2012. Thus, the dealer has to pay balance tax of ₹ 0.31 crore, which was not realised (February 2014). The Government may review the matter and initiate action for realisation of balance tax of ₹ 0.31 crore from the dealer.

## **5.7 Under-assessment of tax**

**There was under-assessment of tax of ₹ 5.01 lakh due to irregular determination of purchase turnover.**

Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that where a dealer is assessed under section 31 or 32 for any year, the Commissioner if he has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, he may serve a notice and proceed to assess to the best of his judgement, the amount of tax due from the dealer in respect of such turnover, and the provisions of this Act shall apply accordingly.

Test check (November-December 2011) of records of the Assistant Commissioner of Taxes (ACT), Central Zone, Aizawl revealed that one dealer<sup>10</sup> assessed (September 2011) for the year 2006-07 and 2009-10 by the Assessing Officer (AO) evaded a tax of ₹ 5.01 lakh as discussed below.

As per Section 34(1)(a) of the Mizoram Value Added Tax (MVAT) Act, 2005, the AO assessed the dealer for the assessment year 2006-07 as details given in the following Table:

<sup>8</sup> TIN of six dealers : (i) 15110094063, (ii) 15110039095, (iii) 15111885028, (iv) 15110142058, (v) 15110196016 and (vi) 1511019026

<sup>9</sup> TIN of three dealers : (i) 15110015049, (ii) 15111141057 and (iii) 15200185037

<sup>10</sup> M/s V Lalliana & Sons, TIN 15110232085



Table-5.7.1

		(₹ in lakh)		
Particulars	Value at 4 per cent Tax	Value at 12.5 per cent Tax	Total	
Opening Stock	22.90	20.00	42.90	
Add: Gross Purchase TO	37.75	54.52	92.27	
Total Stock	60.65	74.52	135.17	
Less: Taxable turnover of Sales	37.52	46.35	83.87	
<b>Tax payable</b>	<b>1.50</b>	<b>5.79</b>	<b>7.29</b>	

Sources: Departmental records

However, as per records made available to audit, gross turnover of purchases, taxable turnover of sales (with 5 per cent profit) and tax payable in respect of the said dealer for the assessment year 2006-07 are worked out in audit as under:

Table-5.7.2

		(₹ in lakh)		
Particulars	Value at 4 per cent Tax	Value at 12.5 per cent Tax	Total	
Opening Stock	7.57	35.33	42.90	
Add: Gross Purchase TO	21.08	102.66	123.74	
Total Stock	28.65	137.99	166.64	
Less: Taxable turnover of Sales (60 per cent)	17.19	82.79	99.984	
Add: 5 per cent Profit	0.86	4.14	5.00	
Total taxable turnover	18.05	86.93	104.98	
<b>Tax payable</b>	<b>0.72</b>	<b>10.87</b>	<b>11.59</b>	

Sources: Departmental records

Thus, due to under-assessment by the AO, the dealer evaded tax amounting to ₹ 4.30 lakh (₹ 11.59 lakh - ₹ 7.29 lakh).

Again, while assessing the same dealer for the assessment year 2009-10, the AO irregularly determined purchase turnover at ₹ 99.66 lakh (taxable at 4 per cent) instead of actual purchase turnover of ₹ 117.34 lakh (taxable at 4 per cent), which resulted in concealment of purchase turnover of ₹ 17.68 lakh with consequential under-assessment of tax of ₹ 0.71 lakh.

Thus, the dealer was liable to pay a balance tax of ₹ 5.01 lakh (₹ 4.30 lakh + ₹ 0.71 lakh), which was not levied (February 2014).

In its reply (November 2013), the Government stated that the concerned dealer was re-assessed (10 October 2013) with a tax of ₹ 7.96 lakh (Net tax escaped: ₹ 7.73 lakh + Penalty: ₹ 0.23 lakh) and accordingly notice was served to the dealer to deposit the re-assessed tax of ₹ 7.96 lakh on or before 30 November 2013. Further development is awaited (February 2014).

## 5.8 Understatement of purchase resulted in non-levy/evasion of tax

**There was understatement of purchase of ₹ 1.98 crore with consequential understatement of sale of ₹ 2.04 crore resulting in non-levy/evasion of tax of ₹ 0.25 crore.**

Section 31(7)(b) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that if the Commissioner of Taxes satisfies himself that the dealer has furnished incomplete and incorrect returns in order to evade or avoid payment of tax for any period, he shall direct the dealer to pay a sum not exceeding twice the amount of tax assessed by way of penalty.

Test check (October 2012) of records of the Assistant Commissioner of Taxes (ACT), Central Zone, Aizawl revealed that while assessing a dealer (TIN-15110195006) for the years 2008-09 to 2010-11, the Assessing Officer (AO) determined the dealer's total purchase turnover under 12.5 *per cent* taxable goods at ₹ 16.46 crore as declared by the dealer in his Returns.

From the records made available to audit, it was seen that the dealer's actual purchase turnover was ₹ 18.44 crore at 12.5 *per cent* taxable goods during the assessment years 2008-09 to 2010-11. Thus, the dealer had concealed a taxable turnover of ₹ 1.98 crore (₹ 18.44 crore - ₹ 16.46 crore), on which tax of ₹ 0.25 crore was leviable.

Besides, the dealer was also liable to pay a sum not exceeding ₹ 0.50 crore as penalty for furnishing incorrect returns as per Section 31(7)(b) of the Mizoram Value Added Tax (MVAT) Act, 2005.

While accepting the facts, the Government stated (November 2013) that after re-assessment (21 May 2013) the concerned dealer was served (24 October 2013) a notice of demand for payment of re-assessed tax of ₹ 0.06 crore. The progress of realisation, however, has not been intimated to Audit (February 2014).

The Government, however, has not clarified the reason for re-assessment with less amount of tax to the tune of ₹ 0.06 crore, against the leviable tax of ₹ 0.25 crore as pointed out in Audit.