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# **Chapter IV**

## **Revenue Sector**

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**CHAPTER-IV**  
**REVENUE SECTOR**

**4.1 Trend of revenue receipts**

**4.1.1** The tax and non-tax revenue raised by the Government of Manipur during the year 2013-14, the State's share of net proceeds of 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 in **Table 4.1.1**.

**Table 4.1.1**  
**Trends of revenue receipts**

(₹ in crore)

| Sl. No. | Particulars   | 2009-10        | 2010-11        | 2011-12        | 2012-13        | 2013-14              |
|---------|---|----------------|----------------|----------------|----------------|----------------------|
| 1       | <b>Revenue raised by the State Government</b>         |                |                |                |                |                      |
|         | • Tax revenue   | 196.04         | 267.05         | 368.07         | 332.83         | 472.73               |
|         | • Non-tax revenue                                     | 239.74         | 259.88         | 311.53         | 231.78         | 260.67               |
|         | <b>Total:</b>   | <b>435.78</b>  | <b>526.93</b>  | <b>679.60</b>  | <b>564.61</b>  | <b>733.40</b>        |
| 2       | <b>Receipts from the Government of India</b>          |                |                |                |                |                      |
|         | • State's share of net proceeds of Union taxes        | 597.56         | 990.57         | 1154.03        | 1317.83        | 1438.79 <sup>1</sup> |
|         | • Grants-in-aid                                       | 2839.79        | 3912.44        | 3819.92        | 4937.32        | 5110.60              |
|         | <b>Total:</b>   | <b>3437.35</b> | <b>4903.01</b> | <b>4973.95</b> | <b>6255.15</b> | <b>6549.39</b>       |
| 3       | <b>Total receipts of State Government (1 &amp; 2)</b> | <b>3873.13</b> | <b>5429.94</b> | <b>5653.55</b> | <b>6819.76</b> | <b>7282.79</b>       |
|         | <b>Percentage of 1 to 3</b>                           | <b>11</b>      | <b>10</b>      | <b>12</b>      | <b>8</b>       | <b>10</b>            |

(Source: Finance Accounts)

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 733.40 crore) was ten *per cent* of the total revenue receipts of ₹ 7282.79 crore as against eight per cent in the preceding year (₹ 564.61 crore). The balance 90 *per cent* of receipts of ₹ 6549.39 crore during 2013-14 was from the Government of India.

**4.1.2** The details of tax revenue raised during the period 2009-10 to 2013-14 are given in **Table 4.1.2**.

<sup>1</sup> Includes only the amount booked under the Minor Head 901 - share of net proceeds assigned to the State, booked under the Major Heads 0020 - Corporation tax, 0021-Taxes on income other than corporation tax, 0032 - Taxes on wealth, 0037 - Customs, 0038- Union excise duty, 0044 - Service tax.

**Table 4.1.2**  
**Details of Tax Revenue raised**

(₹ in crore)

| Sl. No.      | Head of revenue                | 2009-10       |               | 2010-11       |               | 2011-12       |               | 2012-13       |               | 2013-14       |               | Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13 |
|--------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
|              |                                | BE            | Actual        | BE            | Actual        | BE            | Actual        | BE            | Actual        | BE            | Actual        |  |
| 1            | Taxes on sales, trade etc.     | 146.83        | 163.28        | 220.00        | 227.57        | 242.20        | 296.92        | 250.80        | 258.52        | 385.88        | 395.74        | (+) 53.08  |
| 2            | Motor Vehicles Tax             | 5.60          | 4.35          | 15.00         | 4.44          | 15.65         | 13.21         | 17.17         | 15.83         | 19.57         | 18.73         | (+) 18.32  |
| 3            | State Excise                   | 5.10          | 4.70          | 6.00          | 6.61          | 12.11         | 9.80          | 8.59          | 9.93          | 12.74         | 9.20          | (-) 7.35   |
| 4            | Stamps and Registration Fees   | 3.83          | 4.26          | 10.00         | 3.57          | 15.52         | 4.82          | 6.64          | 5.99          | 6.26          | 7.90          | (+) 31.89  |
| 5            | Land Revenue                   | 1.37          | 0.81          | 5.00          | 1.29          | 1.05          | 0.84          | 1.68          | 1.24          | 1.09          | 1.12          | (-) 9.68   |
| 6            | Taxes on duties on electricity | 0.39          | 0.01          | 0.44          | 0.003         | 0.01          | 0.34          | -             | 0.04          | 0.44          | 0.05          | (+) 25.00  |
| 7            | Others                         | 19.15         | 18.63         | 32.30         | 23.57         | 31.30         | 42.14         | 47.95         | 41.28         | 65.89         | 39.99         | (-) 3.12   |
| <b>Total</b> |                                | <b>182.27</b> | <b>196.04</b> | <b>288.74</b> | <b>267.05</b> | <b>317.84</b> | <b>368.07</b> | <b>325.51</b> | <b>332.83</b> | <b>491.87</b> | <b>472.73</b> | <b>(+) 42.03</b>   |

(Source: Finance Accounts)

The Departments despite being requested (May 2014) and subsequent reminder (August 2014) did not furnish the reasons for variation in receipts from that of the previous year (December 2014).

**4.1.3** The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 4.1.3**.

**Table 4.1.3**  
**Details of Non-tax revenue raised**

(₹ in crore)

| Sl. No.      | Head of revenue                | 2009-10       |               | 2010-11       |               | 2011-12       |               | 2012-13       |               | 2013-14       |               | Percentage of increase(+)/ decrease (-) in 2013-14 over 2012-13 |
|--------------|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---|
|              |                                | BE            | Actual        | BE            | Actual        | BE            | Actual        | BE            | Actual        | BE            | Actual        |   |
| 1            | Miscellaneous General Services | 59.1          | 61.47         | 200           | 76.87         | 99.38         | 138.33        | 93.01         | 75.29         | 167.38        | 110.83        | (+) 47.20   |
| 2            | Power                          | 78.39         | 104.07        | 160           | 88.29         | 250           | 106.58        | 177.7         | 108.3         | 171.69        | 96.23         | (-) 11.14   |
| 3            | Interest receipts              | 38.5          | 32.73         | 45            | 44.65         | 41.04         | 25.18         | 54.03         | 20.66         | 30.47         | 33.1          | (+) 60.21   |
| 4            | Forestry and Wild Life         | 2.54          | 2.25          | 5             | 2.1           | 7.73          | 3.46          | 2.54          | 2.94          | 4.18          | 3.71          | (+) 26.19   |
| 5            | Major and Medium Irrigation    | 10.45         | 7             | 15            | 10.49         | 12.47         | 8.61          | 12.69         | 3.75          | 10.42         | 2.42          | (-) 35.47   |
| 6            | Public Works                   | 10.42         | 17.65         | 11.46         | 16.88         | 21.36         | 15.13         | 20.43         | 6.01          | 18.31         | 1.81          | (-) 69.88   |
| 7            | Other Administrative Services  | 1.34          | 0.38          | 1.47          | 1.08          | 0.45          | 2.89          | 1.3           | 1.39          | 3.49          | 1.18          | (-) 15.11   |
| 8            | Police                         | 0.68          | 0.94          | 0.75          | 0.88          | 1.14          | 0.9           | 1.07          | 0.99          | 1.08          | 1.03          | (+) 4.04  |
| 9            | Medical and Public Health      | 0.41          | 0.12          | 0.57          | 0.12          | 0.14          | 0.1           | 0.15          | 0.15          | 0.12          | 0.29          | (+) 93.33   |
| 10           | Co-operation                   | 0.13          | 0.16          | 0.17          | 0.19          | 0.2           | 0.26          | 0.22          | 0.33          | 0.31          | 0.22          | (-) 33.33   |
| 11           | Other non-tax receipts         | 7.86          | 12.97         | 17.21         | 18.33         | 25.81         | 10.09         | 22.70         | 11.97         | 22.32         | 9.85          | (-)17.71  |
| <b>Total</b> |                                | <b>209.82</b> | <b>239.74</b> | <b>456.63</b> | <b>259.88</b> | <b>459.72</b> | <b>311.53</b> | <b>385.84</b> | <b>231.78</b> | <b>429.77</b> | <b>260.67</b> | <b>(+)12.46</b>   |

(Source: Finance Accounts)

The respective Departments reported the following reasons for variation:

**Forestry and Wild Life:** The increase of revenue during 2013-14 was attributed to increase in harvesting of timber.

**Major and medium Irrigation:** The decrease was attributed to less receipt of interest on Mobilization Advance, Hire charges of machinery, Water Tax *etc.*

The other Departments despite being requested (May 2014) and subsequent reminder (August 2014) did not intimate the reasons for variation in receipts from that of the previous year (December 2014).

#### 4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on two principal heads (other departments had not furnished the information) of revenue amounted to ₹ 11.32 crore of which ₹ 0.07 crore was outstanding for more than five years, as detailed in **Table 4.2.1**.

**Table 4.2.1**  
Arrears of revenue

| (₹ in crore) |                                       |  |  |                       |
|--------------|---------------------------------------|--|--|-----------------------|
| Sl. No.      | Head of revenue                       | Total amount outstanding as on 31 March 2014 | Amount outstanding for more than 5 years as on 31 March 2014 | Replies of Department |
| 1            | Other Taxes on Income and Expenditure | 0.14   | 0.07   | Nil                   |
| 2.           | Land Revenue                          | 11.18  | Not available  | Nil                   |
| <b>Total</b> |                                       | <b>11.32</b>                                 | <b>0.07</b>  |                       |

It would be seen from the table that the recovery of ₹ 0.07 crore (the Revenue Department has not furnished the amount of revenue outstanding for more than five years) was pending under the head “Other Taxes on Income and Expenditure” for more than five years. Arrears of ₹ 11.32 crore were pending with the departmental authorities. Revenue amounting to ₹ 0.07 crore pending for recovery for more than five years indicates that the chance of recovery of revenue is remote.

#### 4.3 Arrears in assessments

No information in respect of arrears in assessment was furnished by the Taxation Department though called for (May 2014) and subsequent reminder (August 2014).

#### 4.4 Evasion of tax detected by Department

No information in respect of evasion of tax detected was furnished by the Taxation Department though called for (May 2014) and subsequent reminder (August 2014).

#### 4.5 Pendency of Refund Cases

No information in respect of pendency of refund cases was furnished by the Taxation Department though called for (May 2014) and subsequent reminder (August 2014).

#### 4.6 Response of the Departments/Government towards Audit

The Principal Accountant General (Audit), Manipur 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/ Governments 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 Principal Accountant General within one month from the date of issue of IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection reports issued upto December 2013 disclosed that 641 paragraphs involving ₹ 74.24 crore relating to 235 IRs remained outstanding at the end of June 2014 as mentioned below along with the corresponding figures for the preceding two years in **Table 4.6.1**.

**Table 4.6.1**  
**Details of pending Inspection Reports**

|  | June 2012 | June 2013 | June 2014 |
|--|-----------|-----------|-----------|
| Number of pending IRs                    | 444       | 221       | 235       |
| Number of outstanding audit observations | 1347      | 581       | 641       |
| Amount involved (₹ in crore)             | 1138.54   | 66.37     | 74.24     |

**4.6.1** The department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in **Table 4.6.2**.

**Table 4.6.2**  
**Department wise details of IRs**

| Sl. No.      | Name of Department     | Nature of receipts                                     | No. of outstanding IRs | No. of outstanding audit observations | (₹ in crore)         |
|--------------|------------------------|--|------------------------|---------------------------------------|----------------------|
|              |                        |  |                        |                                       | Money value involved |
| 1            | Finance                | Taxes on sales, trade <i>etc.</i>                      | 49                     | 142                                   | 23.52                |
|              |                        | Passenger & Goods Tax (PGT)                            | Nil                    | Nil                                   | Nil                  |
|              |                        | Other Taxes & Duties on commodities and services (OTD) | Nil                    | Nil                                   | Nil                  |
|              |                        | Entertainment & luxury tax <i>etc.</i>                 | Nil                    | Nil                                   | Nil                  |
| 2            | Excise                 | State Excise   | 10                     | 26                                    | 3.87                 |
| 3            | Revenue                | Land revenue   | 101                    | 275                                   | 28.15                |
| 4            | Transport              | Taxes on Motor Vehicles                                | 62                     | 150                                   | 18.17                |
| 5            | Stamp and Registration | Stamp & Registration Fees                              | 13                     | 48                                    | 0.53                 |
| <b>Total</b> |                        |  | <b>235</b>             | <b>641</b>                            | <b>74.24</b>         |

Audit did not receive replies from the head of the offices within one month from the date of issue of the IRs for 17 IRs issued during 2013-14. This large pendency of the 235 IRs due to non-receipt of the replies is indicative of the fact that the head of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Principal Accountant General (Audit) in the IRs.

The Government may consider having an effective system for providing prompt and appropriate response to audit observations.

#### **4.6.2 Departmental audit committee meetings**

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. However, no departmental audit committee meetings were held during 2012-13.

As can be seen from **para 4.7.1** there is large pendency of IRs. In view of this, the Government may ensure holding of audit committees meetings to expedite clearance and settlement of outstanding audit observations.

#### **4.6.3 Response of the Departments to the draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG to the Principal Secretary/ Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Six draft paragraphs were sent to the Principal Secretaries / Secretaries of the respective departments by name between June and September 2014. The Principal Secretaries/ Secretaries of the departments did not send replies to two draft paragraphs despite issue of reminders (November 2014) and the same have been included in this Report without the response of the departments.

#### **4.6.4 Follow up on Audit Reports – summarised position**

The internal working system of the Public Accounts Committee, notified in December, 2002 laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall *suo moto* initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 34 paragraphs (including two performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Manipur for the years ended 31 March 2008, 2009, 2010, 2011 and 2012 were placed before the State Legislature Assembly between 19 March 2009 and 11 June 2013. The action taken explanatory notes (ATNs) from the concerned departments on these paragraphs were received late with average delay of one month in respect of each of these Audit Reports. Action taken on explanatory notes in respect of

12 paragraphs/reviews from four departments (Revenue, Taxation, Transport and Home) had not been received for the Audit Reports for the years ended 31 March 2011 and 2012 so far (December 2014).

The PAC discussed 12 selected paragraphs/reviews pertaining to the Audit Reports for the years 2011 and 2012 and its recommendations on 8 paragraphs were incorporated in their 38<sup>th</sup> and 40<sup>th</sup> Reports. However, ATNs have not been received in respect of eight recommendations of the PAC from the departments concerned as mentioned in **Table 4.6.3**.

**Table 4.6.3**

| Year         | Name of Department | No. of Recommendations |
|--------------|--------------------|------------------------|
| 2011         | Transport          | 3                      |
| 2012         | Transport          | 1                      |
|              | Taxation           | 4                      |
| <b>Total</b> |                    | <b>8</b>               |

**4.7 Analysis of the mechanism for dealing with the issues raised by Audit**

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 for one Department is evaluated and included in this Audit Report.

The succeeding paragraph 4.7.1 and 4.7.2 discuss the performance of Land Revenue Department under revenue head 0029 and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2003-04 to 2013-14.

**4.7.1 Position of Inspection Reports**

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in **Table 4.7.1**.

**Table 4.7.1  
Position of Inspection Reports**

(₹ in crore)

| Sl. No. | 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 |
| 1       | 2003-04 | Nil             | Nil   | Nil         | 12                       | 26    | 0.86        | 1                         | 2     | 0.01        | 11                              | 24    | 0.85        |
| 2       | 2004-05 | 11              | 24    | 0.85        | 12                       | 27    | 1.24        | 1                         | 2     | 0.38        | 22                              | 49    | 1.70        |
| 3       | 2005-06 | 22              | 49    | 1.71        | 6                        | 27    | 1.29        | Nil                       | 2     | 0.002       | 28                              | 74    | 2.99        |
| 4       | 2006-07 | 28              | 74    | 2.99        | 12                       | 32    | 2.99        | 1                         | Nil   | Nil         | 39                              | 106   | 5.98        |
| 5       | 2007-08 | 39              | 106   | 5.98        | 17                       | 40    | 3.62        | 3                         | 8     | 0.05        | 53                              | 138   | 9.55        |
| 6       | 2008-09 | 53              | 138   | 9.55        | 7                        | 24    | 1.81        | Nil                       | 9     | 0.12        | 60                              | 153   | 11.24       |
| 7       | 2009-10 | 60              | 153   | 11.24       | 14                       | 50    | 5.91        | Nil                       | 2     | 0.003       | 74                              | 201   | 17.15       |
| 8       | 2010-11 | 74              | 201   | 17.15       | 10                       | 24    | 2.90        | 1                         | 4     | 0.01        | 83                              | 221   | 20.04       |
| 9       | 2011-12 | 83              | 221   | 20.04       | 12                       | 21    | 2.04        | 6                         | 13    | 0.04        | 89                              | 229   | 22.04       |
| 10      | 2012-13 | 89              | 229   | 22.04       | 8                        | 23    | 3.04        | 1                         | Nil   | Nil         | 96                              | 252   | 25.08       |
| 11      | 2013-14 | 96              | 252   | 25.08       | 6                        | 28    | 3.07        | 1                         | 1     | Nil         | 101                             | 279   | 28.15       |

The Government arranges *ad-hoc* Committee meetings between the Department and PAG's (Audit) office to settle the old paragraphs. As would be evident from the above table, against 11 outstanding IRs with 24 paragraphs from 2003-04, the number of outstanding IRs increased to 101 with 279 paragraphs at the end of 2013-14. This is indicative of the fact that adequate steps need to be taken by the Department in this regard to reduce the number of outstanding IRs and paragraphs.

#### 4.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Departments and the amount recovered are mentioned in **Table 4.7.2**.

**Table 4.7.2**

(₹ 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 during the year | Cumulative position of recovery of accepted cases |
|----------------------|----------------------------|-------------------------------|----------------------------|------------------------------------|----------------------------------|---|
| 2003-04              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| 2004-05              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| 2005-06              | 1                          | 0.02                          | 1                          | 0.02                               | Nil                              | Nil   |
| 2006-07              | 1                          | 0.04                          | 1                          | 0.04                               | Nil                              | Nil   |
| 2007-08              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| 2008-09              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| 2009-10              | 1                          | 0.06                          | 1                          | 0.06                               | Nil                              | Nil   |
| 2010-11              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| 2011-12              | 1                          | 0.03                          | 1                          | 0.03                               | Nil                              | Nil   |
| 2012-13              | Nil                        | Nil                           | Nil                        | Nil                                | Nil                              | Nil   |
| <b>Total</b>         | <b>4</b>                   | <b>0.15</b>                   | <b>4</b>                   | <b>0.15</b>                        | <b>Nil</b>                       | <b>Nil</b>  |

From the above table it is observed that the progress of recovery even in accepted cases was very slow during the last ten years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/ Government. Further, the arrear cases including accepted audit observations were not available with the office of the Commissioner, Taxation Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

#### **4.8 Action taken on the recommendations accepted by the Departments / Government**

The draft performance audits (PAs) conducted by the office of the PAG (Audit), Manipur are forwarded to the concerned Department/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 finalizing the Audit Reports.



The following PAs on the Department of Taxation are featured in the last five years Audit Reports. The details of recommendations and their status is given in **Table 4.8.1**.

**Table 4.8.1**

| Year of AR | Name of the PA   | No. of recommendations | Details of the recommendations  | Status   |
|------------|--|------------------------|---|--|
| 2008-09    | Transition from Sales Tax to Value Added Tax (VAT) System                  | 7                      | <p>The Government may:</p> <ul style="list-style-type: none"> <li>➤ Prescribe a time limit within which all Pre-VAT dealers liable to be registered under the VAT Act will be brought within the ambit of the VAT Act;</li> <li>➤ Prescribe norms/target for each Inspector, Assistant Commissioner or for any other authority regarding the number of surveys to be conducted during a year;</li> <li>➤ Direct the Department to prepare a manual for effective administration of the VAT Act and the rules made thereunder and for maintaining data of dubious/risky and bogus dealers;</li> <li>➤ Put in place a system for periodical scrutiny of the books of the accounts of the dealers under the threshold limit to ensure their registration under the Act;</li> <li>➤ Revise the format of the returns for providing necessary information like opening and closing stock of goods held by the dealers, discount allowed and tax collected, details of treasury challan and details of the selling dealers <i>etc.</i>;</li> <li>➤ Put in place a mechanism to enable the Department to monitor filing of returns by each registered dealer; and</li> <li>➤ Strengthen its internal controls and putting in place a separate internal audit wing for the Department.</li> </ul>   | Compliance to audit observations and recommendations have not been intimated to Audit. |
| 2010-11    | Performance Audit on “Declaration forms in Inter-State trade and commerce” | 5                      | <p>The Government of Manipur may consider the following steps to enhance the effectiveness of the machinery for concession and exemption in Inter State sales, branch transfer and transparency in assessment in respect of intra State transactions:</p> <ul style="list-style-type: none"> <li>➤ Installing a mechanism to ensure that cross verification of Declaration forms is done diligently by the AAs concerned before accepting the Declaration Forms;</li> <li>➤ Prescribing a periodic return to monitor the progress made from time to time in cross verification of the Declaration form at the Commissioner of Taxes’ level;</li> <li>➤ Uploading dealers’ details, forms issued and utilization thereof in the TINXSYS. Com website for a transparent assessment and as an aid to assessment of State offices as well as other States. Necessary steps may be taken to provide full access to the modules developed and the TINXSYS website;</li> <li>➤ Putting in place a system to maintain records to watch the receipt of Declaration forms from outside the State and dispatch of Declaration forms to other States; and</li> <li>➤ Taking early action to install internal audit wing to ensure strict compliance with the provisions of the Act and the Rules by the Assessing/Departmental officers.</li> </ul> | Compliance to audit observations and recommendations have not been intimated to audit. |

#### **4.9 Audit Planning**

The unit offices under various departments are categorized 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* include 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 past five years *etc.*

During the year 2013-14, there were 55 auditable units, of which 16 units were planned and 15 units had been audited, which is 27 *per cent* of the total auditable units. Due to critical shortage of staff, one planed unit could not be audited.

#### 4.10 Results of Audit

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

Test check of the records of 15 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers, Forest Receipts and other departmental offices conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹ 2.69 crore in 19 cases. During the course of the year, no reply was furnished by the Departments regarding under assessment and other deficiencies which were pointed out in audit during 2013-14. The departments had not recovered any amount in 564 cases during 2013-14 pertaining to the audit findings of the previous year.

#### 4.11 Coverage of this Report

This report contains six paragraphs (selected from the audit detections made during the local audit referred to above) involving financial effect of ₹ 5.85 crore.

The Departments/ Government have accepted audit observations involving ₹ 1.53 crore out of which ₹ 0.15 crore had been recovered. The replies in the remaining cases have not been received (December 2014). These are discussed in succeeding paragraphs.

COMPLIANCE AUDIT

REVENUE DEPARTMENT

4.12 Short Realisation of Stamp Duty and Registration Fees

**Undervaluation of properties for the purpose of levying Stamp Duty and Registration Fees resulted in loss of revenue to the extent of ₹ 31.67 lakh to the State exchequer**

As per Schedule 1 of the Indian Stamp (Manipur Amendment) Act, 1989, Gift Deeds are leviable at the same duty as a conveyance for a consideration equal to the total amount of the property as set forth in such instruments. With effect from 1 April 2012, the rate of Stamp Duty leviable in respect of conveyance is ₹ 3 for every ₹ 100 or part thereof of the consideration. In Municipal areas, an additional Transfer Duty of ₹ 1 for every ₹ 100 shall be levied in land transactions. Further, as per Government of Manipur Notification dated 14 June 1999, Registration Fee of ₹ 15 for value upto ₹ 1000 and ₹ 10 for every addition of ₹ 1000 for the value of the right, title and interest effected shall be levied. With effect from 1 April 2012, the valuation of land in land transactions shall be either at a rate higher than or at a rate not less than the Minimum Guidance Value (MGV) approved by the Government of Manipur for different categories of land throughout the State vide order dated 20 March 2012.

Audit of records of the office of the Sub-Registrars of Imphal West, Imphal East and Thoubal showed that 251 Gift Deeds were presented and registered during the period from 1 April 2012 to 31 March 2013 through which 68.66 hectares of land was transferred. The Sub Registers assessed the value of the properties at ₹ 13.20 lakh (individual property ranging from ₹ 4,000 to ₹ 30,000) and collected revenue of ₹ 0.66 lakh (₹ 0.51 lakh as Stamp Duty and ₹ 0.15 lakh as Registration Fee). On analysis of property records, it was found that on the basis of MGV norms *ibid*, the worth of properties were ₹ 703.55 lakh (individual property ranging from ₹ 4,047 to ₹ 43.02 lakh) for which revenue to the tune of ₹ 32.33 lakh (₹ 25.28 lakh as Stamp Duty and ₹ 7.05 lakh as Registration Fee) should have been levied and collected. Comparative statement of MGV and the rate at which land was valued is given in **Appendix 4.1**. Details of revenue due, revenue collected and revenue short realised is given in **Appendix 4.2**.

Thus, undervaluation of land property by ₹ 690.35 lakh has resulted in loss of revenue to the extent of ₹ 31.67 lakh (₹ 24.77 as Stamp Duty and ₹ 6.90 as Registration Fee) to the Government.

On this being pointed out, the Sub Register, Imphal East stated that as no price of land was mentioned in the Gift Deed executed, the price of land is fixed at ₹ 5,000 per transaction in most cases for purpose of realizing Registration Fee. The Sub Register, Imphal West stated that the matter was reported to the Government and reply is awaited. The Sub Register, Thoubal stated that they have not received written guidelines from the Government with regards to value fixation of properties in Gift Deeds. These replies are not acceptable as

the copy of the order for MGV for different categories of land was issued in March 2012 to all Sub-Registers apart from publishing in the Extra Ordinary Gazette and uploaded<sup>2</sup> in the Government's official website.

The matter was reported to the Department/Government (August 2014); the reply is awaited (December 2014).

## TAXATION DEPARTMENT

### 4.13 Concealment of purchase turnover

#### **Concealment of purchase turnover resulted in evasion of tax of ₹ 0.52 crore and penalty to the tune of ₹ 1.04 crore.**

Where a dealer has filed a self-assessment return under Section 34 (3) of Manipur Value Added Tax (MVAT) Act 2004, the Commissioner of Taxes may under the provisions contained in Section 36 (6) read with Section 39 may proceed to assess the dealer to the best of his judgment if the dealer has filed incomplete and incorrect return for any period or if there is reason(s) to believe that whole or any part of the turnover in respect of any period has escaped assessment or been under-assessed. Further, under Section 36 (7), a dealer who furnishes incomplete and incorrect return for any period shall be liable to pay by way of penalty a sum equal to twice the amount of additional tax assessed.

Audit of records of the Commissioner of Taxes (Taxation zones I, V, VII and IX) showed that the Assessing Authorities concerned finalized (16 November 2012 to 21 October 2013) the assessments of seven<sup>3</sup> dealers under Section 34 (3) of the Act for turnover of purchases of taxable goods from outside the State amounting to ₹ 8.42 crore for the quarters ending June 2012 to June 2013 as declared in their returns. However, analysis of the purchase from outside the State through Form "C" by these dealers<sup>4</sup> during the quarters ending June 2012 to June 2013 showed that their total purchase turnover was worth ₹ 14.71 crore. The concerned Assessing Authorities failed to detect the concealment of purchase turnover by ₹ 6.29 crore (₹ 14.71 crore - ₹ 8.42 crore). Thus, due to concealment of purchase turnover the dealers evaded tax of ₹ 0.52 crore<sup>5</sup>. Besides, penalty to the tune of ₹ 1.04 crore was also leviable.

The Department admitted (September 2014) the audit observation and stated that five dealers were served notice to deposit the due tax and recovered ₹ 5,09,974 from one defaulter dealer<sup>6</sup>. However, in respect of one dealer M/s Manipur Motor, the Department stated that suppressed turnover was reflected in the subsequent quarter. The reply is not acceptable as the Department had not furnished the return (Form 10) of the subsequent quarter to audit. In respect

<sup>2</sup> Link : [manipurrev.nic.in/notice2011/govtorder.pdf](http://manipurrev.nic.in/notice2011/govtorder.pdf)

<sup>3</sup> M/S Dinesh TV Electronics(TIN-14410118118), M/S Navjivan Aushadhalaya (TIN-14510106122), M/S Sharma Bros Scientific Equipments and Instruments Co.(TIN-14210034194), M/s Sangai Traders (TIN- 14110286165), M/s Manipur Motors (TIN- 14010040103), M/s Roopak Agency (TIN-14510078133) and M/S Blue Bell Fashion(TIN-14210020151)

<sup>4</sup> As per data available in VAT soft and online Tax Information Exchange System database

<sup>5</sup> Tax rate: 13.5% on ₹ 24004740 and 5% on ₹ 38798851.

<sup>6</sup> M/s Blue Bell Fashion

of M/s Sharma Bros, the Department was yet to take any action (December 2014).

#### **4.14 Non deduction of VAT**

##### **The government suffered loss to the tune of ₹ 39.06 lakh due to non-deduction of VAT from unregistered dealers**

As per Sec 37(1) read with Section 27 (1) of Manipur Value Added Tax (MVAT) Act 2004, if a dealer fails to get himself registered within two months from the date from which he is first liable to pay tax, the Commissioner shall proceed in such manner as may be prescribed to assess to the best of his judgment the amount of tax due from the dealer in respect of such period and all subsequent periods and also by order impose a penalty of not less than five thousand rupees and not exceeding ten thousand rupees, for each month of default after giving the dealer reasonable opportunity of being heard. Under Section 37 (2) *ibid*, if the Commissioner is satisfied that the default was without reasonable cause, direct the dealer to pay by way of penalty a sum equal to the amount of tax assessed or a sum of rupees ten thousand whichever is more in addition to the tax assessed. Further, Section 65 *ibid* also provides for survey of unregistered dealers from time to time.

Audit of records of the Commissioner of Taxes, Manipur (April – May 2014) showed that the two departments<sup>7</sup> had purchased various items of goods<sup>8</sup> worth ₹ 2.19 crore from 11 numbers of unregistered dealers in connection with the various works undertaken by the two departments. As the dealers were unregistered, Value Added Tax (VAT) of ₹ 19.53 lakh was not deducted from the dealers. Details of procurement and VAT leviable are given in **Appendix 4.3**. It was also noticed in audit that no survey of unregistered firms/dealers were carried out by the Commissioner and no action was taken for imposition of penalty to the tune of ₹ 19.53 lakh on the said dealers by the Commissioner of Taxes as per the extant rules.

Thus, there was a loss to the Government due to non-deduction of VAT from unregistered dealers to the tune of ₹ 19.53 lakh for which a penalty of ₹ 19.53 lakh was also leviable.

On this being pointed out (May 2014), the Deputy Commissioner of Taxes stated that survey would be conducted and efforts would be made to register the unregistered dealers. No time frame for completion of this mandatory task was communicated to Audit. The matter was referred to the Department (June 2014) and Government (August 2014); reply has not been received (December 2014).

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<sup>7</sup> Based on the copy of vouchers made available during audit of Director of Commerce & Industries and Irrigation and Flood Control Division – I, Irrigation and Flood Control Department (IFCD).

<sup>8</sup> Cement, Steel, GCI Sheets, Hard board, Paint, Tile, Water closet and basin.

#### 4.15 Non realisation of tax and interest

##### The Department failed to realize tax of ₹ 1.19 crore and interest of ₹ 1.48 crore from five dealers

Under Section 28 of the Manipur Value Added Tax (MVAT) Act, 2004 read with Rule 24 (1) (b) of the MVAT Rules, 2005 along with its amendment notification of 16 June 2012, every registered dealer with total turnover exceeding ₹ 40 lakhs shall furnish monthly return within 20 days from the end of the month along with the receipt/Challan for full payment of the tax. As per Section 29 of the Act *ibid*, in case of a dealer failing to do so, the dealer shall be liable to pay interest in respect of the tax payable for the period for which he has failed to furnish return at the rate of 2 per cent per month (30 days) from the date the tax had become payable to the date of its payment or to the date of order of assessment, whichever is earlier. Further, under Section 50(4), when a dealer is in default or is deemed to be in default in making the payment under sections 34, 35 and 36<sup>9</sup> be liable to pay simple interest on such amount at the rate of two percent per month from the date of such default for so long as he continues to make default in the payment of the said tax.

Audit of records (May 2014) of Taxation Zones II, III and IX revealed that five dealers<sup>10</sup> had delayed payment of assessed tax to the tune of ₹ 11.21 core for quarters ending between March 2009 to December 2013 by periods ranging from nine days to 1,631 days thereby attracting provisions for levy of interest under section 29 and section 50(4) of the Act *ibid*. Against leviable interest of ₹ 1.54 crore, the Department levied ₹ 6.00 lakh only resulting in non-levy of interest to the tune of ₹ 1.48 crore. Further, out of ₹ 11.21 crore of tax assessed, only ₹ 10.02 crore was paid by the dealers. Thus, the Department failed to realise the outstanding tax ₹ 1.19 crore. Details are given in the **Appendix 4.4**.

While admitting (October 2014) the Audit observation the Department stated that notices had been served to the five dealers to pay the outstanding arrear and interest. Accordingly, one dealer<sup>11</sup> had deposited tax arrears of ₹ 33,52,668 and another two dealers<sup>12</sup> deposited ₹ 10,02,431 as interest to the Government.

Position of realization of the balance amount of tax and interest is awaited (December 2014).

<sup>9</sup> Section 34 deals with Self-Assessment; Section 35 deals with Provisional Assessment and Section 36 deals with Audit Assessment.

<sup>10</sup> Sangai Traders (TIN-14110286165)/Zone –III, M/s Rajpri Enterprises (TIN-14810386190)/Zone IX, M/s NRL Energy Station, Thoubal (TIN-14710155181)/, M/s House worth (TIN-14920442188)/Zone – III and M/s MGT Motors (TIN - 14310083129)/Zone-II.

<sup>11</sup> M/s Rajpri Enterprise – ₹ 33,52,658

<sup>12</sup> (i) M/s Houseworth – ₹ 91,857

(ii) M/s M.G.T. Motor – ₹ 9,10,574

#### 4.16 Short levy of tax and penalty

**Due to non-submission of mandatory form “F” even after expiry of the stipulated period, a dealer was liable to pay VAT of ₹ 6.16 lakh and penalty of ₹ 12.32 lakh for submission of incomplete and incorrect returns**

Section 6A of the Central Sales Tax (CST) Act, 1956 read with Rule 12(7) of CST (Registration and Turnover) Rules 1957 states that where a dealer claims exemption on payment of tax in respect of any goods on the ground that the movement of such goods from one State to another was occasioned by reasons of transfer of such goods by him to any other place of his business and not by reason of sale, he is required to submit Form “F” along with the evidence of dispatch of such goods within three months after the end of period to which the declaration relates. If the dealer fails to furnish such declaration, the movement of such goods shall be deemed to have been occasioned as a result of sale and the transaction is taxable at the rate applicable to the sale or purchase of such goods inside the appropriate State under the Sales tax law of that State. The provision for levy of penalty as provided in the State Sales Tax law is applicable *mutatis mutandis* in cases of violation of the provisions of the CST Act and Rules.

Audit of the records of Commissioner of Taxes (Zone III), showed that M/s Nestle India limited (TIN14110006178) was levied Value Added Tax (VAT) of ₹ 10.62 crore for the year 2012-13 on the assessed Gross Turnover of Sales of ₹ 78.89 crore. In the assessment, stock transfer of ₹ 3,90,808 was accepted. However, on cross verification with the balance sheet of the dealer for the year 2012-13 finalized by the Chartered Accountant, it was noticed that the dealer had transferred stock of finished goods worth ₹ 49,53,086 outside the State. This indicates that the dealer did not correctly depict in his returns stock transfer of goods worth ₹ 45,62,278 (₹ 49,53,086 - ₹ 3,90,808). The dealer also failed to submit the mandatory form “F” (May 2014) even after expiry of the stipulated period for submission. In view of above fact, the movement of such goods shall be deemed to have been occasioned as a result of sale. Accordingly the dealer is liable to pay VAT of ₹ 6.16 lakh<sup>13</sup>. Further, submission of incomplete and incorrect returns attracted penalty of ₹ 12.32 lakh<sup>14</sup>. Thus, a total sum of ₹ 18.48 lakh (₹ 6.16 lakh + ₹ 12.32 lakh) is leviable from the defaulting dealer.

On this being pointed out, the Department stated (September 2014) that the stock transfer of goods value ₹ 42.34 lakh had actually been occurred and the Department furnished two Form ‘F’ which were re-submitted by the dealer in support of the statement. Further, it was also stated that non depiction of stock transfer in the dealer return (Form-10) was due to software problem while filling e-return.

The reply of the Department is not acceptable as mandatory Form ‘F’ was submitted after expiry of stipulated time. Moreover, assessment of the dealer without requisite Form was already accepted by the Department.

<sup>13</sup> At the rate of 13.5 % on ₹ 45,62,278 being applicable to the goods

<sup>14</sup> Being twice the amount of additional tax on ₹ 6,15,907 as per provisions of Section 36 (7) of Manipur Value Added Tax Act.

## TRANSPORT DEPARTMENT

### 4.17 Non recovery of professional tax

#### Non-recovery of professional tax amounting ₹ 72.99 lakh from the permit holders resulted in loss to the State exchequer

Under the provisions of the Manipur Professions, Trades, Callings, and Employment Taxation Act, 1981, the Government of Manipur, by a notification issued in October 2000, appointed the District Transport Officers (DTOs) posted in the districts as additional taxation officers (re-designated as the superintendents of taxes) for collection of Professional Tax (PT) in their jurisdiction. Persons holding permits for taxies, goods vehicles, trucks, buses and three wheelers were required to pay PT at the rate of ₹ 1000 per annum.

As per section 20(3) of the Act *ibid*, where a person is in default, the amount due shall be recoverable as an arrear of land revenue by one or more of the following processes namely: i) by serving a written notice of demand on the defaulter, ii) by distraint and sale of defaulter's movable property and iii) by attachment and sale of defaulter's immovable property.

Audit of records (July 2012) of the Director of Transport, Manipur, it was noticed that 4709 permits<sup>15</sup> in respect of various types of vehicles were issued during 2010-12. However, professional tax at the prescribed rate cited above amounting to ₹ 72.99 lakh realizable from the permit holders remained unrealized. Moreover, no action was initiated to recover the professional tax due as arrear of land revenue by application of the aforesaid processes. Thus non-recovery of professional tax resulted in loss of revenue to the State exchequer.

On this being pointed out (August 2012), the Director accepted the audit observation and stated that statutory provisions need to be strengthened for prompt realization of professional tax. However, progress on realization of tax dues has not been intimated (December 2014).

The matter was referred to the Department/ Government (June 2014); their reply is awaited (December 2014).

15

(in ₹)

| Year<br>(1)  | No. of Permit issued<br>(2) | Realisable Professional Tax<br>(3) = (2) x 1000 x No. of years for<br>which it is due |
|--------------|-----------------------------|---|
| 2010-11      | 2590                        | 2590 x 1000 x 2 = 5180000   |
| 2011-12      | 2119                        | 2119 x 1000 x 1 = 2119000   |
| <b>Total</b> |                             | <b>7299000</b>  |