

**CHAPTER – V**  
**REVENUE SECTOR**



## CHAPTER-V

### REVENUE SECTOR

#### 5.1 Trend of revenue receipts

**5.1.1** The tax and non-tax revenue raised by Government of Mizoram during the year 2017-18, State's share of net proceeds of divisible Union taxes and duties and Grants-in-aid from Government of India (GoI) during the year and corresponding figures for the preceding four years are given in the following table.

**Table-5.1:- Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
	<b>Revenue raised by State Government</b>					
1.	Tax revenue	229.78	266.52	358.41	441.81	545.91
	Non-tax revenue	194.26	241.96	297.63	365.22	390.65
	<b>Total</b>	<b>424.04</b>	<b>508.48</b>	<b>656.04</b>	<b>807.03</b>	<b>936.56</b>
	<b>Receipts from GoI</b>					
2.	State's share of net proceeds of divisible Union taxes and duties	858.08	910.67	2,348.11	2,800.63	3,097.05
	Grants-in-aid	3,482.73	4,091.95	3,672.25	3,790.64	4,546.59
	<b>Total</b>	<b>4,340.81</b>	<b>5,002.62</b>	<b>6,020.36</b>	<b>6,591.27</b>	<b>7,643.64</b>
3.	<b>Total revenue receipts of State Government (1 + 2)</b>	<b>4,764.85</b>	<b>5,511.10</b>	<b>6,676.40</b>	<b>7,398.30</b>	<b>8,580.20</b>
4.	<b>Percentage of 1 to 3</b>	<b>8.90</b>	<b>9.23</b>	<b>9.83</b>	<b>10.91</b>	<b>10.92</b>

Source: Finance Accounts: 2017-18

The above table indicates that during the year 2017-18, revenue raised by State Government (₹ 936.56 crore) was 10.92 per cent of its total revenue receipts. The balance 89.08 per cent of receipts during 2017-18 was from GoI.

**5.1.2** Details of Budget Estimates (BEs) and tax revenue raised during the period from 2013-14 to 2017-18 are given in the following table.

**Table-5.2:- Details of tax revenue**

(₹ in crore)

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
	2013-14		2014-15		2015-16		2016-17		2017-18		
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Taxes on Sales, Trade, etc.	190.00	183.34	218.08	211.95	232.66	247.04	225.00	307.81	285.00	242.85	(-) 21.10
State Goods and Services Tax	---	---	---	---	---	---	---	---	---	169.76	---
State Excise	3.02	3.11	3.47	4.91	35.68	60.60	43.08	72.26	51.50	65.83	(-) 8.90
Taxes on Vehicles	19.38	19.42	22.24	17.03	23.57	19.44	23.61	25.75	23.84	31.58	(+) 22.64
Land Revenue	4.02	4.54	5.20	11.06	11.90	8.88	11.90	8.58	10.01	8.29	(-) 3.38
Stamps and Registration fees	0.70	1.52	0.07	3.72	0.12	3.57	8.72	3.26	9.16	3.20	(-) 1.84
Taxes on Goods and Passengers	4.00	2.63	4.00	2.56	4.24	2.71	3.18	7.90	3.20	7.83	(-) 0.89
Other Taxes	13.70	15.22	17.33	15.29	18.95	16.17	15.70	16.25	15.00	16.57	(+) 1.97
<b>Total</b>	<b>234.82</b>	<b>229.78</b>	<b>270.39</b>	<b>266.52</b>	<b>327.12</b>	<b>358.41</b>	<b>331.19</b>	<b>441.81</b>	<b>397.71</b>	<b>545.91</b>	<b>(+) 23.56</b>

Source: Finance Accounts and Annual Financial Statement of respective years

State's own tax revenue increased by 23.56 per cent in 2017-18 over 2016-17. Revenue receipts on account of taxes on sales, trades, etc. decreased by ₹ 64.96 crore in 2017-18 over 2016-17 due to introduction of Goods and Services Tax (GST) since 01 July 2017, which was accounted for separately. Total receipts on account of taxes on sales, inclusive of GST, was ₹ 412.61 crore which was an increase of ₹ 104.80 crore over the previous year. Similarly, due to introduction (August 2015) of "The Mizoram Motor Vehicles Taxation (Amendment) Act, 2015", the tax revenue on Vehicles registered an increase of 22.64 per cent in 2017-18 over the previous year. Receipts from state excise witnessed a slight decrease of ₹ 6.43 crore (8.90 per cent) over the previous year due to less receipts under 'Foreign Liquors and Spirits' and 'Fines and confiscations'.

**5.1.3** The details of non-tax revenue receipts during the period 2013-14 to 2017-18 are given in the following table:

**Table-5.3:- Details of non-tax revenue**

(₹ in crore)

Head of account	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+) / decrease (-) in 2017-18 over 2016-17 Actual
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Interest receipts	24.50	17.93	19.88	19.88	20.00	30.73	21.20	48.34	22.26	51.14	(+) 5.79
Power	144.23	109.05	144.36	144.36	162.00	166.35	172.00	200.11	181.00	213.10	(+) 6.49
Others	83.05	67.28	77.18	77.72	87.83	100.55	85.86	116.77	93.67	126.41	(+) 8.26
<b>Total</b>	<b>251.78</b>	<b>194.26</b>	<b>241.42</b>	<b>241.96</b>	<b>269.83</b>	<b>297.63</b>	<b>279.06</b>	<b>365.22</b>	<b>296.93</b>	<b>390.65</b>	<b>(+) 6.96</b>

Source: Finance Accounts and Annual Financial Statement of respective years

Non-tax revenue constituted between 4.08 and 4.94 per cent of the total revenue receipts during the last five years. During 2017-18, non-tax revenue recorded a growth of 6.96 per cent over the previous year. There was a steady increase in non-tax revenue from ₹ 194.26 crore in 2013-14 to ₹ 390.65 crore in 2017-18 with the major contributors being Power (₹ 213.10 crore) and Interest Receipts (₹ 51.14 crore).

## 5.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 38.75 crore out of which, ₹ 9.87 crore was outstanding for more than five years, as detailed below:

**Table-5.4:- Arrears of revenue**

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018
1.	Taxes/ VAT on Sales, Trades, etc.	37.49	9.78
2.	Taxes on Professions, Trades, Callings and Employment, etc.	0.51	0.03
3.	Taxes on Entertainment	0.75	0.06
	<b>Total</b>	<b>38.75</b>	<b>9.87</b>

Source: Information furnished by the Taxation Department

Information on total amount outstanding and amount outstanding for more than five years as on 31 March 2018 for taxes on land revenue were not furnished by the Land Revenue and Settlement Department though called for (July 2019).

### 5.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are shown below:

**Table-5.5:- Arrears in assessments**

Head of account	Opening balance as on 01 April 2017	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Closing balance as on 31 March 2018	Percentage of disposal
0040-Taxes on Sales, Trades, etc.	2,940	2,312	5,252	2,442	2,810	46.50

Source: Information furnished by the Taxation Department

It can be seen from the above table that out of 5,252 assessments due, the disposal was 2,442 (46.50 per cent) at the end of the year 2017-18.

The Department should take necessary action to complete the assessment in a time bound manner.

### 5.4 Evasion of tax detected by the Department

The details of cases of tax evasion detected by the Taxation and Transport Department, cases finalised and the demands for additional tax raised as reported by the Department are given below:

**Table-5.6:- Evasion of tax**

Name of tax/ duty	Opening balance as on 01 April 2017	Cases detected during the year 2017-18	Total	Number of cases in which assignments/ investigation completed and additional demand including penalty, etc. raised during the year 2017-18		Number of pending cases as on 31 March 2018
				No. of cases	₹ in crore	
Sales Tax/ VAT	400	339	739	339	24.06	400

Source: Departmental figures

Information on evasion of tax detected by the Land Revenue and Settlement Department had not been furnished though called for (July 2019).

### 5.5 Pendency of refund cases

The details relating to the number of refund cases pending at the beginning of 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of 2017-18 as reported by the Taxation Department are given as follows:

Table-5.7:- Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	02	0.030
2.	Claims received during the year	18	0.004
3.	Refunds made during the year	00	0.00
4.	Balance outstanding at the end of year	20	0.034

Source: Information furnished by the Taxation Department

Thus, there were twenty pending cases of refund at the end of the year 2017-18.

### 5.6 Audit planning

The unit offices are categorised 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. The risk criteria involved scrutiny of budget speech, white paper on State finances, Reports of the Finance Commission, recommendations of the Taxation Reforms Committee, analysis of the revenue earnings, tax administration, etc.

During the year 2017-18, there were 121 auditable units, of which 19 units were planned and 11 units had been audited, which was nine *per cent* of the total auditable units.

### 5.7 Results of audit

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

Records of 11 units of Taxation; Environment, Forest and Climate Change and Land Revenue and Settlement Departments were test-checked during the year 2017-18. Test check revealed short levy of tax/ fraudulent expenditure/ doubtful expenditure/ improper monitoring aggregating ₹ 8.20 crore in 29 out of 91 cases. Of these, the departments concerned recovered ₹ 32.01 lakh in 13 cases relating to 2017-18 and ₹ 1.62 crore relating to the previous years in 71 cases.

### 5.8 Coverage of this Report

This Chapter contains three paragraphs involving a money value of ₹ 2.06 crore. The departments/ Government have accepted audit observations involving ₹ 2.05 crore. Out of this amount, ₹ 0.15 crore was recovered (June 2019).

## COMPLIANCE AUDIT PARAGRAPHS

### TAXATION DEPARTMENT

#### 5.9 Underassessment of tax

**There was underassessment of tax of ₹ 87.91 lakh due to incorrect carry forward of the opening stock, concealment of purchases and failure to determine the actual purchase turnover**

Section 34(1)(a) and (b) of 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 or under assessed, 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. Further, for incomplete and incorrect returns, the dealer is liable to pay a penalty of a sum not exceeding twice the amount of tax assessed under Section 31(7)(b). Moreover, as per Section 28, the Commissioner or any other officer as directed by him shall undertake tax audit of the records, stock in trade and related documents to examine the correctness of the returns and admissibility of various claims of the dealer.

Test check of records (between November 2016 and December 2017) of the Deputy Commissioner of Taxes<sup>1</sup> (DCT), North Zone, Aizawl revealed an under-assessment/non-levy of tax to the extent of ₹ 87.91 lakh in three cases as discussed in the succeeding paragraphs.

**5.9.1** The Assessing Officer (AO) of this Zone had assessed (November 2016) a dealer<sup>2</sup> incorrectly. This dealer, who was dealing in furniture, was taxable at 12.5 *per cent* for the year 2011-12, which works out to ₹ 98.52 lakh. He was however, assessed at ₹ 72.81 lakh by the AO, who determined<sup>3</sup> the taxable sales from 50 *per cent* of the total stock (opening stock *plus* purchase) with a profit of five *per cent*, thereby keeping the remaining 50 *per cent* as closing stock. However, it was observed that the opening stock for the year 2011-12 was wrongly taken by the AO as ₹ 11.28 lakh instead of ₹ 216.95 lakh resulting in under-assessment of sales by ₹ 205.67 lakh having a tax effect of ₹ 25.71 lakh as worked out below:

**Table-5.8:- Details of under assessment of tax**

Sl. No.	Particulars	Amount (₹ in lakh)
1.	Closing stock as per assessment for the year 2009-10	126.36
2.	Purchases made during 2010-11	169.34
3.	Total stock (1 + 2)	295.70
4.	Sales during 2010-11	78.75
5.	Closing stock for 2010-11 (3 - 4)	216.95
6.	Opening stock of 2011-12 as per assessment	11.28
7.	Difference (5 - 6)	205.67
8.	Tax leviable on the escaped assessment at the rate 12.5 <i>per cent</i>	25.71

Thus, there was under-assessment of tax of ₹ 25.71 lakh. Besides, the dealer was liable to pay a maximum penalty of ₹ 51.42 lakh under the Act, which was also not levied.

On this being pointed out, the Department stated (February 2018) that the dealer was re-assessed (February 2017) and a tax of ₹ 25.01 lakh was levied instead of ₹ 25.71 lakh, by allowing ₹ 14.32 lakh as taxable at four *per cent* even though the dealer did not have a stock of goods taxable at four *per cent*. It was further stated (April 2018) that the AO was in the process of referring the dealer to the Certificate Officer for recovery of the tax due. The reply of the Department is not factually correct,

<sup>1</sup> Erstwhile Assistant Commissioner of Taxes (ACT), North Zone, Aizawl

<sup>2</sup> M/s S. D. Enterprise, TIN 15110156004

<sup>3</sup> By exercising discretionary power, nothing in this regard is mentioned in the MVAT Act

as tax of ₹ 25.71 lakh includes stock of goods taxable at four *per cent* and penalty not exceeding ₹ 51.42 lakh should have been levied.

While accepting the facts and figures in the Exit Conference (16 January 2019), the Government replied that the dealer became bankrupt/ insolvent and there is no hope of recovery and it had therefore forwarded the case to the Certificate Officer.

**5.9.2** Scrutiny of records (December 2017) revealed that the AO assessed (September 2017) a dealer<sup>4</sup> for the year 2016-17 and 2017-18 (up to June 2017) and levied a tax of ₹ 79.58 lakh after adding five *per cent* as profit on sale from the opening stock of ₹ 327.66 lakh and purchase of ₹ 252.67 lakh with 'nil' closing stock. It was however noticed that the dealer actually purchased taxable goods worth ₹ 525.67 lakh as per VAT soft<sup>5</sup> of the Department and the tax payable is worked out below:

**Table-5.9:- Details of non-realisation of tax from**

Sl. No.	Particulars	Goods taxable at five <i>per cent</i> <sup>6</sup>	Goods taxable at 13.5 <i>per cent</i> <sup>7</sup>	Total (₹ in lakh)
1.	Opening Stock	23.05	304.61	327.66
2.	Purchases	6.99	518.68	525.67
3.	Total	30.04	823.29	853.33
4.	Profit margin as was adopted by AO	1.50	41.16	42.66
5.	Sales (3 + 4)	31.54	864.45	895.99
6.	Tax payable	1.58	116.70	118.28
7.	Amount of tax assessed by AO	1.58	78.00	79.58
8.	<b>Under-assessed Tax (6-7)</b>	<b>0.00</b>	<b>38.70</b>	<b>38.70</b>
9.	Tax already paid as per AO	3.30	0.00	3.30
10.	<b>Tax due (6 - 9)</b>	<b>(-) 1.72</b>	<b>116.70</b>	<b>114.98</b>

Thus, there was an under-assessment of tax of ₹ 38.70 lakh by the AO due to concealment of purchase and non-payment of tax of ₹ 114.98 lakh by the dealer.

On this being pointed out, the DCST stated (December 2017) that the dealer is not traceable and the tax already assessed by the AO also could not be cleared by the dealer. It was further stated (April 2018) that notice of hearing for re-assessment of the dealer was issued and progress in the matter would be intimated.

The Government in their reply in the Exit Conference stated (January 2019) that re-assessment as per Audit was done and no recovery was made. Further, to a specific query, the Government informed that First Information Report (FIR) was not lodged against the un-traceable dealer.

**5.9.3** Scrutiny of records (December 2017) revealed that the AO assessed (January 2017) the dealer<sup>8</sup> for the year 2014-15 showing purchase turnover of ₹ 6,744.65 lakh having ₹ 3,923.09 lakh worth of goods taxable at five *per cent* and ₹ 2,821.56 lakh worth of goods taxable at 13.5 *per cent*.

Further, scrutiny of the assessment for the year 2014-15 showed that the AO arrived at the sale value by applying a profit margin of two *per cent* on the purchase value

<sup>4</sup> M/s United Associates, TIN 15111790048

<sup>5</sup> A software used by the Department for records of all dealers' purchases, etc.

<sup>6</sup> Household goods made of plastics

<sup>7</sup> Noodles

<sup>8</sup> M/s Mosia Agencies, TIN 15110015049



and assessed the tax payable at ₹ 45.19 lakh. Moreover, the AO wrongly determined the purchase as ₹ 6,811.98 lakh having ₹ 4301.01 lakh worth of goods taxable at five per cent and ₹ 2,510.97 lakh worth of goods taxable at 13.5 per cent. Although, the sales turnover determined by the AO was ₹ 67.33 lakh<sup>9</sup> more than the purchase turnover declared by the dealer, yet, due to under-determination of sales turnover taxable @ 13.5 per cent by ₹ 316.80 lakh and over-determination of sales turnover taxable @ five per cent by ₹ 385.48 lakh, there was an under-assessment of tax of ₹ 23.50 lakh<sup>10</sup>.

The Department accepted the facts and figures but remained silent on the realisation of under-assessed tax of ₹ 23.50 lakh from the dealer.

Moreover, the Department does not have separate audit and tax collection wings and there is no independent internal audit or delegation of authority to check the correctness of dealers returns, audit assessments, etc. in violation of Paragraph 1.06 of the MVAT Audit Manual<sup>11</sup>.

It may be seen from the above that the Assessing Officer had either erred in calculating the taxable amount correctly, or deliberately levied incorrect tax, or failed to recover the tax on time, which facilitated the dealers concerned to avoid tax.

It is recommended that the Government take appropriate action against the AOs concerned for causing loss to the State exchequer.

### 5.10 Non-levy of tax

#### The Assessing Officer had not levied a tax of ₹ 13.53 lakh

As per Section 28 of the Mizoram Value Added Tax (MVAT) Act, 2005 the Commissioner or any other officer as directed by him shall undertake tax audit of the records, stock in trade and related documents to examine the correctness of the returns and admissibility of various claims of the dealer. Where the Commissioner is not satisfied with the correctness of any return filed by the dealer, he may require the dealer to produce or cause to be produced the books of account and all evidence on which the dealer relies in support of his return and conduct audit assessment of the dealer as per Section 31. Further, for furnishing incomplete and incorrect returns, the dealer is liable to pay penalty not exceeding twice the amount of tax assessed under section 31(7)(b).

Test check of records (November-December 2016) of the DCT<sup>12</sup>, Central Zone, Aizawl revealed that the Inspector of Taxes, who conducted the tax audit of the dealer<sup>13</sup> for the

<sup>9</sup> **Difference:** taxable @ 5 per cent- ₹ 377.92 lakh plus taxable @ 13.5 per cent- (-)₹ 310.59 lakh

<sup>10</sup>

Particulars	Taxable @ 5 per cent	Taxable @ 13.5 per cent	Total
Actual Purchase Turnover	3,923.09	2,821.56	6,744.65
Purchase Turnover as per AO	4,301.01	2,510.97	6,811.98
<b>Difference</b>	<b>377.92</b>	<b>(-) 310.59</b>	<b>67.33</b>
Taxable turnover with a profit of 2 per cent	385.48	(-) 316.80	68.68
<b>Tax under-assessed</b>	<b>19.27</b>	<b>(-) 42.77</b>	<b>(-) 23.50</b>

<sup>11</sup> Audit wing shall remain delinked from tax collection wing to remove any bias

<sup>12</sup> Erstwhile Assistant Commissioner of Taxes (ACT), Central Zone, Aizawl

<sup>13</sup> M/s Buangthanga & Sons TIN 15200010033

year 2011-12, recommended (June 2014) for assessment due to inconsistency of sales detected in Audit. Despite the recommendation, the AO failed to assess the dealer for the year 2011-12.

Scrutiny of records of the dealer for the year 2011-12 revealed that the dealer, dealing with electronic goods, had an opening stock of ₹ 84.59 lakh and purchased goods worth ₹ 173.86 lakh totalling ₹ 258.45 lakh taxable at 12.5 *per cent* up to December 2011 and 13.5 *per cent* with effect from January 2012. The tax payable and paid by the dealer during 2011-12 as worked out in Audit is as under:

**Table-5.10:- Details of non-levy of tax due to non-assessment**

Sl. No.	Particulars	Amount (₹ in lakh)
1.	Opening stock	84.59
2.	Purchases during the year	173.86
3.	Total	258.45
4.	Closing stock	84.59
5.	Sales at purchase value	173.86
6.	Assumed profit at the rate of five <i>per cent</i>	8.69
7.	Taxable turnover (5 + 6)	182.55
8.	Tax payable at 12.5 <i>per cent</i> of ₹ 182.55 lakh x 0.75 <sup>14</sup>	17.11
9.	Tax payable at 13.5 <i>per cent</i> of ₹ 182.55 lakh x 0.25 <sup>15</sup>	6.16
10.	Total tax payable	23.27
11.	Tax paid by dealer	9.74
12.	Tax not levied	13.53

It can be seen from the table above that out of the tax payable of ₹ 23.27 lakh, the dealer paid only ₹ 9.74 lakh, leaving a balance of ₹ 13.53 lakh. Further, the AO arbitrarily assumed the dealer's profit at the rate of five *per cent* without any basis.

Thus, a tax of ₹ 13.53 lakh and penalty not exceeding ₹ 27.06 lakh though leviable due to incorrect and incomplete return furnished by the dealer, were not levied due to non-assessment of the dealer by the AO despite being recommended by the Inspector of Taxes.

On this being pointed out in audit, the AO assessed (May 2018) the dealer for the year 2011-12 and levied a tax of ₹ 13.53 lakh without levying any penalty. Further, the assessed tax of ₹ 13.53 lakh was still to be realised as of August 2018.

While accepting the facts and figures, the Government stated (January 2019) that the dealer was re-assessed and due to non-payment, the case was referred to the Certificate Officer (CO). The Government also added that there is no documentation relating to determination of profit element by the Assessing Officer and that the matter was noted for future reference. The Government reply was silent on not taking up of assessment of the dealer despite recommendation and non-levy of penalty at the time of re-assessment.

<sup>14</sup> April 2011 to December 2011

<sup>15</sup> January 2012 to March 2012

## 5.11 Evasion of tax

### Due to failure of the Department to put in place a mechanism to verify/ cross check the sales with other nodal departments of the Government, six liquor vendors evaded tax of ₹ 28.44 lakh

Schedule-II of the Mizoram Value Added Tax Act, 2005 (MVAT) envisages that Indian Made Foreign Liquor (IMFL) and Beer are taxable at the rate of 13.5 *per cent*. Further, as per Notification dated 27 February 2015, the Excise and Narcotics Department has fixed the profit margin of retail liquor vendors at 18 *per cent* from basic price. Moreover, Section 32(1) of MVAT Act envisages that if the Commissioner is satisfied that any dealer who is liable to pay tax under this Act, in respect of any period, has failed to pay tax under this Act, or has failed to get himself registered, he shall proceed in such manner as may be prescribed, to assess to the best of his judgement the amount of tax due from the dealer in respect of such period.

Test check of records (November-December 2016) of the DCT<sup>16</sup>, Central Zone, Aizawl revealed that out of the six retail liquor vendors<sup>17</sup>, two vendors furnished sales returns<sup>18</sup> of ₹ 674.25 lakh of IMFL/ Beer to the Taxation Authority during 2015-16 and 2016-17. Cross verification of information received from the Excise and Narcotics Department, Government of Mizoram, Aizawl<sup>19</sup> revealed that these six liquor vendors sold 9,98,556.01 cases of IMFL/ Beer amounting to ₹ 2,055.84 lakh. Thus, there was a concealment of sales of ₹ 1,381.59 lakh (₹ 2,055.84 lakh *minus* ₹ 674.25 lakh) by those six vendors who earned a profit of ₹ 210.75 lakh for sale of ₹ 1,381.59 lakh of IMFL/ Beer. This had resulted in evasion of tax of ₹ 28.44 lakh as detailed in **Appendix-5.1.1**.

On this being pointed out, the Department stated (May 2018 and January 2019) that an amount of ₹ 15.40 lakh was realised after being pointed by Audit from five liquor vendors out of the total assessed tax of ₹ 22.08 lakh leaving a balance of ₹ 13.04 lakh as detailed in **Appendix-5.1.1**. Assessment status of the remaining liquor vendor<sup>20</sup> was not intimated (June 2019).

Further scrutiny of five assessment records, which were assessed between March 2017 and March 2018, however, revealed that the AO did not cover the period of audit observation for four months as in two cases<sup>21</sup> and extended beyond the audit coverage for three months in four cases<sup>22</sup> and six months in one case<sup>23</sup>. As a result, the actual tax balance could not be co-related. However, in spite of the coverage of three

<sup>16</sup> Erstwhile Assistant Commissioner of Taxes (ACT), Central Zone, Aizawl

<sup>17</sup> (i) Lalrin Liquor, Vaivakawn; (ii) Wine Shop, Chawlhmun; (iii) OP Wine, Vaivakawn; (iv) 1<sup>st</sup> MAP Bn. Liquor Shop, Armed Veng; (v) Two Brothers Wine Shop, Vaivakawn; and (vi) Tyson wine shop, Chawlhmun

<sup>18</sup> Intra-State sale

<sup>19</sup> The authority for issuance of license for the IMFL/Beer *etc.*

<sup>20</sup> 1<sup>st</sup> MAP Bn. Liquor Shop

<sup>21</sup> Two Brothers Wine Shop and Tyson Wine Shop (December 2015 to March 2016)

<sup>22</sup> (i) Lalrin Liquor; (ii) Wine Shop; (iii) OP Wine, and (iv) Tyson wine shop (October to December 2016)

<sup>23</sup> Two Brothers Wine Shop (October 2016 to March 2017)

months to six months by the AO beyond the audit coverage, there was a tax balance of ₹ 13.04 lakh as on June 2019.

Thus, due to absence of a mechanism to verify/ cross check the quantum of sales with the other departments of the Government, the Taxation Department could not realise ₹ 13.04 lakh from the six liquor vendors.

While accepting the facts and figures, the Government stated (January 2019) that as per the notification (January 2017) of the Taxation Department, Government of Mizoram, retail dealers were not required to get themselves registered under the MVAT, but the assessment would be made as unregistered dealer. Further, the Government added that the progress of assessment would be intimated. However, the progress of assessment was not intimated as of April 2019.

***Recommendation:*** *Government needs to establish a mechanism to verify the sales of the dealers with the concerned line departments to ascertain the actual tax element. Further, the Government needs to fix the responsibility of the Assessing Officers who failed to comply with the provisions of the MVAT Act, which resulted in evasion of tax.*