

CHAPTER III: REVENUE SECTOR

3.1 GENERAL

3.1.1 Trend of revenue receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2017-18, the net proceeds of State's Share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 3.1.1**.

Table 3.1.1: Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
I.	Revenue raised by the State Government					
	Tax Revenue	1,073.91	1,174.26	1,332.25	1,422.01	1,422.02
	Non-tax Revenue	246.52	195.64	262.60	218.85	493.48
	Total	1,320.43	1,369.90	1,594.85	1,640.86	1,915.50
	<i>Increase over previous year (%)</i>	<i>11.58</i>	<i>3.75</i>	<i>16.42</i>	<i>2.88</i>	<i>16.74</i>
II.	Receipts from the GoI					
	Net proceeds of State Share of Union Taxes and Duties	1,630.25	1,730.13	3,266.02	3,909.12	4,322.08
	Grants-in-aid	4,699.50	6,139.70	4,565.87	4,095.48	3,830.37
	Total	6,329.75	7,869.83	7,831.89	8,004.60	8,152.45
III.	Total Revenue Receipts of the State Government (I and II)	7,650.18	9,239.73	9,426.74	9,645.46	10,067.95
IV.	Percentage of I to III	17.26	14.83	16.92	17.01	19.03

Source: Finance Accounts,

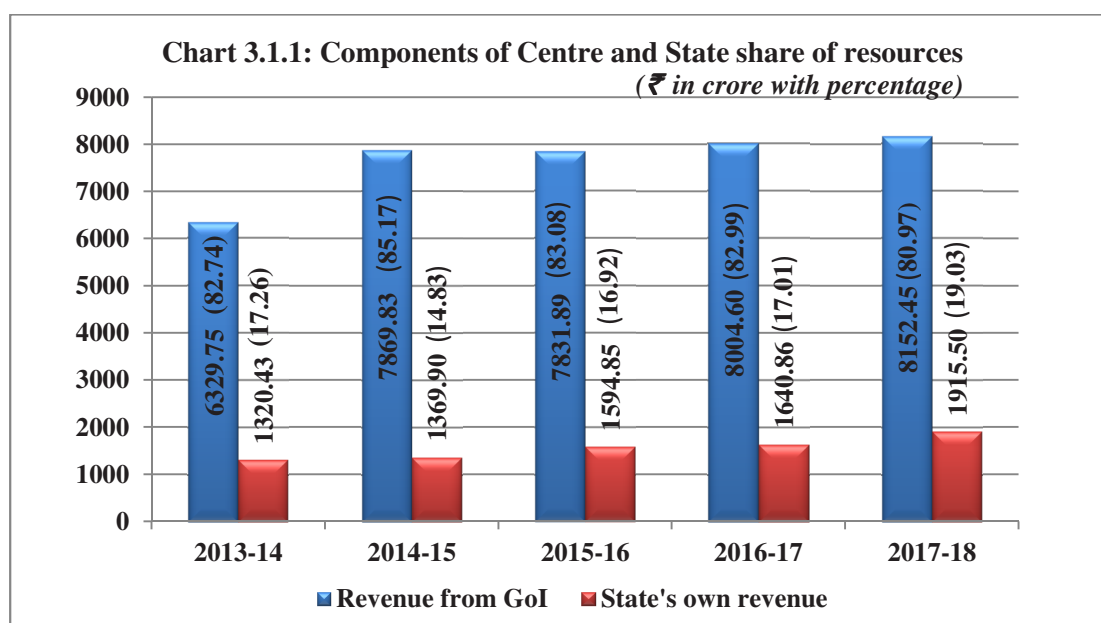


Table 3.1.1 and **Chart 3.1.1** indicated that during the year 2017-18, the revenue raised by the State Government was ₹ 1915.50 crore which was 19.03 per cent of the total Revenue Receipts. The balance 80.97 per cent of the revenue receipts during 2017-18 was received from the GoI in the form of net share of Union Taxes and

Duties and Grants-in-Aid. The growth of revenue raised by the State Government during 2017-18 was 16.74 per cent (₹ 274.64 crore) as compared to 2.88 per cent during 2016-17. Revenue Receipts of the State Government nominally increased by 4.38 per cent from ₹ 9,645.46 crore in 2016-17 to ₹ 10,067.95 crore in 2017-18.

3.1.1(a) Tax Revenue: The details of the Tax Revenue raised during the period 2013-14 to 2017-18 are given in **Table 3.1.2**.

Table 3.1.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No	Head of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Increase (+) or decrease (-) of actual in 2017-18 over 2016-17 (%)
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	Sales Tax/ Value Added Tax (VAT)/ GST	914.15	837.09	950.00	909.81	980.00	1,058.48	1,144.00	1,112.89	1,110.00	1,091.59 ¹	(-) 1.91
2	State Excise	128.70	115.18	179.46	138.96	180.00	143.57	165.00	163.19	170.00	186.96	(+) 14.57
3	Stamps and Registration Fees	37.00	39.24	42.54	37.56	45.00	42.49	38.00	41.83	50.00	40.16	(-) 3.99
4	Taxes on Vehicles	36.11	36.79	40.00	36.09	45.00	37.62	40.00	43.6	45.00	54.38	(+) 24.72
5	Other Taxes on Income and Expenditure ²	34.00	35.03	37.00	38.93	40.00	39.67	40.00	41.96	45.00	42.20	(+) 0.57
6	Land Revenue	30.00	8.07	24.87	10.76	25.00	5.97	10.00	13.32	20.00	4.46	(-) 66.52
7	Other Taxes and Duties on Commodities and Services	3.82	1.64	4.25	1.87	4.72	4.29	2.15	3.32	-	2.17	(-) 34.64
8	Others ³	0.22	0.87	0.25	0.28	0.28	0.16	0.83	1.90	10.00	0.10	(-) 94.74
Total		1,184.00	1,073.91	1,278.37	1,174.26	1,320.00	1,332.25	1,439.98	1,422.01	1,450.00	1,422.02	(+)0.0007

Source: Annual Financial Statement and Finance Accounts.

3.1.1 (b) Non-tax Revenue: The details of the Non-Tax Revenue raised during the period 2013-14 to 2017-18 are indicated in **Table 3.1.3**.

¹ GST (₹ 479.71 crore)

² Includes taxes on profession, trades, calling and employment

³ Tax on Agriculture Income (₹ 0.09 crore), Taxes & Duties on Electricity (₹ 0.01 crore)

Table 3.1.3: Details of Non-tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Increase (+) or decrease (-) of actual in 2017-18 over 2016-17 (%)
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
1	Interest Receipts	35.00	86.47	80.00	46.02	84.00	55.24	85.00	37.07	62.00	276.99	(+) 647.21
2	Industries	50.44	59.91	85.00	65.01	90.00	96.41	80.00	80.36	104.00	87.36	(+) 8.71
3	Police	48.00	33.95	50.00	34.34	55.00	40.50	50.00	48.07	52.00	60.11	(+) 25.05
4	Public Works	15.00	8.54	25.00	8.92	25.00	8.15	10.00	8.08	10.50	8.51	(+) 5.32
5	Forestry and Wildlife	10.05	7.70	8.00	9.83	9.00	11.86	15.00	11.01	6.00	9.76	(-) 11.35
6	Water Supply and Sanitation	1.52	7.32	1.07	1.92	1.21	1.76	6.05	2.45	4.00	2.36	(-) 3.67
7	Misc. General Services	-	21.24	-	5.27	-	6.48	2.11	7.25	8.33	8.88	(+) 22.48
8	Other Administrative Services	8.00	4.52	5.56	6.28	6.28	6.84	6.78	6.12	7.50	5.60	(-) 8.50
9	Medical and Public Health	9.00	2.84	3.75	3.00	3.70	6.01	3.67	2.42	4.00	1.51	(-) 37.60
10	Crop Husbandry	2.66	2.48	2.50	2.79	2.80	3.61	2.80	2.60	3.00	2.71	(+) 4.23
11	Animal Husbandry	2.13	2.13	1.47	2.47	1.66	2.42	2.70	1.84	3.00	1.79	(-) 2.72
12	Housing	3.28	1.80	2.28	1.84	2.57	1.82	2.00	1.85	3.00	2.08	(+) 12.43
13	Education, Sports, Art and Culture	3.00	1.32	3.00	1.45	3.00	2.30	1.81	2.29	3.50	1.48	(-) 35.37
14	Stationery and Printing ⁴	1.80	1.29	1.50	1.83	1.50	1.16	1.50	1.10	2.50	0.81	(-) 26.36
15	Others ⁴	30.12	5.01	20.87	4.67	24.28	18.04	25.72	6.34	16.80	23.53	(+) 271.14
Total		220.00	246.52	290.00	195.64	310.00	262.60	295.14	218.85	290.13	493.48	(+) 125.49

Source: Annual Financial Statement and Finance Accounts.

3.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 on account of Taxes/VAT and Other Taxes on Income & Expenditure (Tax on profession, Trades, Callings & Employment) stood at ₹ 104.11 crore of which ₹ 19.62 crore was outstanding for more than five years, as detailed in **Table 3.1.4**.

Table 3.1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 st March		Amount outstanding for more than five years as on 31 st March	
		2017	2018	2017	2018
1	Taxes/ VAT	23.17	63.40	13.74	17.39
2	Other Taxes on Income & Expenditure (Tax on profession, Trades, Callings & Employment)	Nil	0.41	Nil	0.02
3	Other Taxes & Duties on Commodities & Services	Nil	Nil	Nil	Nil
Total		23.17	63.81	13.74	17.41

Source: Finance (Excise & Taxation) Department.

It would be seen from **Table 3.1.4** that arrear of revenue increased from ₹ 23.17 crore at the end of March 2017 to ₹ 63.81 crore at the end of March 2018. The arrear of

⁴ Comprising 26 Major Heads including dividends and profits

revenue outstanding for more than five years also increased from ₹ 13.74 crore to ₹ 17.41 crore during the same period.

3.1.3 Arrears in assessments

The details of assessment cases pending at the beginning of the year 2017-18, cases which became due for assessment during the year, cases disposed of during the year and number of cases pending at the end of the year 2017-18 as furnished by the Additional Commissioner of Tax are mentioned in **Table 3.1.5**.

Table 3.1.5: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Balance at the end of the year
VAT	58339	11529	69868	2070	67798
Taxes on Agricultural income	32	16	48	Nil	48
Professional tax	Nil	Nil	Nil	Nil	Nil
Taxes on works contract	148	26	174	3	171

Source: Finance (Excise & Taxation) Department

The number of arrears in assessment cases at the beginning of the year 2017-18 was 58,519. During the year, 11,571 new cases were added and 2,073 existing cases were disposed of during the year. Steps may be taken for timely and periodical assessment of the remaining cases.

Other departments did not furnish (October 2018) information relating to arrears in assessments, though called for (August 2018).

3.1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 3.1.6**.

Table 3.1.6: Evasion of tax

Head of revenue	Cases pending as on 31 March 2017	Cases detected during 2017-18	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty, etc. raised		Number of cases pending for finalisation as on 31 March 2018
				No. of cases	(₹ in crore)	
Tax/ VAT	1,003	131	1,134	133	0.22	1,001

Source: Finance (Excise & Taxation) Department

As on 31 March 2017, 1003 cases of evasion of tax were outstanding. During 2017-18, 131 cases of evasion of tax had been detected under Section (Detection and Prevention of Tax Evasion) 67 & 68 of TVAT Act 2004, taking the total pending cases to 1,134. Of these assessments/ investigation of 133 (11.73 per cent) cases were completed and additional demand including penalty, etc. amounting to ₹ 0.22 crore was raised during the year 2017-18. Consequently, 1,001 cases were pending as on 31 March 2018.

3.1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2017-18 as reported by the Department is given in **Table 3.1.7**.

Table 3.1.7: 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	12	9.40
2	Claims received during the year	35	6.93
3	Refunds made during the year	35	6.93
4	Balance outstanding at the end of year	12	9.40

Source: Finance (Excise & Taxation) Department

In addition to refund, Section 45 (1) of Tripura Value Added Tax (TVAT) Act, 2004 provides for payment of simple interest at the rate of five *per cent* per annum for the period commencing after 90 days of the application claiming refund till the date on which the refund is granted.

Claims for refund of ₹ 6.93 crore involving 35 cases had been reported during 2017-18, refund amounting to ₹ 6.93 crore was made in these cases and outstanding amount of ₹ 9.40 crore involving 12 cases had not been settled (October 2018).

The Department should expeditiously dispose of the 12 refund cases to avoid payment of interest. Action needs to be taken against the officials who delay their disposal and interest payable should be recovered from such officers.

3.1.6 Response of the Government/ departments towards audit

The Accountant General (Audit), Tripura 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 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 omissions and report compliance through initial reply to the Accountant General (Audit) 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.

Up to March 2018, 479 paragraphs involving ₹ 78.44 crore relating to 129 IRs issued remained outstanding at the end of June 2018. The corresponding position in this regard with respect to the preceding two years is given in **Table 3.1.8**.

Table 3.1.8: Details of pending IRs

Position of IRs	June 2016	June 2017	June 2018 ⁵
Number of IRs pending for settlement	119	136	129
Number of outstanding audit observations	427	500	479
Amount of revenue involved (₹ in crore)	69.00	75.80	78.44

The details in the above table indicated that the Departments were not serious in taking necessary steps in the final settlement of such cases.

3.1.6.1 Details of department-wise number of outstanding IRs and audit observations

The department-wise details of the IRs and audit observations outstanding as on 30 June 2018 along with the amounts involved are mentioned in **Table 3.1.9**.

Table 3.1.9: Department-wise number of outstanding IRs and audit observations

Sl. No.	Name of department	Nature of receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/ VAT	64	304	24.85
		Professional Tax	08	11	0.09
		Agricultural Income Tax			
		Amusement Tax	03	08	0.77
		Luxury Tax			
2.	Industries and Commerce	Mines and Minerals			
3.	Revenue	Stamp Duty and Registration Fees	22	34	1.10
4.	Excise	State Excise	21	69	21.75
5.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	11	53	29.88
Total			129	479	78.44

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 121 IRs issued from 2009-10 to 2017-18. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the departments did not initiate any action to rectify the defects, omissions and irregularities pointed out by the Accountant General (Audit) in these IRs.

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

3.1.6.2 Follow up on the Audit Reports

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller

⁵ During the year 2017-18, 11 IRs were added and 18 IRs were settled

and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the *suo motu* reply 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 *suo motu* reply on audit paragraphs of the Reports were being delayed inordinately. 13 paragraphs (including four performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector, Government of Tripura for the years 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 were placed before the State Legislative Assembly between March 2013 and March 2017. The reply from the departments concerned on eight paragraphs was received late with delays ranging from 1 to 43 months. The reply in respect of five paragraphs from three departments (Revenue: two, Transport: one and Finance: two) had not been received (October 2018) for the Audit Reports pertaining to years 2011-12 to 2015-16.

The PAC discussed (17 April 2012) five⁶ selected paragraphs pertaining to the Audit Report for the year 2007-08, 2008-09 and 2009-10 and made 25 recommendations⁷ on the five paragraphs which were incorporated in its 112th Report (September 2012). The Action Taken Notes (ATNs) on the 112th PAC Report were discussed in the PAC in July 2013 in which the Committee had made 22 recommendations⁸ which were incorporated in the 114th PAC Report (March 2014). The Action Taken Notes (ATNs) on the 114th PAC Report were discussed in the PAC in 21 May 2015 in which the Committee had made 12 recommendations⁹ which were incorporated in the 130th PAC Report (March 2016). However, ATNs on the 130th PAC Report had not been received (October 2018) from the departments concerned as mentioned in **Table 3.1.10**.

Table 3.1.10: Details of ATNs received.

AR Year	Name of department	Para No	No. of PAC recommendation	ATN received	ATN awaited
2007-08	Finance (Excise & Taxation) Department	6.15	3	Nil	3
2008-09		4.5	1	Nil	1
2009-10		4.4	8	Nil	8
Total		3	12	Nil	12

In view of the unsatisfactory position about the lack of timely action by various departments, the Chief Secretary and Finance Secretary are required to expedite State Government's response in replies to CAG's Reports as also submission of ATNs to PAC in a timely manner for taking action in the interest of the State.

3.1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and performance

⁶ Para 6.15 of AR 2007-08, Para 4.5 of AR 2008-09 and Paras 4.2, 4.3 and 4.4 of AR 2009-10

⁷ Para 6.15 of AR 2007-08: 11, Para 4.5 of AR 2008-09: 1 and Para 4.2: Nil, Para 4.3: Nil and Para 4.4: 13 of AR 2009-10

⁸ Para 6.15 of AR 2007-08: 9, Para 4.5 of AR 2008-09: 1 and Para 4.4 of AR 2009-10: 12

⁹ Para 6.15 of AR 2007-08: 3, Para 4.5 of AR 2008-09: 1 and Para 4.4 of AR 2009-10: 8

audits included in the Audit Reports of the last ten years for one department is evaluated and included in this Audit Report.

The succeeding Paragraphs 3.1.7.1 & 3.1.7.2 explain the performance of the Finance (Excise & Taxation) Department with reference to cases detected in the course of local audit during the last ten years and the cases included in the Audit Reports for the years 2008-09 to 2017-18.

3.1.7.1 Position of Inspection Reports

The summarised position of the outstanding IRs during the last nine years, paragraphs included in those reports and their status as on 30th June 2018 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 3.1.11**.

Table 3.1.11: Position of IRs

(₹ in crore)

Year	IR	Para	Money Value
2009-10	3	9	0.96
2010-11	6	17	0.85
2011-12	9	15	3.94
2012-13	5	14	0.48
2013-14	14	47	3.61
2014-15	14	66	12.59
2015-16	17	62	8.72
2016-17	14	87	7.85
2017-18	11	67	7.69
Total	93	384	46.69

The age-wise break up of outstanding IRs and Paras for the last nine years 2009-10 to 2017-18 as on 30th June, 2018 is shown in **table 3.1.12**:

Table 3.1.12: Age wise break up of outstanding IRs

(₹ in crore)

Years	IR	Para	Money value
0-3	42	216	24.26
4-6	33	127	16.68
7-9	18	41	5.75

It is evident from **Tables 3.1.12** that between a range of zero to three years, 42 IRs and 216 Paras remained outstanding, between four to six years, 33 IRs and 127 paras and between seven to nine years, 18 IRs and 41 paras remained outstanding as on 30 June 2018. This indicates the fact that the efforts taken by the departments for settlement of the outstanding IRs are rather slow and inadequate. Necessary steps may be taken to increase the pace of settlement in this regard.

3.1.7.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Department and the amount recovered are shown in **Table 3.1.13**.

Table 3.1.13: Position of recovery of accepted Audit paragraphs of Audit Reports
(₹ in crore)

Year of Audit Report	Number of paras included	Money value of the paras	Number of paras accepted including money value	Money value of accepted paras	Amount recovered during the year	Position of recovery of accepted cases as of October 2018
2007-08	1	0.34	1	0.34	-	0.22
2008-09	3 ¹⁰	6.76	3	6.76	0.00 ¹¹	0.11
2009-10	3	1.74	2	1.16	Nil	0.60
2010-11	3 ¹²	3.12	3	3.12	0.05	0.44
2011-12	1	0.87	1	0.87	0.02	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 ¹³	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	0.23	0.28
2015-16	2	0.46	2	0.46	-	-
2016-17	4 [†]	31.87	3	31.73	0.01	0.01
Total	23	58.23	20	52.40	0.31	2.19

* Including one Performance Audit.

It is evident from **Table 3.1.13** that the progress of recovery even in accepted cases was very slow. During the last ten years, 23 paragraphs involving ₹ 58.23 crore featured in the Audit Reports, of which 20 paragraphs involving ₹ 52.40 crore had been accepted by the State Government. Out of this, ₹ 2.19 crore (3.76 per cent) only had been recovered (October 2018). Thus, the recovery of accepted cases needs to be pursued as arrears and recovered from the parties concerned.

The Department should take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases. The State Government also needs to give serious attention to this area as ultimately the State would get more revenue for spending on various activities. It is, thus, recommended that the Government should fix timeframe within which final logical action should be completed by the Department concerned.

3.1.8 Action taken on the recommendations accepted by the departments/ Government

The draft Performance Audits (PAs) conducted by the Accountant General (Audit) are forwarded to the concerned department for information with a request to furnish replies. These performance audits are also discussed in Exit Conference and the departments' views are incorporated/ considered while finalising the Audit Report.

The following performance audits on the Finance (Excise & Taxation) Department and Transport Department had featured in the Audit Reports of the last six years from 2011-12 to 2016-17. The number of recommendations and their status is given in **Table 3.1.14**.

¹⁰ Including one Performance Audit

¹¹ Negligible figure amounting to ₹ 3,280 only

¹² Including one Performance Audit

¹³ Including one Performance Audit

Table 3.1.14: Details of recommendations of PAs and their status

Year of Report	Name of the performance audit	No. of recommendations	Status (as on January 2018)
2011-12	Computerisation of Transport Department in Tripura.	7	Reply had not been received. The PA had not been discussed by PAC.
2013-14	Computerisation of Value Added Tax (VAT) Systems in Tripura.	4	The PA had not been discussed by PAC.
2014-15	IT Audit on Computerisation of Land Records.	3	Reply had not been received. The PA had not been discussed by PAC.
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax.	4	Reply had not been received. The PA had not been discussed by PAC.
2016-17	System and Procedures in force in the Taxes and Excise Organization regarding Excise Duty	3	The Report had been placed before the State Legislative Assembly on 23 November 2018.
	Border Area Development Programme (BADP)	3	The Report had been placed before the State Legislative Assembly on 23 November 2018.

The above **Table 3.1.14** indicates that discussion of Performance Audits had not been made in PAC in timely manner which led to loss of importance of audit observations with the passage of time.

3.1.9 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes 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, factors of the tax administration, audit coverage and its impact during past five years, *etc.*

During the year 2017-18, there were 37 auditable units, of which 18 units were planned for audit and 15 units were actually audited and the audit results have been included in this report.

3.1.10 Results of audit

Position of local audit conducted during the year

Test-check of the records of 15 units of Sales Tax/VAT, State Excise, Registration, Professional Tax, Land Revenue, Forest, Motor Vehicles and other departmental offices conducted during the year 2017-18 revealed under-assessment/ short levy/ loss of revenue/ non-realisation of outstanding revenue aggregating to ₹ 7.01 crore in 48 cases. Of these, the departments recovered ₹ 0.32 crore involving 11 cases. During the year 2017-18, the departments concerned accepted under-assessment and other deficiencies of ₹ 1.63 crore involved in 26 cases which were pointed out in audit.

FINANCE (EXCISE & TAXATION) DEPARTMENT

3.2 Non-realisation of revenue

Due to failure on the part of the Assessing Authority, assessment for the years 2010-11 to 2012-13 in respect of M/s Udaipur Bonded Warehouse, Udaipur became time barred and led to non-realisation of revenue of ₹ 51.99 lakh. In addition, the Assessing Authority failed to impose penalty on the dealer for non-submission of audited accounts for the years 2009-10 to 2017-18 which led to non-realisation of penalty of ₹ 44.42 lakh.

(A) Non-realisation of revenue

The Tripura Value Added Tax (TVAT) Act, 2004 provides that every registered dealer shall submit periodical return of turnover (Section 24), pay the admitted tax (Section 3) within the prescribed time frame and produce books of accounts (Section 48) to the Assessing Authority (AA). On the dealer's failure to submit such returns, the AA shall complete the assessment on best judgment basis (Section 31) and determine tax payable by him.

Further, Section 25 (1) of the TVAT Act, 2004 provides that such dealer shall also be liable to pay interest in respect of the amount of tax payable on such assessments at the rate of one and a half *per cent* per month from the date the tax payable had become due.

Section 31 (5) of the TVAT Act, 2004 also provides that if the Commissioner is satisfied that the dealer tried to evade payment of tax in any way, he shall, after giving the dealer a reasonable opportunity of being heard, direct him to pay in addition to tax and interest payable by him, a penalty not exceeding one and a half times of the tax due, which shall not be less than 10 *per cent* of that amount.

Section 33 (1) of the Act states that no assessment under Section 31 and 32 shall be made after the expiry of five years from the end of the tax period to which the assessment relates; provided that in case of offence under this Act for which proceeding for prosecution has been initiated, the limitation as specified in this sub-section shall not apply.

Scrutiny (January–February 2018) of records of the Superintendent of Taxes, Udaipur revealed that M/s Udaipur Bonded Warehouse, Udaipur (Dealer) submitted returns for the years 2009-10 to 2016-17 on monthly basis, but scrutiny of returns as mandated under Section 27 of the TVAT Act, 2004 as well as in the guidelines¹⁴ for scrutiny of returns issued by the Commissioner of Taxes, Government of Tripura, which provide for 100 *per cent* scrutiny of monthly returns of all the dealers whose annual payment of tax is ₹ 5 lakh and above, had not been done by the AA till the date of audit (January 2018).

¹⁴ Guidelines for scrutinisation of returns furnished by the dealers under the TVAT Act, 2004 (issued under Memorandum dated 05 September 2012)

Further, no assessment of the dealer under Section 31 of the TVAT Act, 2004 had been done during the period from 2010-11 to 2012-13.

Moreover, even the last assessment done (March 2015) for the year 2009-10 was erroneous as the AA failed to detect suppression of turnover by not disclosing the actual turnover by the dealer in monthly returns for that year.

On verification of records (returns, challans, purchase statement, sales statement, etc.), Audit detected evasion of tax and resultant applicable interest and penalty amounting to ₹ 66.02 lakh¹⁵ due to suppression of turnover of ₹ 1.65 crore¹⁶ during the period from 2009-10 to 2012-13 (**Appendix 3.2.1**). Further, suppression of turnover of ₹ 43.60 lakh was also noticed during the year 2013-14.

It was seen that some notices were issued (September 2015 to September 2016) for submission of books of accounts and other relevant documents by the AA but the dealer did not produce books of accounts for assessment.

Since the assessment pertaining to the years from 2010-11 to 2012-13 had not been done within five years of the close of the financial year, these cases had become time barred as per the provisions contained in Section 33 (1) which resulted in non-realisation of revenue to the tune of ₹ 51.99 lakh.

On this being pointed out (May 2018), Government stated (November 2018) that the case records of 2009-10 had been forwarded (21 May 2018) to the Revisional Authority for seeking permission to re-open/ re-assess the case under Section 70 of the TVAT Act, 2004 and accepted the fact that the assessment for the years 2010-11 to 2012-13¹⁷ could not be initiated at all as per provisions contained under Section 33 of the TVAT Act, 2004.

Thus, due to failure on the part of the AA, the assessment for the years 2010-11 to 2012-13 became time barred and led to non-realisation of ₹ 51.99 lakh (Tax: ₹ 25.99 lakh; Interest: ₹ 23.40 lakh and Penalty: ₹ 2.60 lakh).

(B) Non-recovery of penalty

Under Section 53(3) of the TVAT Act, 2004, if any dealer, who is liable to get his accounts audited under Section 53 (1)¹⁸, fails to get his accounts audited and furnish a true copy of the audit report within the time frame specified in Section 53 (2)¹⁹, the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, impose on him, in addition to any tax payable, a sum by way of penalty equal to

¹⁵ ₹ 51.99 lakh + ₹ 14.03 lakh

¹⁶ ₹ 1.27 crore + ₹ 0.38 crore

¹⁷ 2012-13 became time barred after 31 March 2018 *i.e.* after the date of audit

¹⁸ Where in any particular year, the gross turnover of a dealer exceeds forty lakh rupees or such other amount as the Commissioner, may, by notification in the official Gazette specify, then such dealer shall get his accounts, in respect of that year audited by an accountant within six months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed.

¹⁹ A true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month after expiry of the period of six months during which the audit would have been completed

0.1 *per cent* of the turnover as he may determine to the best of his judgment in his case in respect of the said period.

Audit scrutiny revealed (January–February 2018 and January 2019) that audited accounts, as prescribed in the Act, were either not submitted or submitted after the expiry of prescribed time frame by M/s Udaipur Bonded Warehouse, Udaipur (TIN-16111128003) for the period from 2009-10 to 2017-18. Neither any action was initiated nor was any penalty imposed on the dealer by the AA till date (January 2019) which resulted in non-recovery of penalty amounting to ₹ 44.42 lakh for the years 2009-10 to 2017-18 as shown in **Appendix 3.2.2**.

On this being pointed out, the Government did not furnish any relevant reply (January 2019).

Thus, failure of the AA to impose penalty on the dealer for non/delayed submission of audited accounts for the years 2009-10 to 2017-18 led to non-realisation of penalty of ₹ 44.42 lakh.

Recommendation

State Government should investigate the matter and take appropriate actions against the officials responsible for showing disregard to the established rules & procedures and not performing the duties and checks prescribed under the relevant rules. The Government should also enforce the provisions of the Act to guard against the repetition of such mistakes in future.

3.3 Short levy of tax and non-levy of interest and penalty

Failure of the Assessing Authorities to detect concealment of purchase turnover by the dealers resulted in short levy of tax of ₹ 28.03 lakh, non-levy of interest of ₹ 18.01 lakh and penalty of ₹ 2.80 lakh.

Section 31 of Tripura Value Added Tax (TVAT) Act, 2004 and rules framed thereunder provide that where the Commissioner is not satisfied with the correctness of any return filed under Section 24 or the ‘bona fides’ of any claim of exemption, deduction, concession, input tax credit or genuineness of any declaration, or evidence furnished by a registered dealer in support thereof, the Commissioner may serve on such dealer, a notice to produce the books of account and all evidence relied upon by the dealer in support of his returns including tax invoice. The Commissioner, after giving reasonable opportunity of being heard, shall assess to the best of his judgment, the amount of tax due from such dealer.

Further, Section 25 (1) of the TVAT Act, 2004 provides that such dealer shall also be liable to pay, interest in respect of the amount of tax payable on such assessments at the rate of one and half *per cent* per month from the date the tax payable had become due.

Section 31 (5) of the TVAT Act, 2004 also provides that if the Commissioner is satisfied that the dealer tried to evade or avoid payment of tax in any way, he shall,

after giving the dealer a reasonable opportunity of being heard, direct him to pay in addition to tax and interest payable by him, a penalty not exceeding one and a half times of the tax due, which shall not be less than 10 *per cent* of that amount.

Audit scrutiny of the records between October 2017 and January 2018 of three Superintendents of Taxes²⁰ revealed that in 19 out of 33 assessment cases pertaining to 10 dealers for the period from 2009-10 to 2015-16 finalised during the financial years 2015-16 to 2017-18, there was concealment of purchase turnover of ₹ 4.43 crore by the dealers which could have been detected as all the records were available with the assessing authorities. Thus, lack of proper assessment resulted in short levy of tax (VAT) of ₹ 28.03 lakh (**Appendix 3.3.1**), leviable interest of ₹ 18.01 lakh (**Appendix 3.3.2**) and penalty²¹ of ₹ 2.80 lakh (**Appendix 3.3.1**).

Thus, the AAs failed to perform the duties assigned to him/ her under the Act; thereby, showing disregard to the established rules and procedure.

Government stated (November 2018) in reply that (i) notices had been issued to the dealers to appear with books of accounts in two cases²² and that the outcome of action would be intimated in due course; (ii) in one case²³, the amount of one permit was wrongly mentioned as ₹ 10.59 lakh instead of ₹ 1.06 lakh; (iii) in one case²⁴, the dealer imported goods of ₹ 58.02 lakh by using 114 online permits (Form-XXVI), of which seven were not passed; (iv) in one case²⁵, the dealer had deposited ₹ 49,020 in March 2018; and (v) in five cases²⁶, the case records were to be referred to the Revisional Authority for permission since the AA had no power to re-open the cases.

The Government reply at (iii) above is not acceptable as the turnover shown in Sl. No. 5 of **Appendix 3.3.1** included actual total import of goods by the dealer using permits in Forms XXIV and XXVI during the year, whereas in the reply, Government had referred to Form- XXVI only.

Thus, due to failure of the AAs to detect concealment of turn over led to short levy of tax of ₹ 28.03 lakh, interest of ₹ 18.01 lakh and penalty of ₹ 2.80 lakh.

Recommendation

State Government should investigate the matter and take appropriate actions against the officials responsible for failure to enforce the provisions of relevant law/ Act.

²⁰ (1) The Superintendent of Taxes, Charge II, Agartala (2) The Superintendent of Taxes, Charge IV, Agartala and (3) The Superintendent of Taxes, Charge VI, Agartala

²¹ Calculated at the minimum rate often *per cent* on the tax payable, as per provision under Section 75 (A) of the TVAT Act, 2004

²² Sl. No. 1 and 3 of **Appendix 3.3.1**

²³ Sl. No. 2 of **Appendix 3.3.1**

²⁴ Sl. No 5 of **Appendix 3.3.1**

²⁵ Sl. No. 4 of **Appendix 3.3.1**

²⁶ Sl. No. 6, 7, 8, 9 and 10 of **Appendix 3.3.1**

3.4 Short levy of tax, interest and penalty

Failure of the Assessing Authority to detect concealment of purchase turnover during assessment coupled with incorrect allowance of ITC adjustments resulted in short levy of tax of ₹ 20.11 lakh, interest of ₹ 10.05 lakh and penalty of ₹ 1.89 lakh.

Section 10 (1) & (3) of the Tripura Value Added Tax (TVAT) Act, 2004 provide that for the purpose of calculating the net tax payable (to avoid cascading effect of multiple taxations under VAT) by a registered dealer for any tax period after being registered, an Input Tax Credit (ITC) as determined under this Act shall be allowed to such registered dealer for the tax paid or payable in respect of all taxable purchase of goods as mentioned in Schedule VIII and all taxable sales other than such sales as may be prescribed subject to the conditions that ITC shall be allowed for purchase of goods made within the State of Tripura from a registered dealer and which are intended for the purpose of (a) sale or resale by him in the State of Tripura; or (b) sale in the course of export out of the territory of India.

Again, Section 5 A of the TVAT Act, 2004 provides that (1) the tax payable by a dealer under Section 3 (1) (a) (iii)²⁷ shall be levied on his gross taxable purchase and (2) the tax under sub-section (1) shall be levied at the gross taxable purchase of goods as mentioned in Schedule VIII.

Further, Section 10 (6) (ix) of the TVAT Act, 2004 enjoins that no input tax credit shall be claimed or be allowed to a registered dealer in respect of goods used for transfer of stock other than by way of sale outside the State of Tripura.

Section 45 (4) of the TVAT Act, 2004 provides that when a dealer is in default in the payment of tax, he will be liable to pay simple interest on such amount at the rate of one and a half *per cent* per month from the date of such default for so long as he continues to default on the payment of the said tax.

Section 31 (5) of the TVAT Act, 2004 also provides that if the Commissioner is satisfied that the dealer tried to evade or avoid payment of tax in any way, he shall direct him to pay in addition to tax and interest payable by him, a penalty not exceeding one and a half times of the tax due, which shall not be less than 10 *per cent* of that amount.

Scrutiny (January 2018 and June 2018) of records of the Superintendent of Taxes, Charge-II, Agartala relating to a dealer²⁸ dealing with Raw Rubber sheet and scrap²⁹ revealed that the dealer was assessed (February 2015) by the Assessing Authority (AA) under Section 31(1) of the TVAT Act, 2004 in respect of the years

²⁷ who is engaged in purchase of taxable goods as mentioned in Schedule VIII

²⁸ M/s Bhaskar Rubber, Agartala, TIN-16021415026

²⁹ Schedule VIII items – taxable on the gross purchase @ 4 *per cent* upto 6 September 2011 and @ 5 *per cent* thereafter

2009-10 to 2013-14 and total dues assessed was ₹ 16.62 lakh³⁰. Against the assessment order, the dealer appealed³¹ (April 2015) under Section 69 of the TVAT Act, 2004. As per orders of the Appellate Authority dated 07 August 2015, the AA re-assessed the cases and passed re-assessment orders on 27 January 2018 and total dues re-assessed was ₹ 3.28 lakh³² (details shown in **Appendix 3.4.1**).

Scrutiny of the re-assessment orders along with other relevant records revealed that there was concealment of purchase turnover of ₹ 2.60 crore³³ by the dealer which escaped the notice of the assessing authority. Further, the dealer was allowed ITC adjustments amounting to ₹ 8.56 lakh during 2011-12 and 2012-13 against total tax payable, which were not admissible as there was no local sale or export out of the territory of India during those years. This resulted in short levy of tax of ₹ 20.11 lakh, interest of ₹ 10.05 lakh and penalty of ₹ 1.89 lakh, as detailed in **Appendix 3.4.1**, which was recoverable from the dealer.

Thus, the AA failed to perform the duties assigned to him/ her under the Act, thereby, showing disregard to the established rules and procedure.

While accepting the facts, the Superintendent of Taxes, Charge-II, Agartala stated (October 2018) that (i) the AA had initiated the proceedings for scrutiny and issued notices to the dealer for hearing, but the dealer did not appear before the AA in spite of three notices³⁴, and (ii) as the AA has no power to re-open the case, the same was being forwarded to the Revisional Authority (Commissioner of Taxes) for revision under Section 70 of the Tripura Value Added Tax Act, 2004.

Government endorsed (November 2018) the above replies of the Superintendent of Taxes.

Thus, there was short levy of tax of ₹ 20.11 lakh, interest of ₹ 10.05 lakh and penalty of ₹ 1.89 lakh during the years 2009-10 to 2013-14, which was recoverable from the dealer.

Thus, failure of the AA to detect concealment of purchase turnover during assessment coupled with incorrect allowance of ITC adjustments resulted in short levy of tax of ₹ 20.11 lakh, interest of ₹ 10.05 lakh and penalty of ₹ 1.89 lakh.

Recommendation

State Government should investigate the matter and take appropriate actions against the responsible persons.

³⁰ ₹ 4.15 lakh (2009-10), ₹ 3.96 lakh (2010-11), ₹ 4.48 lakh (2011-12), ₹ 2.24 lakh (2012-13) and ₹ 1.79 lakh (2013-14)

³¹ Appeal Case No. 12-16/CH-II/2015

³² ₹ 3,400 (2009-10), ₹ 1,400 (2010-11), ₹ 82,695 (2011-12), ₹ 1,200 (2012-13) and ₹ 2,39,183 (2013-14)

³³ ₹ 80,99,59,045 - ₹ 78,39,56,211 (**Appendix 3.4.1**)

³⁴ Issued on 30 August 2018, 10 September 2018 and 24 September 2018