

Chapter IV
Revenue Sector

CHAPTER IV REVENUE SECTOR

4.1 Trend of revenue receipts

The Tax and Non-tax revenue raised by the Government of Manipur during the year 2018-19, the State's share of net proceeds of Union taxes and duties and GIA received from the GoI during the year and the corresponding figures for the preceding four years are mentioned in **Table No. 4.1.1**.

Table No. 4.1.1 Trends of revenue receipts

(₹ in crore)

S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Revenue raised by the State Government					
	Tax revenue	516.83	550.44	586.67	790.94	1,046.05
	Non-tax revenue	183.73	149.48	164.8	174.07	166.24
	Total	700.56	699.92	751.47	965.01	1,212.29
2	Receipts from the GoI					
	State's share of Union taxes and duties	1,526.89	3,142.42	3,757.12	4,154.33	4,698.59
	GIA	5,770.82	4,437.76	4,620.52	5,238.49	4,650.83
	Total	7,297.71	7,580.18	8,377.64	9,329.82	9,349.42
3	Total receipts of State Government (1 & 2)	7,998.27	8,280.10	9,129.12	10,357.83	10,561.71
	Percentage of 1 to 3	9	8	8	9	11

Source: Finance Accounts.

The above table indicates that during 2018-19 the revenue raised by the State Government was ₹ 1212.29 crore being 11 per cent of its total revenue receipts of ₹ 10,561.71 crore of the State. The balance receipts of ₹ 9,349.42 crore (89 per cent) during 2018-19 were from Government of India as State's share of net proceeds of Union taxes and duties and GIA.

Details of Budget of tax revenue and actual receipts of tax revenues for the period 2014-15 to 2018-19 are given in the following table.

Table No. 4.1.2 Details of Tax Revenue

(₹ in crore)

Head of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Increase (+)/ decrease (-) in 2018-19 over 2017-18 (in per cent)
	BE	Actuals									
Taxes on sales, trade etc.	500.00	433.33	570.00	466.51	570.00	499.65	700.00	385.58	204.66	253.02	(-) 34.38
Goods and Services Tax	NA	NA	NA	NA	NA	NA	0.00	301.53	400.98	694.70	(+) 130.39
Motor Vehicles Tax	22.31	20.77	25.43	23.29	27.00	25.04	40.00	36.14	45.60	39.83	(+) 10.21
Stamps & Registration Fees	7.14	7.76	10.27	10.45	11.00	10.03	30.00	13.98	34.20	17.62	(+) 26.04
State Excise	14.52	9.32	11.96	8.78	12.00	9.32	12.00	9.37	13.68	8.18	(-) 12.70
Land Revenue	1.24	1.42	1.45	2.59	2.50	1.91	5.00	1.44	5.70	3.54	(+) 145.83
Taxes and duties on electricity	0.50	-	0.06	-	0.06	0.01	0.06	0.00	0.07	-	NA

Head of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Increase (+)/ decrease (-) in 2018-19 over 2017-18 (in per cent)
	BE	Actuals									
Others ¹⁰⁶	75.12	44.25	51.98	38.82	44.64	40.73	44.81	42.89	51.08	29.16	(-) 32.01
Total	620.83	516.85	671.15	550.44	667.20	586.69	831.87	790.93	755.97	1046.05	(+) 32.25

Source: Annual Financial Statements and Finance Accounts. # BE: Budget Estimate.

The GST receipts at ₹ 694.70 crore were ₹ 293.72 crore more than the budgeted receipts. The details of budget estimates of non-tax revenue and actual realisations of the non-tax revenues actually raised during the period 2014-15 to 2018-19 are indicated in the following table.

Table No. 4.1.3 Details of Non-tax Revenue

(₹ in crore)

Head of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Increase (+)/ decrease(-) in 2018-19 over 2017-18 (in per cent)
	BE	Actual									
Misc. General Services	184.12	132.48	129.27	106.09	129.27	118.61	150.00	114.39	150.00	111.37	(-) 2.64
Interest receipts	33.52	30.60	38.61	27.43	38.61	19.73	40.54	19.27	42.57	18.68	(-) 3.06
Forestry and Wild Life	4.18	4.62	4.33	3.65	4.33	6.46	35.00	23.61	35.00	15.26	(-) 35.37
Major and Medium Irrigation	11.46	2.04	12.38	0.64	2.00	1.58	2.10	0.27	2.21	2.68	(+) 892.59
Public Works	20.14	2.90	2.11	1.26	2.11	0.90	2.22	1.87	2.33	1.62	(-) 13.37
Other Adm. Services	3.84	1.01	1.38	0.99	1.38	6.43	1.45	2.34	1.52	3.09	(+) 32.05
Police	1.19	0.79	1.20	0.72	1.20	1.38	1.26	0.91	1.32	1.42	(+) 56.04
Medical and Public Health	0.13	0.34	0.33	0.25	0.33	0.50	0.35	1.16	0.37	0.69	(-) 40.52
Co-operation	0.34	0.49	0.26	0.37	0.26	0.14	0.27	0.34	0.29	0.41	(+) 20.59
Other non-tax receipts	25.14	8.46	29.55	8.06	11.72	9.07	12.31	9.91	12.93	11.01	(+) 11.09
Total	284.06	183.73	219.42	149.48	191.21	164.80	245.50	174.07	248.54	166.23	(-) 4.50

Source: Annual Financial Statements and Finance Accounts. # BE: Budget Estimate

The State Government Departments reported following reasons for the variations:

- Co-Operative Department reported (March 2020) that the increase in revenue was due to auditing of previous pending accounts of co-operative societies during 2018-19.
- In respect of Major and Medium Irrigation, Water Resources Department stated that increase in the revenue during 2018-19 was due to the receipt of interest on Mobilisation Advances, hire charges of machineries, sale proceeds and water tax, etc.
- Public Works Department stated that decrease in the revenue during 2018-19 was due to the less realisation of revenue.

¹⁰⁶ Other taxes include taxes on immovable property other than agricultural land, Taxes on Goods and Passengers and taxes and duties on agricultural income.

4.2 Response of Departments/Government towards Audit

The Principal Accountant General (Audit), Manipur {PAG (Audit)} conducts audit of the Government Departments and their units to test check the transactions and to verify the maintenance of important accounts and other records as prescribed in the Rules and procedures. On conclusion of these audits, Inspection Reports (IRs) incorporating irregularities detected during the audit and not settled on the spot are issued to the heads of the offices audited with copies to the next higher authorities for taking suitable corrective actions. The heads of the offices/ Governments are required to promptly comply with the observations contained in the IRs, rectify the defects/ omissions and furnish reply to the PAG (Audit) within one month from the date of issue of IRs. Serious financial irregularities are identified for their inclusion in the Comptroller & Auditor General of India's Annual Audit Report on the Government of Manipur.

At the end of June 2019, there were 304 Inspection Reports issued up to March 2019 with 1,084 paragraphs involving ₹ 209.84 crore as outstanding audit observations. The corresponding figures for the preceding two years are also given in the table given below.

Table No. 4.2.1 Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of pending IRs	273	275	304
Number of outstanding audit observations	858	866	1,084
Amount involved (₹ in crore)	181.00	206.38	209.84

Source: Records of the PAG (Audit), Manipur.

4.2.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and their financial implications are mentioned in the following table.

Table No. 4.2.2 Department wise details of Outstanding Inspection Reports

(₹ in crore)

Name of Department	Nature of receipts	No. of outstanding		Money value involved
		IRs	Audit observations	
Finance	Taxes on sales, trade etc.	63	317	125.28
Excise	State Excise	12	41	5.79
Revenue	Land revenue	126	387	32.23
Transport	Taxes on Motor Vehicles	83	254	42.98
Stamp and Registration	Stamp & Registration Fees	20	85	3.56
Total		304	1084	209.84

Source: Records of the PAG (Audit), Manipur.

In respect of 26 IRs issued during 2018-19, Audit did not receive even the first replies from 13 head of the offices within the prescribed period of one month from the date of issue of the IRs. Large pendency of 304 IRs due to the non-receipt of the replies/ further clarification is indicative of the fact that the Head of Offices and the Departments had not given due importance to the audit findings and had not initiated any action to rectify the omissions and irregularities pointed out by Audit.

Review of IRs for the period from 2009-10 to March 2018 pertaining to the Department of Taxes revealed that there are 18 outstanding IRs with financial involvement of ₹ 270.05 crore on account of non-recovery of outstanding arrears, suspected evasion of taxes by suppression of turnover, non-assessment of dealers, non-filing of returns, concealment of items attracting higher tax, short levy of tax due to incorrect rate of tax, *etc.* This runs the risk of being time barred for recovery action. The position of outstanding audit findings was also brought to the notice of Chief Secretary, Government of Manipur in November 2019 so he issues necessary directions to the concerned authorities for ensuring recovery of the outstanding taxes before the dues become time-barred.

The Government may, therefore, consider having an effective monitoring system for taking prompt remedial action on the audit findings, in interests of their own revenue.

4.2.2 Departmental Audit Committee Meetings

The Government has set up Audit Committees to monitor and expedite the progress of settlement of IRs and paragraphs therein, however, Departmental Audit Committee meeting were not held during 2018-19.

In view of the large pendency of IRs, the Government may ensure that Audit Committees meetings are conducted regularly on quarterly basis to expedite the clearance and settlement of outstanding IRs and paras therein.

4.2.3 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 (CAG) are forwarded to the Principal Secretary/Secretaries of the concerned Department, drawing their attention to the audit findings and requesting them to send their response within four to 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 of the CAG.

Five draft paragraphs were sent to the Principal Secretaries of the respective departments between June to September 2019. The responses received from the Department have been incorporated in the Audit Report.

4.2.4 Follow up on Audit Reports

After the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall submit *suo moto* Explanatory Notes to the Public Accounts Committee (PAC) within three months of tabling the Report. In spite of these provisions, the Explanatory Notes on Audit Paragraphs of the Reports were being delayed inordinately. Explanatory notes in respect of eight paragraphs/reviews from two Departments under the Revenue Sector (Transport and Taxation) had not been received for the Audit Reports for the years ended 31 March 2016 and 2018 (April 2020).

The PAC discussed 38 selected paragraphs/reviews pertaining to the Audit Reports on the Revenue Sector for the years 2011, 2012, 2013, 2014, 2016 and 2017¹⁰⁷ and its recommendations on 27 paragraphs were incorporated in their 38th, 40th, 45th, 47th, 49th and 51st Reports. However, Action taken Notes (ATNs) have not been received in respect of 21 recommendations of the PAC from the Departments concerned as mentioned in **Table No. 4.2.3**.

Table No. 4.2.3 Position of Outstanding ATNs on PAC recommendations

Year	Name of Department	No. of ATN outstanding
2011	Transport	3
2012	Transport	1
	Taxation	4
2013	Taxation	3
	Tourism	1
	Transport	1
2014	Revenue	1
	Taxation	4
	Transport	1
2016	Revenue	1
2017	Taxation	1
Total		21

Source: Records of the PAG (Audit), Manipur.

4.3 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 audit paragraphs and performance audits included in the Audit Reports of the last 10 years for one Department *i.e.* Land Revenue Department was evaluated and included in this Audit Report.

The succeeding paragraphs 4.3.1 and 4.3.2 analyse the performance of Land Revenue Department under revenue Major Head 0029. Audit findings detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2008-09 to 2017-18 were also analysed.

4.3.1 Position of Inspection Reports

The summarised position of the Inspection Reports (IRs) issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 are shown in the table given below.

Table No. 4.3.1 Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing Balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2009-10	140	366	1,423.08	14	50	590.89	53	147	201.69	101	269	1,812.28
2010-11	101	269	1,812.28	10	24	290.28	1	4	1.16	110	289	2,101.40
2011-12	110	289	2,101.4	12	21	203.93	6	13	4.27	116	297	2,301.06
2012-13	116	297	2,301.06	9	23	303.6	1	0	0.00	124	320	2,604.66
2013-14	124	320	2,604.66	6	28	306.72	29	73	96.72	101	275	2,814.66
2014-15	101	275	2,814.66	7	30	14.17	0	0	0.00	108	305	2,828.83

¹⁰⁷ Audit Report for the year ended 31 March 2018 is not included as it was placed before State Legislature on 14 February 2020 and yet to be selected by PAC for discussion (February 2020).

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
2015-16	108	305	2,828.83	7	27	151.16	9	48	146.28	106	284	2,833.71
2016-17	106	284	2,833.71	14	58	248.29	1	4	0.00	119	338	3,082.00
2017-18	119	338	3,082.00	0	0	0.00	3	31	16.52	116	307	3,065.48
2018-19	116	307	3,065.48	10	83	159.29	0	3	1.13	126	387	3,223.64

Source: Records of the PAG (Audit), Manipur.

The Government is required to arrange *ad hoc* Committee meetings between the Department and PAG (Audit) to settle the old paragraphs. As would be evident from the above table, against there was 140 outstanding IRs with 366 paragraphs at the beginning of 2009-10. While the number of outstanding IRs decreased to 126, the number of outstanding paragraphs increased to 387 at the end of 2018-19. This was indicative of the fact that adequate steps needed to be taken by the department in this regard.

4.3.2 Action taken on the recommendations accepted by Departments/ Government

The following Performance Audits on the Taxation and Transport Departments were featured in the Audit Reports of the last five years. The details of recommendations and their status are given in the following table.

Table No. 4.3.2 Status of Recommendations of Performance Audits

Year of Audit Report	Name of Performance Audit	No. of recommendations	Details of the recommendations	Status
2014-2015	Performance Audit on “Admissibility of Input Tax Credit”	4	For effective implementation of Input Tax Credit, <ul style="list-style-type: none"> • The Department should bring automation in assessment and encourage online filing of returns, grievance redressal, etc.; • The deficiencies of the Input Tax Credit system pointed out with respect to record maintenance, filing and scrutiny of returns, enforcement, etc., be addressed through appropriate notifications; • The Department should place a system of cross verification of tax invoices in support of Input Tax Credit claims with details available with selling dealers; and • System for selection of dealers and planning for Tax Audit and Audit Assessment should be evolved and implemented at an early date. 	During PAC discussion on 08.12.2016, the Department stated that all the recommendations will be covered with introduction of the fully automated system of GST.
2014-2015	Implementation of Smart Card Project for Driving License and	4	The Government may consider the following to ensure effective implementation of the Smart Card project:	During PAC discussion on 07.01.2017 the Department stated that it has taken up steps to

Year of Audit Report	Name of Performance Audit	No. of recommendations	Details of the recommendations	Status
	Registration Certificate		<ul style="list-style-type: none"> • Prepare a plan indicating target dates of completion of the project in all districts of the State for timely issue of Registration Certificates and Driving Licenses, and vigorously monitor implementation; • Instructions may be issued to ensure that no Registration Certificates or Driving Licenses are issued in manual form; • Prepare an action plan to convert all backlog Registration Certificates and Driving Licenses into smart card within a specific time frame and declare them invalid after a prescribed time limit; and • Involve dealers and driving schools in the process of issuing of certificates and make it incumbent upon them to obtain only Smart Cards as is the practice in some States. 	ensure smooth and effective implementation of the project in all the DTO offices by conversion of manual DLs to Smart Card DLs and by tying up with some Driving Schools to spread awareness regarding this matter.
2016-17	Performance Audit on System of Assessment under Value Added Tax	4	<p>The Department may consider the following:</p> <ul style="list-style-type: none"> • Establish a system of scrutiny with proper guidelines, checklist with in-built method of screening for further scrutiny; • In view of lapses noticed in the Value Added Tax regime, reorganise the tax collection structure to use all types of assessments and audits as provided in the Manipur Goods and Service Tax Act for safeguarding the interest of government revenue; • Establish monitoring system through system of control registers or Management Information System, periodic reporting, prescribed checks and review <i>etc.</i>; and • Ensure that tax manuals are prepared for standardising the entire processes with the Goods and Service Tax regime. 	During PAC discussion on 04.06.2019, the Department stated that the issues highlighted and the recommendations will be incorporated in the proper in the GST regime.

Source: Records of the PAG (Audit), Manipur.

4.4 Audit Planning

The audit units under various Departments are categorised into high, medium and low risk units according to their revenue position, volume of transactions, 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 2018-19, there were 60 auditable units, of which 26 units were planned and audited, which is 100 *per cent* of the total planned units.

4.5 Results of Audit

Position of local audit conducted during the year

Test check of the records of Taxation Department, Transport Department and Land Revenue Department conducted during the year 2018-19 showed underassessment/short levy/loss of revenue/non-realisation of outstanding revenues aggregating to ₹ 4.25 crore in 26 cases. During the course of the year, the Department did not furnish any reply regarding under assessment and other deficiencies, which were pointed out in audit during 2018-19. The Departments had recovered ₹ 14.6 lakh during 2018-19 pertaining to the audit findings of the previous year.

4.6 Coverage of this Report

This Report contains four compliance audit paragraphs involving financial effect of ₹ 3.29 crore.

The Departments/ Government have accepted audit observations involving ₹ 3.29 crore out of which ₹ 0.42 crore has been recovered. These are discussed in succeeding paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

REVENUE DEPARTMENT

4.7 Temporary misappropriation of Government money

Revenue collected by six offices of Revenue Department from hill house tax, land registration fees, marriage registration fees, *etc.* amounting to ₹ 42.38 lakh was temporarily misappropriated out of which, ₹ 39.47 lakh was deposited after being pointed out by audit and balance ₹ 2.91 lakh was not deposited.

As per Rule 7(1) of the Central Treasury Rules, as adopted by Government of Manipur, all the moneys received by or tendered to the government officers on

account of government revenue shall, without undue delay be deposited in full into the treasury and shall be included in the Government account.

As per rule 7 of the General Financial Rules as adopted by Government of Manipur, all moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, shall be brought into Government Account without delay.

On scrutiny of records of the Sub-Divisional Officers (SDOs) and Sub-Registrars of Revenue Department (SRs), Manipur, Audit noticed (May 2018 to December 2018) that the officer had collected ₹ 124.84 lakh as revenue from hill house tax, land registration fees, marriage registration fees, *etc.* during 2012 to November 2019 in six offices¹⁰⁸. Out of the amount collected, ₹ 39.47 lakh was deposited into the Government account with delays ranging from one year to seven and half years¹⁰⁹ (as on September 2019) without any recorded reason and the remaining amount of ₹ 2.91 lakh was yet to be deposited as of August 2020 as detailed in the following table.

Table No. 4.7.1 Statement showing details of revenue collected, deposited and outstanding in respect of Revenue Department

(Amount in ₹)

Name of Office	Particulars of revenue	Period of collection	Amount collected	Amount Deposited and Outstanding		
				Amount deposited	Date of deposit	Outstanding
SDO, Thanlon	Hill House Tax	March-August 2018	7,690	0		7690
SDO, KeiraoBitra	Registration fee	April 2016-November 2019	4,16,150	116000	October 2018	150
				300000	November 2019	
SDO, Island	Hill House Tax	During 2017	41,520	0		41520
SDO, Tipaimukh	Hill House Tax	2012 to September 2018	2,41,567	0		241567
SR, Thoubal	Registration & Marriage fees and Others	April 2013-November 2018	85,75,107	67,63,726	Without any delay	0
				18,11,381	July-November 2018	
SR, Bishnupur	Registration fee	April 2013-October 2019	32,02,330	14,82,074	Without any delay	0
				1098000	August 2018	
				622256	September-October 2019	
Total			124,84,364	121,93,437		2,90,927

Source: Departmental Records.

¹⁰⁸ (i) Sub-Divisional Office (SDO), Thanlon, (ii) SDO, Keirao Bitra, (iii) SDO, Island, (iv) SDO, Tipaimukh, (v) Sub-Registrar Office, Thoubal and (vi) Sub-Registrar Office, Bishnupur.

¹⁰⁹ From the first month of collection (April 2012) to last month (September 2018) of collection.

While admitting the audit observation, three out of the six offices furnished¹¹⁰ (September 2019 to December 2019) deposit challans of ₹ 39.47 lakh out of ₹ 42.38 lakh, which were deposited during July 2018 to November 2019 at the instance of audit.

SDO, Thanlon (September 2018), SDO, Tipaimukh (September 2018) and SDO, Island (December 2018) stated that the process for remitting the amount into Treasury had been initiated, and the status will be intimated to Audit. However, status of remittance is yet to be received from these offices (April 2020).

Hence, in violation of the financial codes, the six SDO/ Sub-Registrar offices temporarily misappropriated ₹ 39.47 lakh which was deposited into the Government Account after a lapse of one to seven and half years only after being pointed out by audit and ₹ 2.91 lakh remained to be deposited to government account.

Recommendation: *Apart from strengthening internal controls at DDO/ CCO level, the Department should initiate action against the officials responsible for the temporary misappropriation of Government money.*

4.8 Short-realisation of registration fee and stamp duty

Sub-Registrar, Imphal East had short levied registration fee and stamp duty on lease of property by way of transfer of equity shares, resulting in short realisation of revenue of ₹ 14.00 lakh.

As per Government of Manipur (GoM), Secretariat, Revenue Department Notification No.1/2/97-Com (Rev) dated 14.6.1999, Registration fees for lease will be ₹ 15 for value upto ₹ 1000 and ₹ 10 for every addition of ₹ 1000 for a consideration equal to, Annual Average Rent (AAR) and/or advance as set forth in the Lease.

Under Section No.62 (a) of Indian Stamp (Manipur Amendment) Act, 1989 relating to case of transfer (whether with or without consideration) of shares/equity, in an incorporated company or other body corporate, Stamp Duty shall be payable at the rate of 75 paise for every hundred rupees or part thereof of the value of the share.

On scrutiny of records (July 2018) maintained by the Office of the Sub-Registrar, Imphal East, Audit noticed that in consideration for lease of property, two parties¹¹¹ had transferred 80,00,000 equity share was agreed @ ₹ 10 per share.

¹¹⁰ (i) Sub-Registrar, Thoubal furnished (September 2019) deposit challan of ₹ 18.11 lakh deposited during July 2018 to November 2018. (ii) SDO, Keirao Bitra furnished (November 2019) deposit challan of ₹ 4.16 lakh deposited during October 2018 and November 2019. (iii) Sub-Registrar Office, Bishnupur furnished (October 2018 and December 2019) deposit challan of ₹ 17.20 lakh deposited during July 2018 to October 2019.

¹¹¹ Deed between Mr. Henry Okram, Mantripukhri (First Party) and M/s Shangnao Tourism Development Private Limited, Sangaiprou (Second Party).

The Department miscalculated the Registration fees for lease and Stamp duties against the rate provided as per order of the GoM dt.14.06.1999 and Section 62(a) mentioned above and levied only ₹ 229¹¹² against the leviable amount of ₹ 14,00,005¹¹³. This resulted in short levy of ₹ 14 lakh *i.e.* ₹ 8 lakh (Registration Fee) *plus* ₹ 6 lakh (Stamp Duty) respectively as worked out under.

Table No. 4.8.1 Details of collection of Registration Fee and Stamp Duty

(Amount in ₹)

Regn. No. & Date	Period of Lease	Allotment of equity share	Details of Registration Fee			Details of Stamp Duty			Total
			Levied	leviable ¹¹⁴	Short-fall	Levied	leviable ¹¹⁵	Short-fall	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (8)-(7)	(10) = (6)+(9)
581 of 19.2.2015	35 years	80,00,000 @ ₹ 10 per share	49	8,00,005	7,99,956	180	6,00,000	5,99,820	13,99,776

While admitting the audit observation, the Department stated (August 2019) that notice has been served to both parties for realisation/ payment of balance registration fee and stamp duty. Action should also be initiated against the Sub-Registrar's office for gross miscalculation of Registration fee and stamp duty due.

Recommendation: *There is a need for an internal control system including internal audit for cross verification by higher officers, for rates applied by executive officers to ensure correct collection of revenue as applicable.*

4.9 Suspected evasion of Tax and loss of government revenue

Failure of the Assessing Authority (AA) to detect suppression of Sales under Manipur Value Added Tax (MVAT) Act resulted in suspected evasion of tax and loss of Government revenue amounting to ₹ 2.69 crore.

The Manipur Value Added Tax (MVAT) Act, 2004 and the MVAT Rules, 2005 stipulate that:

- Where the Commissioner is not satisfied with the correctness of any return filed, or bona fides of any claim of exemption, deduction, concession, input tax credit or genuineness of any declaration; or the Commissioner has reasons to believe that detailed scrutiny of the case is necessary; the Commissioner may require a dealer to produce books of account and all evidence on which the dealer relies in support of his returns after giving opportunity of being heard. [Section 36(1)]
- The Commissioner, after considering all the evidence produced in course of the proceedings or collected by him shall confirm the order of assessment or re-assess the amount of tax due from the dealer or assess the amount of

¹¹² ₹ 49 as Registration fee and ₹ 180 as stamp duty.

¹¹³ ₹ 8,00,005 as Registration fee and ₹ 6,00,000 as Stamp duty.

¹¹⁴ $[15 + \{(80,00,000 \times 10 - 1000)/1000\} \times 10] = ₹ 8,00,005.$

¹¹⁵ Article No. 62 (a) of Indian Stamp (Manipur Amendment) Act, 1989.

$= \frac{80,00,000 \times 10 \times 75}{100 \times 100} = ₹ 6,00,000.$

tax due from the dealer, if no assessment has been made under Section 35. [Section 36 (5)]

- If the dealer has not furnished returns or furnished incomplete and incorrect returns or failed to comply with any notice, the Commissioner shall assess to the best of his judgment the amount of tax due from such dealer. [Section 36(6)]
- Further, if the Assessing Authority is satisfied that the escapement is without any reasonable cause, he may direct the dealer to pay, by way of penalty, a sum equal to twice the amount of tax additionally assessed. [Section 36(7)]

Test check of records¹¹⁶ in audit revealed that one dealer M/s M.R. Roller Flour Mill filed returns under Section 34 (Self-assessment) of MVAT Act for the year 2015-16 with a Sale of ₹ 12.99 lakh. Audit assessment of the dealer was not made as the returns filed by the assessee were accepted.

However, as per the information collected by Audit from the Income Tax Department it was noticed that during 2015-16, the dealer made Sales of ₹ 61.95 crore from sale of atta, maida, suji and bran, which are taxable at 5 per cent¹¹⁷. Since the actual value of sales of different components of sale mix could not be sorted out, the value of bran portion (exempted item) was taken as 13 per cent following the norms for bran output as mentioned in the Project Profile on Mini Flour Mill of the Ministry of Micro, Small & Medium Enterprises, GoI. Based on this calculation, the tax suspected to have been evaded has been worked out as follows.

Table No. 4.9.1 Details of tax suspected to have been evaded

(Amount in ₹)

Period	Gross Sales as per Income Tax returns	Exempted sales (@13%)	Net sales as per Income Tax returns	Net Sales as per MVAT returns	Sales suppressed	Tax evaded @ 5 %
(1)	(2)	(3)	(4)= (2)-(3)	(5)	(6)=(4)-(5)	(7)= 5% of (6)
2015-16	61,94,49,463	8,05,28,430	53,89,21,033	12,99,224	53,76,21,809	2,68,81,090

Thus, failure of the Department in proper assessment of sales and to invoke the provision of Section 36(6) *ibid* to assess to the best of his judgment the amount of tax led to evasion of tax of ₹ 2.69 crore. The Department needs to call an explanation from the assessee and verify the possible evasion of tax.

While admitting the audit observation, the Department stated (July 2019) that explanation has been called from the assessee.

¹¹⁶ Out of 394 dealers test checked.

¹¹⁷ Wheat bran, an exempted item, is not considered here.

FISHERIES DEPARTMENT

4.10 Suspected misappropriation of fund

There was a suspected misappropriation of fund on account of GST deducted at source but not deposited to Government Account, by the Department officials.

As per order¹¹⁸ of Finance Department, Government of Manipur, the amount of tax (VAT) deducted at source shall be deposited to the Major Head (MH) – 0040 within 7 days from the expiry of the month through challan.

Scrutiny of records (July-August 2018) of the Directorate of Fisheries, Government of Manipur revealed that the Department awarded (July 2017) construction of a pond (3.23 Ha unit) at Senapati, Bishnupur under Rashtriya Krishi Vikas Yojana (RKVY) to a contractor¹¹⁹ at a total cost of ₹ 35.76 lakh. The contractor started the work on 29 July 2017 and completed it on 26 February 2018. Subsequently, the Department made a payment of ₹ 35.76 lakh (February 2018) to the contractor after deduction of GST amounting to ₹ 3.40 lakh.

It was further noticed that an amount of ₹ 7.46 lakh was paid¹²⁰ (April 2018) to Revenue Assistant¹²¹ of the Directorate for depositing the same into Government Account. The amount so paid included GST of ₹ 3.40 lakh deducted from the above-mentioned contractor. However, challan copies in support of deposit of ₹ 3.40 lakh were not furnished though called for during Audit (August 2018).

On this being pointed out, the Government stated (August 2019) the relevant documents cannot be traced and would be produced in the next audit.

The reply is not acceptable as department's inability to trace the relevant document since August 2018 indicates that money was misappropriated and never deposited into the accounts of the Government.

Recommendation: The Department may invoke the order of the Finance Department and recover the tax amount deducted at source along with penalty from the Department officials.

¹¹⁸ No. 5/127/2010-FD dated 25 May 2013.

¹¹⁹ M/s Esau Lungleng.

¹²⁰ ₹ 7.46 lakh vide Cheque No. 675941 dated 4 April 2018, out of which deposit challan of GST of ₹ 3.40 lakh could not be produced.

¹²¹ Y. Ranjitkumar Singh.

