

## **CHAPTER V: REVENUE SECTOR**



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### 5.1 GENERAL

#### 5.1.1 Trend of Revenue Receipts

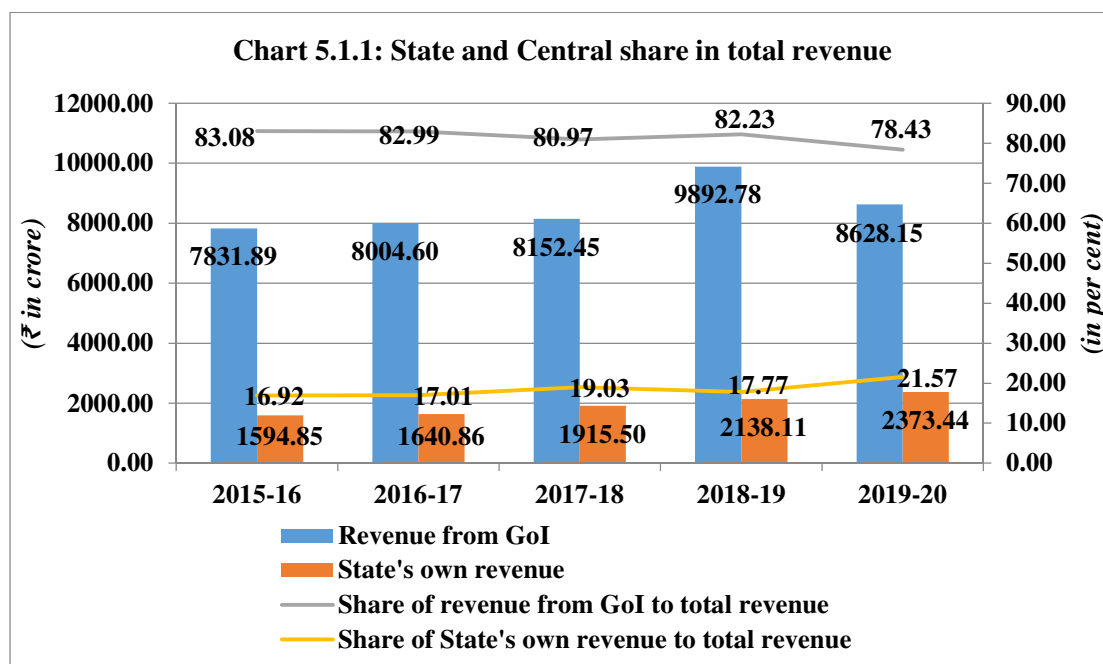
The Tax and Non-tax Revenue raised by Government of Tripura during the year 2019-20, the net proceeds of State's share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 5.1.1**.

**Table 5.1.1: Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	Tax Revenue	1,332.25	1,422.01	1,422.02	1,765.91	2101.79
	Non-tax Revenue	262.60	218.85	493.48	372.20	271.65
	<b>Total</b>	<b>1,594.85</b>	<b>1,640.86</b>	<b>1,915.50</b>	<b>2,138.11</b>	<b>2373.44</b>
	<i>Increase over previous year (%)</i>	<i>16.42</i>	<i>2.88</i>	<i>16.74</i>	<i>11.62</i>	<i>11.01</i>
<b>II.</b>	<b>Receipts from the GoI</b>					
	Net proceeds of State Share of Union Taxes and Duties	3,266.02	3,909.12	4,322.08	4,888.95	4211.78
	Grants-in-aid	4,565.87	4,095.48	3,830.37	5,003.83	4416.37
	<b>Total</b>	<b>7,831.89</b>	<b>8,004.60</b>	<b>8,152.45</b>	<b>9,892.78</b>	<b>8628.15</b>
<b>III.</b>	<b>Total Revenue Receipts of the State Government (I and II)</b>	<b>9,426.74</b>	<b>9,645.46</b>	<b>10,067.95</b>	<b>12,030.89</b>	<b>11001.59</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>16.92</b>	<b>17.01</b>	<b>19.03</b>	<b>17.77</b>	<b>21.57</b>

Source: Finance Accounts



**Table 5.1.1** and **Chart 5.1.1** indicates that during the year 2019-20, the revenue raised by the State Government was ₹ 2,373.44 crore which was 21.57 per cent of the total Revenue Receipts. The balance 78.43 per cent of the revenue receipts during

2019-20 was received from the GoI in the form of State share of Union Taxes and Duties and Grants-in-Aid. The rate of growth of own revenue of the State declined during 2019-20 to 11.01 per cent (₹ 235.33 crore) compared to 11.62 per cent during 2018-19 over the previous year. The total Revenue Receipts of the State also decreased by 8.56 per cent from ₹ 12,030.89 crore in 2018-19 to ₹ 11,001.59 crore in 2019-20 due to less receipts of Grants-in-aid from GoI during 2019-20.

### 5.1.1 (a) Tax Revenue

The details of the Tax Revenue raised during the period 2015-20 are given in Table 5.1.2.

Table 5.1.2: Components of Own Tax Revenue during 2015-20

(₹ in crore)

Sl. No.	Head of revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Increase (+) or decrease (-) of actual in 2019-20 over 2018-19 (per cent)
1	Sales Tax/ Value Added Tax (VAT)	1,058.48	1,112.89	611.88	361.95	435.88	(+) 20.43
2	Goods and Service Tax <sup>157</sup>	--	--	479.71	977.44	1026.63	(+) 5.03
3	State Excise	143.57	163.19	186.96	214.35	231.70	(+) 8.09
4	Stamps and Registration Fees	42.49	41.83	40.16	51.32	61.67	(+) 20.17
5	Taxes on Vehicles	37.62	43.60	54.38	83.50	97.14	(+) 16.34
6	Other Taxes on Income and Expenditure	39.67	41.96	42.20	43.87	43.59	(-) 0.64
7	Land Revenue	5.97	13.32	4.46	5.29	12.98	(+) 145.37
8	Other Taxes and Duties on Commodities and Services	4.29	3.32	2.17	27.93	161.58	(+) 478.52
9	Others <sup>158</sup>	0.16	1.90	0.10	0.26	30.62	(+) 11676.92
<b>Total</b>		<b>1,332.25</b>	<b>1,422.01</b>	<b>1,422.02</b>	<b>1,765.91</b>	<b>2101.79</b>	<b>(+) 19.02</b>

Source: Finance Accounts

**Goods and Service Tax (GST):**-The reason attributed by the Finance (Excise & Taxation) Department for increase of collection of GST (5.03 per cent) over previous year was due to higher collection of SGST, IGST and advance IGST as compared to the previous year.

**State Excise:**-The reason attributed by the Finance (Excise & Taxation) Department for increase of collection of State Excise (8.09 per cent) was due to introduction of Maximum Retail Price (MRP) based Advalorem Excise Duty.

**Land Revenue:**-The reason attributed by the Revenue Department for increase of collection of Land Revenue (145.37 per cent) was due to collection of more premium (Nazar).

<sup>157</sup> Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1 July 2017

<sup>158</sup> Tax on Agriculture Income (₹ 0.08 crore), Taxes & Duties on Electricity (₹ 30.54 crore)

**Other Taxes and Duties on Commodities and Services:-** The increase in collection under Other Taxes on Income and Expenditure by 478.52 *per cent* over the previous was stated to be mainly due to revision of rate of Tripura Road Development Cess on Natural Gas from three *per cent* to 15.5 *per cent* during the year 2019-20.

**Others:-** The increase in collection under 'Others' by 11,676.92 *per cent* over the previous year was stated to be mainly due to collection of ₹ 30.39 crore after the implementation the Tripura Electricity Duty from 4 October 2019 under Tripura Electricity Duty Act, 2019.

The other departments (indicated in **Table 5.1.2**), despite being requested (October 2020), did not furnish the reasons for variations in Tax Receipts with respect to the previous year (February 2022).

### 5.1.1 (b) Non-tax Revenue

During 2019-20 collection of Non-tax revenue is decreased by ₹ 100.55 crore (27.02 *per cent*) over the previous year. The details of the Non-Tax Revenue raised during the period 2015-16 to 2019-20 are indicated in **Table 5.1.3**.

**Table 5.1.3: Components of Non-tax Revenue during 2015-20**

							(₹ in crore)
Sl. No.	Head of revenue	2015-16	2016-17	2017-18	2018-19	2019-20	Increase (+) or decrease (-) of actual in 2019-20 over 2017-18 ( <i>per cent</i> )
1	Interest Receipts	55.24	37.07	276.99	146.11	19.25	(-) 86.82
2	Industries	96.41	80.36	87.36	92.81	100.27	(+) 8.04
3	Police	40.50	48.07	60.11	71.77	65.13	(-) 9.25
4	Public Works	8.15	8.08	8.51	5.06	4.95	(-) 2.17
5	Forestry and Wildlife	11.86	11.01	9.76	11.96	13.82	(+) 15.55
6	Water Supply and Sanitation	1.76	2.45	2.36	1.88	1.25	(-) 33.51
7	Misc. General Services	6.48	7.25	8.88	6.18	20.44	(+) 230.74
8	Other Administrative Services	6.84	6.12	5.60	4.71	8.29	(+) 76.00
9	Medical and Public Health	6.01	2.42	1.51	3.97	8.94	(+) 125.19
10	Crop Husbandry	3.61	2.60	2.71	3.56	2.98	(-) 16.29
11	Animal Husbandry	2.42	1.84	1.79	2.07	2.05	(-) 0.97
12	Housing	1.82	1.85	2.08	2.07	2.16	(+) 4.35
13	Education, Sports, Art and Culture	2.30	2.29	1.48	1.78	1.05	(-) 41.01
14	Stationery and Printing	1.16	1.10	0.81	2.00	2.15	(+) 7.50
15	Others <sup>159</sup>	18.04	6.34	23.53	16.27	18.92	(-) 16.29
<b>Total</b>		<b>262.60</b>	<b>218.85</b>	<b>493.48</b>	<b>372.20</b>	<b>271.65</b>	<b>(-) 27.02</b>

Source: Finance Accounts

**Crop Husbandry:** The reason attributed by the Agriculture and Farmers Welfare Department for decrease (16.29 *per cent*) in collection of taxes over the previous year

<sup>159</sup> Comprising 19 Major Heads including dividends and profits

was mainly due to less collection of sale proceeds of Agri Farms/ Cold storage & selling of tender forms due to Pandemic in 2019-20.

The other departments (indicated in **Table 5.1.3**), despite being requested (October 2020), did not furnish the reasons for variations in Non-tax Revenue Receipts with respect to the previous year (February 2022).

### 5.1.2 Revenue and return filing trends

#### 5.1.2 (i) GST Revenue of Government of Tripura: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2017-18 to 2019-20 are shown in **Table 5.1.4**.

**Table 5.1.4: Revenue from GST during 2017-18, 2018-19 and 2019-20**

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	State GST	State GST	State GST
2017-18 <sup>160</sup>	-	504.00	479.71
2018-19	630.00	1008.54	977.44
2019-20	1149.74	1149.74	1026.63

*Source: Information furnished by office of the Accountant General (A&E), Tripura*

It could be seen from **Table 5.1.4** that, the actual collection of revenue from SGST over the last three years from 2017-18 to 2019-20 was short of the target as projected in the revised estimates for the respective years.

#### 5.1.2 (ii) Bi-monthly compensation received from Union Government

The bi-monthly compensation received from Union Government under GST (Compensation to States) Act, 2017<sup>161</sup> for the year 2019-20 is given in **Table 5.1.5**.

**Table 5.1.5: Bi-monthly compensation received from Union Government for the year 2019-20**

(₹ in crore)

Month	Provisional Compensation		Shortfall (+)/ Excess (-), if any
	Due	Received	
April-May	47.71	22.00	(+) 25.71
June-July	44.06	46.00	(-)1.94
August-September	68.98	66.00	(+) 2.98
October-November	67.69	67.00	(+) 0.69
December - February	81.62	77.79	(+) 3.83
March	15.70	14.21	(+) 1.49
<b>Total</b>	<b>325.76</b>	<b>293.00</b>	<b>(+) 32.76</b>

*Source: Information furnished by the Finance (Excise & Taxation) Department.*

<sup>160</sup> GST data on Budget Estimates for the Financial year 2017-18 is not applicable as GST was implemented from July 2017

<sup>161</sup> An act to provide compensation to the States for the loss of revenue arising on account of implementation of the GST in pursuance of the 101 Constitutional Amendment Act, 2016.

From **Tables 5.1.5**, it can be seen that there was overall shortfall in release of ₹ 32.76 crore compensation of SGST from the GoI for the year 2019-20.

### 5.1.2 (iii) Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected will be apportioned between the Centre and the State where the goods or services are consumed. The revenue will be apportioned to the Centre at the CGST rate, and the remaining amount will be apportioned to the consuming State.

The trends of IGST apportionment to the State and its cross utilisation are given in **Table 5.1.6**.

**Table 5.1.6: Integrated Goods and Services Tax**

(₹ in crore)

IGST component	2017-18	2018-19	2019-20
IGST <sup>162</sup> apportioned to the State as per Section 17 of IGST Act, 2017	23.18	40.73	15.30
IGST provisionally/ ad-hoc apportioned to the State	35.00	128.07	32.52
IGST cross utilised between			
SGST <sup>163</sup> as IGST	(-)13.41	(-)36.36	(-)30.90
IGST as SGST	(+)271.67	(+)549.45	(+)644.58

*Source: Information furnished by office of the Accountant General (A & E), Tripura*

### 5.1.2 (iv) Registration under GST

The total registration under GST as on 31 March 2020 were 19,978, of which normal taxpayers were 17,623 which accounted for 88.21 *per cent* and composition taxpayers were 1,234 which accounted for 6.18 *per cent*. The category wise registrations under GST is given in **Table 5.1.7**.

**Table 5.1.7: Details of GST registrations upto 31 March 2020**

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	17,623	88.21
Composition taxpayers	1,234	6.18
Tax Deductors at Source	915	4.58
Tax Collectors at Source	199	1.00
Input Service Distributors	-	-
Others (Casual, NRTP, OIDAR)	7	0.03
<b>Total Registrants</b>	<b>19,978</b>	<b>100.00</b>

*Source: Information furnished by the Finance (Excise & Taxation) Department*

<sup>162</sup> IGST: It is a tax collected by the Central Government for an inter-State sale

<sup>163</sup> SGST: It is a tax collected by the State Government for an intra-State sale

### 5.1.2 (v) GST Return filing pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1<sup>164</sup> and GSTR-3B<sup>165</sup> as on 31 March 2020 for the period from April 2019 to March 2020, as compiled from the summary reports shared by GSTN, have been depicted in the **Table 5.1.8**.

The filing of GSTR-3B for April 2019 was 80 *per cent* while that of March 2020 was only 11 *per cent*. It was noticed that on an average 73.14 *per cent* tax payers filed their GSTR-3B returns during 2019-20. However, the GSTR-3B returns were being filed within the due date on an average of 56.82 *per cent* taxpayers while the remaining 16.32 *per cent* filed the returns after due date. GSTR-3B returns filed by the due date range between 54.99 *per cent* and 71 *per cent* during April 2019 to February 2020, while it was only 8.99 *per cent* in March 2020. Thus, while it was expected that compliance would improve as the system would stabilise with passage of time.

**Table 5.1.8: Details of return filing (GSTR-1 and GSTR-3B) during 2019-20**

Return Type	GSTR-1			GSTR-3B				
	Months*	Due for filing	Return filed	Return filing <i>per cent</i>	Due for filing	Returns filed as on 31 March 2020	Return filing <i>per cent</i>	Returns filed by due date
April 2019	23557	6628	28.14	23557	18902	80.24	12956	54.99
May 2019	23734	6664	28.08	23734	18979	79.97	14003	58.99
June 2019	24026	18730	77.96	24026	19080	79.41	14656	61.00
July 2019	24393	6767	27.74	24393	19264	78.97	15855	64.99
August 2019	24459	6818	27.88	24459	19375	79.21	14186	57.99
September 2019	24530	19206	78.30	24530	19467	79.36	13492	55.00
October 2019	24644	6907	28.03	24644	19481	79.05	15033	61.00
November 2019	24638	6970	28.29	24638	19507	79.17	15522	63.00
December 2019	24481	19176	78.33	24481	19490	79.61	13954	57.00
January 2020	24312	6957	28.62	24312	19217	79.04	17262	71.00
February 2020	23986	6814	28.41	23986	17333	72.26	16310	67.99
March 2020	24205	18289	75.56	24205	2763	11.41	2178	8.99

*Source: Information furnished by the Finance (Excise & Taxation) Department*

### 5.1.2 (vi) Revenue earning from top 10 commodities/ services

The details of the revenue earning from top 10 commodities/ services during 2019-20 are given in the **Table 5.1.9**.

<sup>164</sup> GSTR-1: It is a sales return that is required to be filed by every GST registered person

<sup>165</sup> GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal



**Table 5.1.9: Revenue from top 10 commodities/ services during 2019-20***(₹ in crore)*

Sl. No.	Name of commodity	SGST collections	
		Total	Ranking
1	Automobiles	22.82	1
2	Cement & Cement Products	22.02	2
3	Tobacco & Tobacco Products	21.96	3
4	Electrical Energy	19.58	4
5	Food Item	9.95	5
6	Iron & Steel	8.44	6
7	Petroleum Products	6.73	7
8	Pharmaceutical & Medicine	5.98	8
9	Tyres & Tube	5.67	9
10	Rubber	3.73	10
Sl. No.	Name of Services	Total	Ranking
1	Works Contract	25.09	1
2	Insurance	8.66	2
3	Telecommunication & Postal/ Courier Services	5.28	3
4	Banking & financial Institutions	2.67	4
5	Health/Health Care	1.79	5
6	Entertainment	1.14	6
7	Manpower	1.10	7
8	Construction Services	0.87	8
9	Education & Related Services	0.84	9
10	Consultancy	0.78	10

*Source: Information furnished by the Finance (Excise & Taxation) Department*

### 5.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 on account of Taxes/VAT and GST stood at ₹ 67.62 crore, of which, ₹ 42.34 crore was outstanding for more than five years, as detailed in **Table 5.1.10**.

**Table 5.1.10: Arrears of revenue***(₹ in crore)*

Sl. No.	Head of revenue	Total amount outstanding as on 31 March		Amount outstanding for more than five years as on 31 March	
		2019	2020	2019	2020
1	Taxes/ VAT	33.72	65.49	18.86	42.34
2	GST	0.45	2.13	-	-
<b>Total</b>		<b>34.17</b>	<b>67.62</b>	<b>18.86</b>	<b>42.34</b>

*Source: Information furnished by the Finance (Excise & Taxation) Department.*

It can be seen from **Table 5.1.10** that arrear of revenue increased from ₹ 34.17 crore at the end of March 2019 to ₹ 67.62 crore at the end of March 2020. The arrear of revenue outstanding for more than five years also increased from ₹ 18.86 crore to ₹ 42.34 crore during the same period.

### 5.1.4 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 5.1.11**.

**Table 5.1.11: Evasion of tax**

Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	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 2019
				No. of cases	(₹ in crore)	
Tax/ VAT	1,000	964	1,964	905	15.28	1,059

*Source: Information furnished by the Finance (Excise & Taxation) Department*

As on 31 March 2019, 1,000 cases of evasion of tax/VAT were outstanding. During 2019-20, 964 cases of evasion of tax had been detected under Sections 67 and 68 of Tripura VAT Act, 2004, taking the total pending cases to 1,964. Of these, assessments/ investigation of 905 (46.08 per cent) cases were completed and additional demand including penalty, etc. amounting to ₹ 15.28 crore was raised during the year 2019-20. Consequently, 1,059 cases were pending as on 31 March 2020.

Government should put in place a mechanism to expedite the disposal of cases pending for finalisation.

### 5.1.5 Pendency of refund cases

The details of the claims for refund received and refund made under GST, Sales Tax (VAT) & State Excise are shown in **Table 5.1.12**.

**Table 5.1.12: Details of pendency of refund cases**

(₹ in crore)

Sl. No.	Particulars	GST		Sales tax / VAT		State Excise		Total	
		No. of Cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	-	-	-	-	-	-	-	-
2	Claims received during the year	-	-	-	-	3	0.21	3	0.21
3	Refunds made during the year	48	0.08	7	2.17	3	0.21	58	2.46

*Source: Information furnished by the Finance (Excise & Taxation) Department*

During 2019-20, the State Government refund ₹ 2.46 crore under GST, Sales Tax & State Excise in 58 cases. As per information received from the Commissioner of Taxes, it was seen that, 48 cases of GST amounting to ₹ 0.08 crore and seven cases of Sales Tax (VAT) involving ₹ 2.17 crore have been refunded during the year 2019-20 though no claim was received from the dealers concerned. However, three claims involving ₹ 0.21 crore in respect of State Excise were received & refunded during the year 2019-20.

### 5.1.6 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the effectiveness of the departments/ Government in addressing the issues highlighted in the IRs/ Audit Reports, the action taken on the paragraphs and performance audits featured in the Audit Reports of the last ten years by the Finance (Excise & Taxation) Department has been evaluated. The results are included in this Audit Report.

The succeeding **Paragraphs 5.1.6.1** and **5.1.6.2** 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.

#### 5.1.6.1 Position of Inspection Reports

The summarised position of the outstanding IRs during the last ten years, paragraphs included in those reports and their status as on 30 June 2020 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 5.1.13**.

**Table 5.1.13: Position of IRs**

(₹ in crore)

Year	Inspection Report	Paragraphs	Money Value
2010-11	6	17	0.85
2011-12	9	14	3.94
2012-13	5	13	0.48
2013-14	14	46	3.56
2014-15	13	64	12.58
2015-16	17	48	8.48
2016-17	14	77	6.45
2017-18	11	60	6.78
2018-19	13	52	7.03
2019-20	10	62	5.76
<b>Total</b>	<b>112</b>	<b>453</b>	<b>55.91</b>

The age-wise break up of outstanding IRs and Paragraphs for 2010-11 to 2019-20 as on 30 June 2020 is shown in **Table 5.1.14**.

**Table 5.1.14: Age wise break up of outstanding IRs**

(₹ in crore)

Years	Inspection Report	Paragraphs	Money value
0-3 years	34	174	19.57
4-6 years	44	189	27.51
7-9 years	28	73	7.98
10 years	6	17	0.85
<b>Total</b>	<b>112</b>	<b>453</b>	<b>55.91</b>

It is evident from **Table 5.1.14** that between a range of zero to three years, 34 IRs and 174 paras remained outstanding, between four to six years, 44 IRs and 189 paras and between seven to nine years, 28 IRs and 73 paragraphs remained outstanding and six IRs and 17 paragraphs remained outstanding for more than 10 years as on 30 June 2020. This indicates the fact that the efforts taken by the Department 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.

### 5.1.6.2 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 during the year 2019-20 and the cumulative position of recovery of accepted cases as on 31 March 2020 are shown in **Table 5.1.15**.

**Table 5.1.15: Position of recovery of accepted Audit paragraphs of Audit Reports**

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during 2019-20	Position of recovery of accepted cases as of 31 March 2020
2009-10	3	1.74	2	1.16	Nil	0.60
2010-11	3 <sup>166</sup>	3.12	3	3.12	Nil	0.44
2011-12	1	0.87	1	0.87	Nil	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 <sup>167</sup>	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	Nil	0.28
2015-16	2	0.46	2	0.46	Nil	Nil
2016-17	4 <sup>168</sup>	31.87	3	31.73	Nil	0.01
2017-18	3	1.77	3	1.77	Nil	0.01
2018-19	3	1.30	2	0.69	0.06	0.06
<b>Total</b>	<b>25</b>	<b>54.20</b>	<b>22</b>	<b>47.76</b>	<b>0.06</b>	<b>1.93</b>

It is evident from **Table 5.1.15** that the progress of recovery even in accepted cases was very slow. During the last ten years, 25 paragraphs involving ₹ 54.20 crore featured in the Audit Reports, of which 22 paragraphs involving ₹ 47.76 crore had been accepted by the State Government. Out of this, only ₹ 1.93 crore (3.56 per cent) was recovered (December 2020).

The Department should pursue and monitor prompt recovery of the dues involved in accepted cases within a specified timeframe, since it would not only enable better compliance with relevant rules, but would also augment Government coffers.

### 5.1.7 Action taken on the recommendations accepted by the departments/ Government

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

Four performance audits on Finance (Excise & Taxation) Department, Transport Department and Revenue Department have featured in the last five years Audit Reports during 2014-15 to 2018-19. The number of recommendations and their status is given in **Table 5.1.16**.

<sup>166</sup> Including one Performance Audit

<sup>167</sup> Including one Performance Audit

<sup>168</sup> Including one Performance Audit

**Table 5.1.16: Details of recommendations of PAs and their status**

Year of Report	Name of the performance audit	No. of recommendations	Status (as on December 2020)
2014-15	IT Audit on Computerisation of Land Records.	3	The PA had not been discussed in PAC
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax.	4	The PA had not been discussed in PAC
2016-17	System and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty	3	The PA had not been discussed in PAC
	Border Area Development Programme (BADP)	3	The PA had not been discussed in PAC

**Table 5.1.16** 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.

### 5.1.8 Results of audit

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

Test-check of the records of 12 units of Sales Tax/VAT, State Excise, Registration, Professional Tax, Land Revenue, Forest, Motor Vehicles and other departmental offices conducted during the year 2019-20 revealed under-assessment/ short levy/ loss of revenue/ non-realisation of outstanding revenue aggregating ₹ 5.81 crore in 66 cases. Of these, the departments recovered ₹ 0.01 crore involving one case. During the year 2019-20, the departments concerned accepted under-assessment and other deficiencies of ₹ 5.81 crore involved in 66 cases which had been pointed out in audit.

## FINANCE DEPARTMENT

### 5.2 Subject Specific Compliance Audit on ‘Processing of Refund claims under GST in Tripura’

#### 5.2.1 Introduction

Taxes and Excise Organisation functioning under the Finance Department, Government of Tripura plays a very important and crucial role in mobilisation of financial resources in the State. The Commissioner of Taxes is responsible for administration of taxation measures and for general control and supervision over the implementation of Tax laws throughout the State. The introduction of Goods and Services Tax (GST) consolidates multiple taxes into one with effect from 1 July 2017. The levy and collection of GST is governed through the Sales Tax Charges (15)<sup>169</sup> spread across the State. The charges are headed by the Superintendents of Taxes (ST).

Timely refund mechanism constitutes a crucial component of tax administration as it facilitates trade through release of blocked funds for working capital, expansion and modernisation of existing businesses. Goods and Services Tax (GST) laws aimed to streamline and standardise the refund procedures with the claim and sanctioning procedures contemplated to be completely online. However, in the initial phase of GST implementation, due to unavailability of electronic refund module on the GST Network (GSTN) portal, a temporary mechanism was followed where the applicants were required to file the refund applications in Form GST RFD-01A, take a printout of the same and submit it physically to the jurisdictional tax officer along with all the supporting documents. The procedure for the subsequent processing of the refund application by the Commercial Taxes Department continued to be manual.

Some of the circumstances where the GST refund cases arise include excess payment of tax made due to mistake or omission, dealer exporting goods/ services under claim of rebate or refund, ITC accumulation due to output being tax exempt or nil-rated, tax refund for international tourists, excess balance in Electronic Cash Ledger, *etc.*

The Electronic refund procedure came into effect from 26 September 2019, wherein submission and processing of refund claims under GST were brought online.

#### 5.2.2 Audit objectives

Audit of refund cases under GST regime was conducted (December 2020-March 2021) to assess:

- (i) The adequacy of Act, Rules, notifications, circulars, *etc.* issued in relation to grant of refund;
- (ii) The compliance of extant provisions by the tax authorities and the efficacy of the systems in place to ensure compliance by taxpayers;

<sup>169</sup> Charge-I, Charge-II, Charge-III, Charge-IV, Charge-V, Charge-VI, Charge-VII, Charge-VIII Agartala, Bishalgarh Charge, Udaipur Charge, Belonia Charge, Teliamura Charge, Ambassa Charge, Dharmanagar Charge and Kailashahar Charge.

- (iii) Whether effective internal control mechanism exists to check the performance of the departmental officials in disposing the refund applications.

### 5.2.3 Audit scope and sample selection

Pan-India refund data was obtained from GSTN and out of the total 288 refund cases processed involving an amount of ₹ 5.75 crore, 84 refund cases<sup>170</sup> involving an amount of ₹ 2.85 crore during the period from July 2017 to July 2020 were selected for detailed examination by audit.

Prior to the commencement of audit, an Entry Conference was held on 7 January 2021 with the Commissioner of taxes and Excise, Government of Tripura (CT), wherein the objectives and scope of the audit were discussed. After the conclusion of the audit, an Exit Conference was held on 13 August 2021 with the CT, wherein audit findings were discussed. The draft Report was also sent (December 2021) to the Secretary, Finance Department for furnishing the views of the Government. The views of the Taxes and Excise Organisation and the State Government were obtained and incorporated in the report, wherever appropriate.

### 5.2.4 Audit criteria

The performance of the Taxes Organisation was benchmarked against the following audit criteria:

- (i) Central Goods and Services Tax Act, 2017
- (ii) Tripura State Goods and Services Tax Act, 2017
- (iii) Tripura State Goods and Services Tax Rules, 2017
- (iv) Integrated Goods and Services Tax Act, 2017

### 5.2.5 Audit findings

**Table 5.2.1** brings out the extent of deficiencies noted during the audit of refund cases, selected for detailed audit.

**Table 5.2.1: Extent of deficiencies noted during the audit**

Nature of Audit Findings	Audit Sample	Number of deficiencies noticed	Deficiencies as percentage of Sample
Delay in sanction of refund orders	72	13	18.05
Delay in issue of acknowledgment	72	16	22.22
Delay in communicating refund orders to counterpart tax authority	31	13	41.94
Non-conducting of post audit of refund claims	84	84	100

Audit findings are included in the subsequent paragraphs:

<sup>170</sup> 43 cases pertain to pre-automation period wherein file records relating to 12 cases could not be produced to audit and 41 cases pertain to post-automation period.



### 5.2.5.1 Refund orders not sanctioned in time

Section 54(7) of Tripura SGST Act, 2017 stipulates that the proper officer shall issue the order under Sub-Section (5) within sixty days from the date of receipt of application complete in all respects. Further, Section 56 of the Act *ibid* provides that, if any tax ordered to be refunded under Sub-Section (5) of Section 54 to any applicant is not refunded within sixty days from the date of receipt of application under sub-Section (1) of that section, interest at such rate not exceeding six *per cent* as may be specified in the notification issued by the Government on the recommendations of the Council shall be payable in respect of such refund from the date immediately after the expiry of sixty days from the date of receipt of application under the said sub-section till the date of refund of such tax.

Audit observed that in 13 refund cases<sup>171</sup>, out of 84 cases<sup>172</sup>, there was delay in sanction of refunds ranging from six days to 191 days. Further, the Department did not pay interest amounting to ₹ 0.12 lakh [₹ 0.04 lakh {**Appendix 5.2.1(a)**} pertaining to the pre automation period and ₹ 0.08 lakh {**Appendix 5.2.1(b)**} pertaining to the post automation period].

The Commissioner of Taxes and Excise replied (December 2021) that sanction orders could not be issued on time as required documents were not submitted by the taxpayers within the stipulated time.

The Government replied (February 2022) that delay in processing of refund in certain cases were unavoidable due to non-co-operation of the taxpayers.

The replies are not acceptable as the officers concerned were required to serve the deficiency memos to the applicants on time; but either deficiency memos were not served or served with delay to the applicants {**Appendix 5.2.1(c)**}.

### 5.2.5.2 Delay in issue of acknowledgment

Rule 90(1) and (2) of Tripura SGST Rules, 2017 stipulate that the acknowledgment shall be issued by the proper officer within fifteen days of filing of refund claim, if the application is found complete in all respects.

Out of selected 84 refund cases, it was noticed that there was delay in issue of acknowledgement in 16 cases (19.04 *per cent*) from three days to 233 days. Thus, the Department failed to adhere to the timelines for issuing acknowledgements as prescribed in the rules *ibid* {**Appendices 5.2.2(a) & 5.2.2(b)**}.

The Commissioner of Taxes and Excise replied (December 2021) that acknowledgements could not be issued on time as required documents were not submitted by the taxpayers within the stipulated time.

The Government replied (February 2022) that delay in processing of acknowledgements in certain cases were unavoidable due to non-co-operation of the taxpayers.

<sup>171</sup> Five cases pertain to pre-automation period and eight cases pertain to post automation period

<sup>172</sup> 43 cases pertain to pre-automation period and 41 cases pertain to post automation period



The replies are not acceptable as the officers concerned were required to serve the deficiency memos to the applicants on time; but either deficiency memos were not served or served with delay to the applicants.

### 5.2.5.3 Delay in communicating refund orders to Counterpart Tax Authority

As per CBIC Circular No. 24/24/2017 GST dated 21 December 2017 as endorsed *vide* Office of the Chief Commissioner of Taxes, Government of Tripura Circular No.4/2018-GST (State), dated 28 March 2018, refund order issued either by Central Tax Authority or State tax/UT tax authority shall be communicated to the Counterpart Tax Authority concerned within seven working days for the purpose of payment of relevant sanctioned amount of tax or cess as the case may be. It was also reiterated to ensure adherence to the timeline specified under Section 54(7) and rule 91(2) of SGST Act and Rules respectively for sanction of refund orders.

While verifying the records of transmission of refund sanction orders, it was observed that 13 refund orders were forwarded to the Central Tax Authority (CTA) with delays ranging from one day to 114 days (**Appendix 5.2.3**).

The Commissioner of Taxes and Excise replied (December 2021) that delays in communicating refund orders to the CTA were due to non-submission or delayed submission of proper documents by the applicants.

The reply is not acceptable as the officers concerned were required to serve the deficiency memos to the applicants on time; but either deficiency memos were not served or served with delay to the applicants.

The Government did not furnish any specific reply to the audit observation.

### 5.2.5.4 Post audit of refund claims not conducted

The CBEC circular No. 17/17/2017-GST dated 15 November 2017 as endorsed *vide* Office of the Chief Commissioner of Taxes, Government of Tripura Circular No.4/2018-GST (State) dated 28 March 2018, elaborately laid down the procedure for manual processing of refunds of zero rated supplies. The circular *inter alia*, stipulates that, the pre-audit of manually processed refund applications is not required till separate detailed guidelines are issued by the Board, irrespective of amount involved. However, it was clarified that the post audit of refund order shall be continued as per the extant guidelines.

Audit noticed that none of the cases out of selected 84 refund cases was sent for post audit of refund claims. Thus, non-adherence to circular might also lead to possible loss of revenue to exchequer (**Appendices 5.2.4(a), 5.2.4(b) and 5.2.5**).

The Commissioner of Taxes and Excise did not furnish any reply to the audit observation. However, the Government replied (February 2022) that post audit had not been conducted due to non-constitution of the Internal Audit wing in the Taxes Organisation during that period.

#### 5.2.5.5 Absence of Internal Audit Wing

Internal audit is an important Departmental/ Organisational control that helps to provide assurance that demands/ refunds are processed accurately through correct application of provisions of the Act and Rules.

Audit noticed that the Department did not have any internal audit wing of its own. The internal audit was being conducted by audit team deputed from the Directorate of Audit, Finance Department, Government of Tripura. The deputed team predominantly concentrated on subsidiary/ support functions viz. DDO functions, establishment, stocks, vehicle hiring, etc. rather than the core function of the Taxes Organisation and had not pointed out any observation related to GST refund cases.

The Commissioner of Taxes and Excise, while admitting the observation, intimated (August 2021) that Internal Audit Wing had been constituted (August 2021).

#### 5.2.5.6 Non-production of records

During audit, the records relating to 12 (**Appendix 5.2.5**) out of 43 refund cases relating to pre-automation period could not be produced and hence, could not be examined. Moreover, date of actual credit of refund amount into the taxpayers' Bank accounts could not be furnished to audit.

Neither did the Commissioner of Taxes and Excise nor the Government furnish the reply to the audit observation.

#### 5.2.5.7 Conclusion

Audit noticed certain cases where the Department did not adhere to the prescribed timelines leading to instances of delay in issuing of acknowledgement, sanction of refund orders and communicating refund orders to counterpart tax authority. In addition, issues such as non-conducting of post audit of refund claims and non-production of records, were also noticed.

#### 5.2.5.8 Recommendations

*Apart from the requisite action on the irregularities brought out by Audit as highlighted in the preceding paragraphs, the Department needs to take proactive steps to ensure that similar instances are not repeated in other cases. Moreover, the issues concerning conduct of post audit of refund claims and production of relevant records to audit need to be addressed.*