

**CHAPTER VI**  
**REVENUE RECEIPTS**

**6. General**

**6.1 Trend of revenue receipts**

The tax and non-tax revenue raised by the Government of Manipur during the year 2006-07, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	Tax revenue	65.16	68.24	81.40	95.00	121.56
	Non-tax revenue	56.49	49.33	69.75	76.46	181.04
	<b>Total:</b>	<b>121.65</b>	<b>117.57</b>	<b>151.15</b>	<b>171.46</b>	<b>302.60</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	State's share of net proceeds of divisible Union taxes	188.12	240.89	287.02	342.09	436.33
	Grants-in-aid	1,018.22	1,061.25	1,304.59	1,895.40	2,123.80
	<b>Total:</b>	<b>1,206.34</b>	<b>1,302.14</b>	<b>1,591.61</b>	<b>2,237.49</b>	<b>2,560.13</b>
<b>III.</b>	<b>Total receipts of State Government (I+II)</b>	<b>1,327.99</b>	<b>1,419.71</b>	<b>1,742.76</b>	<b>2,408.95</b>	<b>2,862.73</b>
<b>IV.</b>	Percentage of I to III	9	8	9	7	11

(Source: Finance Accounts)

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 11 *per cent* of the total revenue receipts (Rs. 2,862.73 crore) against seven *per cent* in the previous year. The balance 89 *per cent* of receipts during 2006-07 was from the Government of India.

**6.1.1** The following table presents the details of tax revenue raised during the years 2002-03 to 2006-07:

(Rupees in crore)							
Sl. no.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease (-) in 2006-07 over 2005-06
1.	Sales tax	43.18	46.12	54.73	71.17	96.64	(+)35.79
2.	State excise	2.29	2.96	3.05	3.26	3.62	(+)11.04
3.	Stamps and registration fees	1.90	2.33	2.20	2.81	2.83	(+)0.71
4.	Taxes and duties on electricity	<sup>1</sup>	0.49	4.95	0.27	0.19	(-)29.63
5.	Taxes on vehicles	3.44	3.38	3.35	3.34	3.19	(-)4.49
6.	Taxes on goods and passengers	0.67	0.62	0.71	0.68	0.60	(-)11.76
7.	Other taxes on income and expenditure	12.68	11.66	11.52	11.99	13.30	(+)10.93
8.	Other taxes and duties on commodities and services	0.17	0.11	0.21	0.16	0.18	(+)12.50
9.	Land revenue	0.83	0.57	0.68	1.32	1.01	(-)23.48
<b>Total :</b>		<b>65.16</b>	<b>68.24</b>	<b>81.40</b>	<b>95.00</b>	<b>121.56</b>	<b>(+)27.96</b>

(Source: Finance Accounts)

The tax revenue of the State Government increased from Rs. 95 crore in 2005-06 to Rs. 121.56 crore in 2006-07 registering an increase of 27.96 *per cent* as compared to the previous year. The increase was largely contributed by significant increase in the collection of sales tax, state excise duty, stamps and registration fee and other taxes on income and expenditure. However, the revenue from taxes and duties on electricity, taxes on vehicles, taxes on goods and passengers, other taxes and duties on commodities and services declined during the year.

The reason for variation in receipts during the year 2006-07 from those of 2005-06 as intimated by the department is as under:

**Sales tax:** Increase of 35.79 *per cent* was due to clearance of arrear tax and introduction of value added tax (VAT) in the State.

The reasons for variation have not been furnished (November 2007) by the other departments, despite being requested (June 2007).

**6.1.2** The following table presents the details of major non-tax revenue raised during the years 2002-03 to 2006-07:

<sup>1</sup> Rs. 37,000 only.

							(Rupees in crore)
Sl. No	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease(-) in 2006-07 over 2005-06
1.	Interest receipts	0.61	1.39	6.40	6.14	35.05	(+) 470.85
2.	Housing	0.75	0.93	0.98	1.11	0.68	(-)38.74
3.	Water supply and sanitation	1.43	2.46	1.58	1.69	1.39	(-)17.75
4.	Forestry and wild life	0.81	1.01	0.74	1.49	1.52	(+)2.01
5.	Education, sports and art and culture	1.13	0.97	0.82	0.97	0.94	(-)3.09
6.	Miscellaneous general services	1.59	0.57	(A)	6.62	82.46 <sup>2</sup>	(+)1145.62
7.	Power	43.90	36.77	54.41	49.87	40.24	(-)19.31
8.	Major and medium irrigation	0.24	0.34	1.13	1.97	7.85	(+)298.48
9.	Medical and public health	0.34	0.30	0.25	0.29	0.24	(-)17.24
10.	Co-operation	0.42	0.10	0.13	0.14	0.12	(-)14.29
11.	Public works	3.18	2.73	1.60	3.09	7.83	(+)153.40
12.	Police	0.56	0.37	0.34	0.64	0.57	(-)10.94
13.	Other administrative services	0.49	0.53	0.51	0.70	0.63	(-)10.00
14.	Crop husbandry	0.08	0.03	0.04	0.07	0.30	(+)328.57
15.	Social security and welfare	0.01	0.19	(B)	(C)	(D)	
16.	Others	0.95	0.64	0.82	1.67	1.22	(-) 26.95
<b>Total :</b>		<b>56.49</b>	<b>49.33</b>	<b>69.75</b>	<b>76.46</b>	<b>181.04</b>	<b>(+)136.78</b>

(Source: Finance Accounts)

(A) Rs. 6,413 only (B) Rs. 12,471 only (C) Rs. 24,025 only (D) Rs. 30,000 only.

The non-tax revenue increased from Rs. 76.46 crore in 2005-06 to Rs. 181.04 crore in 2006-07 showing a substantial increase of 136.78 *per cent*. The substantial increase was mainly on account of debt relief of Rs. 75.08 crore given by the Ministry of Finance, Government of India during 2006-07. The increase was also due to higher collection of State's own resources on account of interest receipts, major and medium irrigation, public works receipts etc. The decline in non-tax revenue was recorded under power, taxes on goods and passengers, taxes and duties on electricity, water supply and sanitation, housing, co-operation, police, medical and public health etc. The Government needs to take immediate steps to investigate the reasons for decline in revenue and improve collections in these areas especially power by better monitoring and strict enforcement of the relevant Acts and rules.

The reasons for variations in receipts during the year 2006-07 from those of 2005-06, has not been furnished (October 2007), despite being requested (June 2006).

### 6.1.3 Variations between budget estimates and actuals

The variations between budget estimates and the actuals of revenue receipts for the year 2006-07 in respect of principal heads of tax and non-tax revenue are mentioned below:

<sup>2</sup> Includes debt relief of Rs.75.08 crore given by Ministry of Finance, Government of India on repayment of consolidated loan.

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations increase(+)/ decrease(-)	Percentage of variation
<b>A. Tax revenue</b>					
1.	Sales tax	85.00	96.64	(+) 11.64	(+) 13.69
2.	Other taxes on income and expenditure (taxes on professions, trades, callings and employment)	13.70	13.30	(-) 0.4	(-) 2.92
3.	Other taxes and duties on commodities and services	0.07	0.18	(+) 0.11	(+) 157.14
4.	Stamp duty and registration fees	2.61	2.83	(+) 0.22	(+) 8.43
5.	Taxes on vehicles	3.98	3.19	(-) 0.79	(-) 19.85
6.	State excise	3.63	3.62	(-) 0.01	(-) 0.28
7.	Land revenue	0.80	1.01	(+) 0.21	(+) 26.25
8.	Taxes on goods and passengers	0.85	0.60	(-) 0.25	(-) 29.41
9.	Taxes and duties on electricity	0.30	0.19	(-) 0.11	(-) 36.67
	<b>Total:</b>	<b>110.94</b>	<b>121.56</b>	<b>(+) 10.62</b>	<b>(+) 9.57</b>
<b>B. Non-tax revenue</b>					
1.	Miscellaneous general services	75.10	82.46	(+) 7.36	(+) 9.80
2.	Power	65.00	40.24	(-) 24.76	(-) 38.09
3.	Public works	2.30	7.83	(+) 5.53	(+) 240.43
4.	Forestry and wild life	2.10	1.52	(-) 0.58	(-) 27.62
5.	Police	0.70	0.57	(-) 0.13	(-) 18.57
6.	Interest receipts	8.96	35.05	(+) 26.09	(+) 291.18
7.	Water supply and sanitation	2.00	1.39	(-) 0.61	(-) 30.50
8.	Education, sports, art and culture	1.20	0.94	(-) 0.26	(-) 21.67
9.	Other administrative services	0.80	0.63	(-) 0.17	(-) 21.25
10.	Major and medium irrigation	3.47	7.85	(+) 4.38	(+) 126.22
11.	Medical and public health	0.30	0.24	(-) 0.06	(-) 20.00
12.	Social security and welfare	(A)	(B)		
13.	Crop husbandry	0.12	0.30	(+) 0.18	(+) 150
14.	Housing	1.40	0.68	(-) 0.72	(-) 51.43
15.	Co-operation	0.14	0.12	(-) 0.02	(-) 14.29
16.	Others	1.39	1.22	(-) 0.17	(-) 12.23
	<b>Total:</b>	<b>164.98</b>	<b>181.04</b>	<b>(+) 16.06</b>	<b>(+) 9.73</b>

(Source: Budget document/Finance Accounts)

(A) Rs. 25,000 and (B) Rs. 30,000

The reasons as furnished by the departments for variation in receipts during 2006-07 against budget estimates were as mentioned below:

**Sales tax:** The increase of 13.69 *per cent* was due to realisation of arrear tax and introduction of VAT in the State.

**Public Works:** Increase of 240.43 *per cent* was due to the recovery of arrears during the year 2006-07.

**Taxes on vehicles:** Decrease of 19.85 *per cent* was due to introduction of one time tax system and non-clearance of tax by the Government departments.

**Education, sports, arts and culture:** Decrease of 21.67 *per cent* was due to decrease in the enrolment of students in the Government colleges.

**Major and medium irrigation:** Increase of 126.22 *per cent* was due to higher collection of interest from machineries/mobilisation advance and hire charges from contractors.

**Medical and public health:** Decrease of 20 *per cent* was mainly due to machines like CT scan, ECG, ultrasonography etc. remaining out of order frequently. Investigation charges and rent for ‘paying wards’ occupied by undertrial prisoners were not realised by the Home Department.

**Housing:** Decrease of 51.43 *per cent* was due to non-receipt of challan and deduction schedule from drawing and disbursing officer (DDO).

Reasons for variation under remaining heads of account of tax and non-tax revenue, have not been furnished by the respective departments (October 2007) despite being requested (June 2007).

#### 6.1.4 Analysis of collection

The breakup of the total collection at pre-assessment stage and after regular assessment of sales tax, professional tax for the year 2006-07 as furnished by the Commissioner of Taxes are as mentioned below:

(Rupees in crore)

Head of revenue	Amount collected at preassessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
1	2	3	4	5	6	7
Sales tax	95.44	1.15	0.05	0.00	96.64	98.76
Profession tax	13.30	Nil	Nil	Nil	13.30	100

#### 6.1.5 Cost of collection

The gross collection of sales tax, taxes on vehicles and percentage of expenditure to gross collection during the year 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage for 2006-07 were as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average cost of collection for the year 2005-06
1.	Sales tax	2004-05	54.73	1.02	1.86	0.91
		2005-06	71.77	1.69	2.37	
		2006-07	96.64	1.47	1.52	
2.	Taxes on vehicles	2004-05	3.35	1.26	37.61	2.67
		2005-06	3.34	1.77	52.99	
		2006-07	3.19	1.46	45.77	

The cost of collection under taxes on vehicles was much higher than the national average while it was marginally higher in the Sales Tax Department.

### 6.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs. 8.51 crore of which Rs. 2.23 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007
1.	Land revenue	7.09	1.79
2.	Taxes on vehicles	1.42	0.44
<b>Total</b>		<b>8.51</b>	<b>2.23</b>

### 6.1.7 Arrears in assessment

The concerned departments intimated that there were no pending cases as on 31 March 2006 and also no accretion during 2006-07. The details of sales tax assessment cases pending at the beginning of the year 2006-07, cases which became due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2006-07 as furnished by the Commissioner of Taxes in respect of sales tax are as mentioned below:

Name of tax	Opening balance as on 31 March 2006	New cases due for assessment during 2006-07	Total assessments due	Cases disposed of during 2006-07	Balance at the end of the year 2006-07	Percentage of column 5 to 4
1	2	3	4	5	6	7
Sales tax	531	1793	2324	1795	529	77.24
<b>Total</b>	<b>531</b>	<b>1,793</b>	<b>2,324</b>	<b>1,795</b>	<b>529</b>	<b>77.24</b>

### 6.1.8 Refund

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year and cases pending at the close of the year 2006-07 as furnished by the departments are mentioned below:

(Rupees in lakh)

Particulars of claims/refunds	Sales tax		Motor vehicles	
	No. of cases	Amount	No. of cases	Amount
Claims outstanding at the beginning of the year 2006-07	1	2.16	Nil	Nil
Claims received during the year 2006-07	3	0.14	Nil	Nil
Refunds made during the year	1	0.07	Nil	Nil
Balance outstanding at the end of the year	3	2.23	Nil	Nil

### 6.1.9 Result of audit

Test check of the records of the tax receipts and other non-tax receipts conducted during the year 2006-07 revealed underassessment, non-levy, short levy and loss of revenue *etc.* amounting to Rs. 101.03 crore in 97 cases.

This chapter contains seven paragraphs relating to loss/non-realisation/non deposit of sales tax, professional tax, land revenue involving Rs. 1.87 crore. The department/Government accepted audit observations involving Rs. 1.01

crore, of which Rs. 14,000 has been recovered. No reply has been received in other cases (October 2007).

### 6.1.10 Failure to enforce accountability and protect interest of the Government

Accountant General (Audit), Manipur, arranges to conduct periodical inspection of the Government departments concerned with tax revenue and non-tax revenue to test check the transactions and verify the maintenance of important records in accordance with the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). When important irregularities detected during audit are not settled on the spot, IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2006 and pending settlement by the departments as on 30 June 2007 along with the corresponding figures for the preceding two years is mentioned below:

	June 2004	June 2005	June 2006	June 2007
Number of pending IRs	332	355	366	399
Number of outstanding audit observations	1,013	1,067	1,106	1210
Amount of revenue involved (Rupees in crore)	158.32	193.33	436.06	523.79

Department-wise break-up of the pending IRs and audit observations as on 30 June 2007 is as mentioned below:

(Rupees in crore)						
Sl. No.	Department	Inspection Report	Audit observations	Amount involved	Year to which observations relate	No. of IRs to which even first replies have not been received
1.	Hospital	4	9	0.25	2002-03 to 2006-07	2
2.	Registration	11	17	0.03	1991-92 to 2006-07	6
3.	Transport	47	152	3.09	1990-91 to 2006-07	27
4.	Electricity	85	257	454.58	1990-91 to 2006-07	45
5.	PHED	22	56	5.24	1994-95 to 2006-07	16
6.	Land revenue	75	213	8.22	1991-92 to 2006-07	45
7.	Forest	66	157	12.06	1990-91 to 2006-07	44
8.	Taxation	44	211	11.03	1990-91 to 2006-07	29
9.	Excise	14	33	4.65	1990-91 to 2006-07	4
10.	Fisheries	21	55	0.57	1991-92 to 2006-07	6
11.	Lottery	10	50	24.07	1990-91 to 2006-07	2
	<b>Total</b>	<b>399</b>	<b>1210</b>	<b>523.79</b>		<b>226</b>

### 6.1.11 Departmental Audit Committee Meetings

No departmental audit committee meeting was held during the year 2006-07.

**6.1.12 Response of the departments to the draft audit paragraphs**

Eleven draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2007 (Civil) were forwarded to the Secretaries/Commissioners of the respective departments during April 2007 to July 2007 through demi-official letters. The administrative Secretaries/Commissioners did not send replies to eight draft paragraphs as mentioned below:

<b>Name of the Department</b>	<b>No. of draft paragraphs to which replies from Secretaries/Commissioners not received</b>
Power	1
Revenue	7
<b>Total</b>	<b>8</b>



## POWER DEPARTMENT

### 6.2 Short levy of energy charges

#### **Non application of the correct rate of energy charges led to short levy of Rs. 29 lakh.**

Under the provisions of the Manipur Electricity Supply (Amendment) Regulations (MESR), 2002, the minimum tariff rate of energy charges in respect of bulk consumers (load above 10 KW) with effect from 3 September 2002 is Rs. 273 per KW of contract demand per month under normal condition when the meter is working.

Test check of the records of the Executive Engineer (EE), Imphal Electrical Division No. I, Imphal in October 2006 revealed that in respect of two bulk consumers who were provided with meters, the divisional authority levied energy charges amounting to Rs. 1.18 crore without taking into consideration the monthly minimum energy charges during the period from March 2005 to September 2006. As per the minimum tariff rate, the total energy charges of these two consumers worked out to Rs.1.47 crore. This resulted in short levy of electrical charges of Rs. 29 lakh as mentioned below:

Sl. No.	Name of the consumer	Period involved	Energy charges (Rupees)		
			leviable	levied	short levied
1.	Director, YAS (Load-2,400 KW)	3/2005 to 9/2006	1,24,48,800 (2,400 x Rs.273 x 19 months)	1,12,36,356	12,12,444
2.	Manager, Imphal Hotel (Load-425 KW)	3/2005 to 9/2006	22,04,475 (425 x Rs.273 x 19 months)	5,48,549	16,55,926
	<b>Total</b>				<b>28,68,370</b>

After the cases were pointed out, the department while accepting the audit observation in respect of Director, YAS stated (October 2007) that a revised bill for Rs. 12.12 lakh was served to the consumer whereas the energy charges for Hotel Imphal were prepared on the actual connected load of 111 KW. The reply of the department on Hotel Imphal is not tenable as the connected load recorded on the consumer ledger is 425 KW and moreover demand charges for the period from March 2005 to September 2006 were made on the connected load of 425 KW at the pre-revised rates.

The matter was referred to the Government during April and October 2007; their reply has not been received (October 2007).

### **6.3 Less billing of energy charges**

#### **Short levy of energy charges by Rs. 14.23 lakh.**

As per the provisions of the MESR (as amended), a consumer under the category of “public lighting supply” shall pay the minimum energy charges of Rs. 322 per month per SON lamp<sup>3</sup> of 250 watts in cases where the supply to the consumer has been given without energy meter for any reason.

Scrutiny of the records maintained by the EE, Imphal Electrical Division No. II, Lamphel in November 2006 revealed that though three consumers under the category of “public lighting supply” viz Director, MAHUD<sup>4</sup>, Secretary, Planning and Development Authority<sup>5</sup> and Director, MAHUD<sup>6</sup> were not provided with energy meter, yet the divisional authority levied energy charges of Rs. 4.19 lakh only for the period from July 2004 to August 2006 as against the assessable amount of Rs. 18.42 lakh. This resulted in short levy of electrical charges of Rs. 14.23 lakh.

After the case was pointed out, the Government stated (October 2007) that there was no short billing of the consumers as most of the SON lamps were unserviceable in the years 2000 and 2001 and the bills were prepared for the serviceable SON lamps. The reply of the Government is not tenable as the audit observation pertains to the period from July 2004 to August 2006 and moreover there is no record of the unserviceable SON lamps in the current ledger test-checked in audit.

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<sup>3</sup> Type of lamp used for street lighting.

<sup>4</sup> Municipal Administration, Housing and Urban Development – Consumer No.S/L 4 – for street light from Naoremthong to Iroisemba Chingkhong.

<sup>5</sup> Consumer No.S/L 51 – for street light at Game village Zones 1 to 4.

<sup>6</sup> Consumer No.S/L 52 – for street light from Lamphel to Langol Road, Lamphelpat.

**REVENUE DEPARTMENT**

**6.4 Revenue not deposited in Government account**

**Revenue of Rs.4.27 lakh was not deposited in Government account in violation of rules.**

As per Rule 7 (1) of the Central Treasury Rules followed by the State Government all moneys received on account of Government revenue shall without undue delay be paid into treasury and the moneys so received shall not be kept apart from the accounts of Government.

Test check of the records of the Sub Divisional Officer (SDO), Saikul in November 2006 revealed that hill house tax amounting to Rs. 4.27 lakh collected during August 2000 to October 2006 was retained by the SDO instead of depositing in the Government account. Reasons for retention of revenue for such a long period was not on record.

The matter was referred to the department/Government in April and July 2007, their reply has not been received (November 2007).

## SOCIAL WELFARE DEPARTMENT

### 6.5 Non-realisation of Government revenue

#### **Defective decision of a Government department led to non-realisation of revenue and undue benefit to the contractors of Rs. 71.69 lakh.**

As per the Government of Manipur Finance Department (Taxation Department) notification<sup>7</sup> of July 1994, sales tax on works contract is leviable on all works executed on or after 24 November 1992, i.e. the date of publication of the Manipur Sales Tax (First Amendment) Act 1992 at the rates prescribed from time to time. All civil departments, autonomous bodies and corporations of the Government have to deposit the amount of tax by treasury challan in favour of the Commissioner of Taxes.

Test check of the records of the State Director of Social Welfare, and DRDAs in June-July 2006 revealed that 1,315 *anganwadi* centres were constructed by the Social Welfare Department through the DRDAs of all the districts of the State at an estimated cost (EC) of Rs. 1.25 lakh only (including Rs. 6,446 i.e. 5.6 per cent of EC as sales tax) each. The works were executed through contractors during 2002-03 to 2004-05 and sales tax of Rs. 13.08 lakh only was deducted at source against an aggregate of Rs. 84.76 lakh of sales tax which was leviable from the bills of contractors. However, on the instructions of the Joint Secretary, Social Welfare Department in April 2005, the remaining amount of sales tax of Rs. 71.69 lakh was not realised from the contractors at the time of making payment to them. Thus, defective and arbitrary decision of the Social Welfare Department led to non-realisation of revenue of Rs. 71.69 lakh and undue financial benefit to the contractors to that extent as the amount released to the contractors included sales tax element which was required to be deducted at source and deposited in Government account.

The matter was referred to the Government in April 2007. While accepting the audit observation, the Government stated in December 2007 that the matter has been reviewed and it has been decided that necessary tax on works contract be deducted from the contractors who constructed *anganwadi* centres in the State. A report on recovery has not been received (October 2007). Further, information on the status of tax of Rs. 13.08 lakh deducted at source was not furnished (November 2007) despite being requested (November 2007).

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<sup>7</sup> Notification no.9/47/38-FX dated 15.07.1994

## TAXATION DEPARTMENT

### 6.6 Non-levy of interest

#### **Interest amounting to Rs. 4.78 lakh was not realised on delayed payment of tax.**

As per the provisions of Section 39 of the Manipur Sales Tax (MST) Act, 1990, if any dealer does not pay the full amount of tax payable by him by 31 October and 30 April for the period from April to September and October to March respectively, he is liable to pay simple interest on the outstanding tax at the rate of 12 *per cent* per annum for the first 60 days from the first day of the month following the due date and 24 *per cent* per annum for the period beyond 60 days.

Further, under Section 29 read with section 50(4) of the Manipur VAT Act, if a dealer fails to pay the amount of tax within 20 days from the end of a month/close of a quarter, such dealer has to pay interest at the rate of two *per cent* per month from the date the tax had become due to the date of its payment.

Test check of the assessment records of the Commissioner of Taxes, Manipur, Imphal revealed that three dealers failed to clear the outstanding tax of Rs. 17.40 lakh pertaining to the quarters ending June 2004 to June 2006 within due dates, thereby, attracting interest amounting to Rs. 4.78 lakh for the period ending 26 November 2006 and 31 March 2007 respectively. However, it was noticed in audit that no action was initiated by the AA to realise the interest which is in violation of the Acts.

After the case was pointed out, the department stated (September 2007) that interest amounting to Rs. 14,000 had since been realised from one dealer and action was being taken to realise interest from the remaining two dealers.

The matter was referred to the Government in May 2007; reply has not been received (October 2007).

### 6.7 Non-realisation of revenue

#### **Timely action was not taken to recover outstanding dues of Rs. 8.29 lakh as arrear of land revenue.**

Under Section 40(3) of the MST Act, when a dealer is in default, the Commissioner, may order that the amount due shall be recoverable as an arrear of land revenue and may proceed to realise the amount as such.

Scrutiny of the records maintained by the ST, Imphal, Zone I in March 2007 revealed that a dealer was assessed upto the quarter ending September 2004

and a demand notice for the outstanding tax, penalty and interest amounting to Rs. 8.29 lakh was issued in June 2005 with a directive to clear the outstanding dues on or before July 2005. However, the dealer did not pay his outstanding dues. No action was also taken to recover the dues as arrear of land revenue. Verification of documents also revealed that the dealer has discontinued his business.

After the case was pointed out, the department while accepting the audit observation confirmed (September and October 2007) that the dealer had discontinued his business and stated that the recovery certificate had been issued (September 2007) to the Deputy Commissioner (Imphal West) for realisation of the tax of Rs. 8.29 lakh as arrear of land revenue. A report on recovery has not been received (October 2007).

The matter was referred to the Government in May 2007; their reply has not been received (October 2007).

## TAXATION AND TRANSPORT DEPARTMENT

### 6.8 Non-realisation of professional tax

#### **Non-realisation of professional tax of Rs. 55.45 lakh from the permit holders of mill owners and motor vehicles due to inaction on the part of assessing authority.**

As per the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981 every person who carries on a trade or who follows a profession or callings or is in employment shall be liable to pay tax for each assessment year at the rates prescribed. The Act further provides that when a person is in default, the AA shall recover the tax due as an arrear of land revenue.

**6.8.1** The Government of Manipur vide their notification dated 14 November 2000 appointed the Chief Inspector of Factories as Additional Taxation Officer (re-designated as ST) for collection and deposit of professional tax from the persons holding licence/permit of rice/oil mill at the rate of Rs. 500 per annum as specified in the schedule appended to the Act.

Test check of the records maintained in the office of the Commissioner of Taxes, Manipur in March 2007 revealed that 514 licences (rice mill: 506 and oil mill: 8) were cancelled by the Chief Inspector of Factories and Boilers cum Director of Commerce and Industries, Government of Manipur during the period from 14 September 2004 to 20 January 2006 on the ground that the licence holders failed to deposit professional tax of Rs. 3.87 lakh. However, no action was taken by the AA to realise the tax due as arrear of land revenue.

After the cases were pointed out, the Department of Commerce and Industries stated in October 2007 that demand notices were served during July 2003 to the defaulting rice and oil mill owners for deposit of the outstanding professional tax. Further, the Deputy Commissioners concerned were also requested (September 2007) to realise the outstanding professional tax as arrear of land revenue. Report on realisation has not been received (November 2007).

The matter was referred to the Government during June 2007; their reply has not been received (November 2007).

**6.8.2** Further, under the Act, the Government of Manipur, by a notification issued in October 2000 appointed the district transport officers (DTOs) as additional taxation officers for collection of professional tax in their jurisdiction. Person(s) holding permit (s) for each truck, bus, taxi are required to pay professional tax at the flat rate of Rs. 1,000 per annum to the DTOs who shall deposit the same into Government account.

Test check of the records maintained in the office of the Director of Transport, Manipur in April 2007 revealed that 1,978 permits<sup>8</sup> were issued by the Directorate of Transport, Manipur during April 2004 to March 2007 in respect of various vehicles. Though, 1,430 permits were renewed during 2005-06 and 2006-07 and 320 permits during 2006-07, yet professional tax amounting to Rs. 51.58 lakh was not realised from the permit holders of these vehicles. No action was also taken by the AA concerned to issue demand notices to the defaulters for realisation of the tax due.

After the cases were pointed out, the department stated (November 2007) that all the DTOs were directed to collect the professional tax due. A report on realisation has not been received (November 2007).

The matter was referred to the Government during July 2007; their reply has not been received (November 2007).

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<sup>8</sup> 2004-05: 1,430 permits; 2005-06: 320 permits and 2006-07: 228 permits.