

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 2007-08, 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:

Table 1

(Rupees in crore)

		2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue raised by the State Government					
	Tax revenue	68.24	81.40	95.00	121.56	147.45
	Non-tax revenue	49.33	69.75	76.46	181.04	164.71
	Total:	117.57	151.15	171.46	302.60	312.16
II.	Receipts from the Government of India					
	State's share of net proceeds of divisible Union taxes	240.89	287.02	342.09	436.33	550.40
	Grants-in-aid	1,061.25	1,304.59	1,895.40	2,123.80	2,645.71
	Total:	1,302.14	1,591.61	2,237.49	2,560.13	3,196.11
III.	Total receipts of State Government (I+II)	1,419.71	1,742.76	2,408.95	2,862.73	3,508.27
IV.	Percentage of I to III	8	9	7	11	9

Source: Finance Accounts

The above table indicates that during the year 2007-08, the revenue raised by the State Government was nine *per cent* of the total revenue receipts (Rs. 3,508.27 crore) against 11 *per cent* in the previous year. The balance 91 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the years 2003-04 to 2007-08:

Table 2

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase(+)/ decrease (-) in 2007-08 over 2006-07
1	Sales tax	46.12	54.73	71.17	96.64	120.76	(+)24.96
2	State excise	2.96	3.05	3.26	3.62	3.75	(+)3.59
3	Stamps and registration fees	2.33	2.20	2.81	2.83	2.93	(+)3.53
4	Taxes and duties on electricity	0.49	4.95	0.27	0.19	¹	(-)99.53
5	Taxes on vehicles	3.38	3.35	3.34	3.19	3.57	(+)11.91
6	Taxes on goods and passengers	0.62	0.71	0.68	0.60	0.76	(+)26.67
7	Other taxes on income and expenditure	11.66	11.52	11.99	13.30	14.73	(+)10.75
8	Other taxes and duties on commodities and services	0.11	0.21	0.16	0.18	0.20	(+)11.11
9	Land revenue	0.57	0.68	1.32	1.01	0.75	(-)25.74
	Total	68.24	81.40	95.00	121.56	147.45	(+)21.30

Source: Finance Accounts

The reasons for variation in receipts during the year 2007-08 from those of 2006-07 as intimated by the department are as under:

Sales tax: The increase in revenue was attributed to increase in new registrations.

State excise: The department stated that the excise duty on liquor is paid by the security forces in challan and the compound fee/fines are realised while implementing prohibition. The number of security forces deployed in the State fluctuates from time to time and hence the variation.

Land revenue: The decrease in revenue realised was attributed to submergence of more than 27,000 acres of patta land by Loktak Project and various land acquisition process taken up recently.

Taxes and duties on electricity: The drastic reduction was attributed to non-collection of Manipur tax from NHPC², Loktak.

The reasons for variation have not been furnished (November 2008) by the other departments, despite being requested (September 2008 and November 2008).

6.1.2 The following table presents the details of major non-tax revenue raised during the years 2003-04 to 2007-08:

¹ Rs. 9,000 only.

² National Hydro electric Power Corporation.

Table 3

(Rupees in crore)							
Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase(+)/ decrease (-) in 2007-08 over 2006-07
1	Interest receipts	1.39	6.40	6.14	35.05	27.61	(-)21.23
2	Housing	0.93	0.98	1.11	0.68	1.72	(+)152.94
3	Water supply and sanitation	2.46	1.58	1.69	1.39	1.58	(+)13.67
4	Forestry and wild life	1.01	0.74	1.49	1.52	1.45	(-)4.61
5	Education, sports and art and culture	0.97	0.82	0.97	0.94	0.90	(-)4.26
6	Miscellaneous general services	0.57	³	6.62	82.46 ⁴	54.24 ⁵	(-)34.22
7	Power	36.77	54.41	49.87	40.24	62.29	(+)54.80
8	Major and medium irrigation	0.34	1.13	1.97	7.85	5.26	(-)32.99
9	Medical and public health	0.30	0.25	0.29	0.24	0.25	(+)4.17
10	Co-operation	0.10	0.13	0.14	0.12	0.12	(+)0.00
11	Public works	2.73	1.60	3.09	7.83	6.14	(-)21.58
12	Police	0.37	0.34	0.64	0.57	0.42	(-)26.32
13	Other administrative services	0.53	0.51	0.70	0.63	1.07	(+)69.84
14	Crop husbandry	0.03	0.04	0.07	0.30	0.10	(-)66.67
15	Social security and welfare	0.19	⁶	⁷	⁸	0.23	(+)7566.67
16	Others	0.64	0.82	1.67	1.22	1.33	(+)9.02
	Total	49.33	69.75	76.46	181.04	164.71	(-)9.02

Source: Finance Accounts

The non-tax revenue decreased from Rs. 181.04 crore in 2006-07 to Rs. 164.71 crore in 2007-08 showing a decrease of 9.02 *per cent*. The overall reduction was due to substantial reduction in collection of State's own resources on accounts of revenue from crop husbandry, miscellaneous general services, major and medium irrigation, police, public works and interest receipts. The collection of non-tax revenue registered substantial increase under housing, social security and welfare, other administrative services, power, water supply and sanitation etc. The substantial increases under these heads were, however, not sufficient of recoup the reduction in revenue collection from other heads thereby resulting in negative growth in non-tax revenue collection. The Government needs to take immediate steps to investigate the reasons for decline in revenue and improve collection.

The reason for variation in receipts during the year 2007-08 from those of 2006-07 as intimated by the department is as under:

³ Rs. 6,413 only.

⁴ Includes debt relief of Rs.75.08 crore given by Ministry of Finance, Government of India on repayment of consolidated loan.

⁵ Includes debt relief of Rs. 37.54 crore given by Department of Expenditure, Ministry of Finance, Government of India on repayment of consolidated loan.

⁶ Rs. 12,471 only.

⁷ Rs. 24,025 only.

⁸ Rs. 30,000 only.

Crop husbandry: the decrease of 66.67 *per cent* in revenue collection was attributed to late blight attack during 2007-08 which tremendously affected the yield.

Miscellaneous general services: the decrease of 34.22 *per cent* was attributed to decrease in receipt from Government of India on account of repayment of consolidated loan.

Power: the increase of 54.80 *per cent* in revenue was attributed to collection of unofficial interchange (UI) charges.

The reasons for variation have not been furnished (November 2008) by the other departments, despite being requested (September 2008 and November 2008)

6.1.3 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2007-08 in respect of principal heads of tax and non-tax revenue are mentioned below:

Table 4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess(+)/shortfall(-)	Percentage of variation
A. Tax revenue					
1	Sales tax	115.00	120.76	(+)5.76	(+)5.01
2	Other taxes on income and expenditure (taxes on professions, trades, callings and employment)	14.00	14.73	(+)0.73	(+)5.21
3	Other taxes and duties on commodities and services	0.18	0.20	(+)0.02	(+)11.11
4	Stamp duty and registration fees	3.00	2.93	(-)0.07	(-)2.33
5	Taxes on vehicles	4.38	3.57	(-)0.81	(-)18.49
6	State excise	3.99	3.75	(-)0.24	(-)6.02
7	Land revenue	1.10	0.75	(-)0.35	(-)31.82
8	Taxes on goods and passengers	0.94	0.76	(-)0.18	(-)19.15
9	Taxes and duties on electricity	0.30	⁹	(-)0.30	(-)99.70
B. Non-tax revenue					
1	Miscellaneous general services	52.54	54.24	(+)1.70	(+)3.24
2	Power	64.81	62.29	(-)2.52	(-)3.89
3	Public works	6.48	6.14	(-)0.34	(-)5.25
4	Forestry and wild life	2.20	1.45	(-)0.75	(-)34.09
5	Police	0.75	0.42	(-)0.33	(-)44.00
6	Interest receipts	40.00	27.61	(-)12.39	(-)30.98
7	Water supply and sanitation	2.20	1.58	(-)0.62	(-)28.18
8	Education, sports, art and culture	1.30	0.90	(-)0.40	(-)30.77
9	Other administrative services	0.82	1.07	(+)0.25	(+)30.49
10	Major and medium irrigation	8.64	5.26	(-)3.38	(-)39.12
11	Medical and public health	0.35	0.25	(-)0.10	(-)28.57
12	Social security and welfare	¹⁰	0.23	(+)0.23	(+)7566.67
13	Crop husbandry	0.15	0.10	(-)0.05	(-)33.33
14	Housing	1.50	1.72	(+)0.22	(+)14.67
15	Co-operation	0.12	0.12	0.00	0.00
16	Others	22.12	1.33	(-)20.79	(-)93.99

Source: Budget document/Finance Accounts

The reasons as furnished by the departments for receipts exceeding/falling short of budget estimates during 2007-08 were as mentioned below:

Sales tax: the increase of five *per cent* was attributed to increase in new registrations and realisation of arrears.

State excise: The department stated that the excise duty on liquor is paid by the security forces in challan and the compound fee/fines are realised while implementing prohibition. The number of security forces deployed in the State fluctuates from time to time and hence the variation.

Land revenue: The decrease of 31.82 *per cent* was attributed to submergence of more than 27,000 acres of patta land by Loktak project and various land acquisition process being taken up recently.

⁹ Rs. 9,000 only.

¹⁰ Rs. 30,000 only.

Taxes and duties on electricity: The decrease of 99.67 *per cent* was due to non-collection of Manipur tax from NHPC, Loktak.

Power: The shortfall of 3.89 *per cent* was attributed to non collection of revenue from consumers.

Forestry and wild life: The shortfall of 34.09 *per cent* in revenue realised was attributed to non completion of working plan for eight territorial forest divisions due to which extraction of timber and subsequent sale to earn revenue could not take place.

Education, sports, art and culture: The shortfall of 30.77 *per cent* in revenue realised was attributed to decrease in the enrolment of students in Government Colleges.

Housing: The increase of 14.67 *per cent* was attributed to clearance of outstanding house rent by retiring employees.

Reasons for variation under remaining heads of account of tax and non-tax revenue, have not been furnished by the other departments (November 2008) despite being requested (September 2008 and November 2008).

6.1.4 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of sales tax and professional tax for the year 2007-08 as furnished by the Commissioner of Taxes are as mentioned below:

Table 5

(Rupees in crore)

Head of revenue	Amount collected at pre - assessment 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	120.69	0.06	—	—	120.75	99.95
Profession tax	14.73	—	—	—	14.73	100

Source: Departmental records

6.1.5 Cost of collection

The gross collection of sales tax, taxes on vehicles and percentage of expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage for 2006-07 were as mentioned below:

Table 6

(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 2006-07
1.	Sales tax	2005-06	71.77	1.69	2.35	0.82
		2006-07	96.64	1.47	1.52	
		2007-08	120.76	1.41	1.17	
2.	Taxes on vehicles	2005-06	3.34	1.77	52.99	2.47
		2006-07	3.19	1.46	45.77	
		2007-08	3.57	1.66	46.50	

Source: Departmental records

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 2008 in respect of some principal heads of revenue amounted to Rs. 9.49 crore of which Rs. 4.72 crore was outstanding for more than five years as mentioned below:

Table 7

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than 5 years as on 31 March 2008
1.	Land revenue	8.64	4.63
2.	Taxes on vehicles	0.85	0.09
Total		9.49	4.72

Source: Departmental records

6.1.7 Arrears in assessment

The details of sales tax assessment cases pending at the beginning of the year 2007-08, 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 2007-08 as furnished by the Commissioner of Taxes in respect of sales tax are as mentioned below:

Table 8

Name of tax	Opening balance as on 31 March 2007	New cases due for assessment during 2007-08	Total assessments due	Cases disposed of during 2007-08	Balance at the end of the year 2007-08	Percentage of column 5 to 4
1	2	3	4	5	6	7
Sales tax	529	1441	1970	1604	366	81.42%

Source: Departmental records

6.1.8 Refund

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year and cases pending at the close of the year 2007-08 as furnished by the departments are mentioned below:

Table 9

(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 2007-08	3	2.23	Nil	
Claims received during the year 2007-08	Nil		Nil	
Refunds made during the year	Nil		Nil	
Balance outstanding at the end of the year	3	2.23	Nil	

Source: Departmental records

6.1.9 Result of audit

Test check of records of tax receipts and other non-tax receipts conducted during the year 2007-08 revealed under assessment, non levy, short levy and loss of revenue amounting to Rs. 178.08 crore in 120 cases.

This chapter contains eight paragraphs relating to non/short levy (including penalty) of sales tax/value added tax/central sales tax; non/short realisation of show tax and professional tax; loss of revenue (energy charges) and non realisation of registration fee from contractors involving Rs. 6.75 crore. The department/Government accepted audit observations involving Rs. 0.96 crore; however report on recovery has not been received (November 2008). No reply has been received in one case (November 2008).

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 (IR). 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 2007 and pending settlement by the departments as on 30 June 2008 along with the corresponding figures for the preceding three years is mentioned below:

Table 10

	June 2005	June 2006	June 2007	June 2008
Number of pending IRs	355	366	399	418
Number of outstanding audit observations	1,067	1,106	1210	1277
Amount of revenue involved (Rupees in crore)	193.33	436.06	523.79	596.13

Department-wise break-up of the pending IRs and audit observations as on 30 June 2008 is as mentioned below:

Table 11

(Rupees in crore)

Sl. No.	Name of 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 2007-08	-
2	Registration	10	15	0.02	1991-92 to 2007-08	5
3	Transport	49	159	4.98	1990-91 to 2007-08	29
4	Electricity	90	277	521.12	1990-91 to 2007-08	46
5	PHED	23	58	5.32	1994-95 to 2007-08	17
6	Land Revenue	82	229	11.09	1991-92 to 2007-08	47
7	Forest	67	161	12.08	1990-91 to 2007-08	47
8	Taxation	48	231	11.98	1990-91 to 2007-08	32
9	Excise	14	33	4.65	1990-91 to 2007-08	4
10	Fishery	21	55	0.57	1991-92 to 2007-08	6
11	Lottery	10	50	24.07	1990-91 to 2007-08	2
	Total	418	1277	596.13		235

6.1.11 Departmental audit committee meetings

No departmental audit committee meeting was held during the year 2007-08.

6.1.12 Response of the departments to the draft audit paragraphs

Eight draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2008 (Civil) were forwarded to the Secretaries/Commissioners of the respective departments during April, May and July 2008 through demi-official letters. The administrative Secretaries/Commissioners did not furnish replies in respect of seven draft paragraph as mentioned below:

Table 12

Name of the Department	No. of draft paragraphs to which replies from Secretaries/Commissioners not received
Power	1
Taxation	6
Total	7

6.1.13 Recovery of revenue of accepted cases

During the years from 2001-02 to 2006-07, the departments/Government accepted audit observations involving Rs. 3.16 crore of which only Rs. 22 lakh had been recovered till March 2008 as mentioned below.

Table 13

Year of Audit Report	Total money value	Accepted money value	(Rupees in crore)
			Recovery made
2001-02	0.26	0.16	0.00
2002-03	0.72	0.51	0.02
2003-04	1.82	1.10	0.16
2004-05	0.63	0.25	0.00
2005-06	0.99	0.13	0.02
2006-07	1.87	1.01	0.02
Total	6.29	3.16	0.22

The above table indicates the amount recovered was only seven *per cent* of the accepted amount.

POWER DEPARTMENT

6.2 Loss of revenue

Failure to recover energy charges from consumers within the prescribed period led to loss of revenue of Rs. 5.50 crore

Sub Section 2 of Section 56 of Electricity Act, 2003 provides that no sum due from a consumer can be recovered after a lapse of two years from the date when such sum first became due unless it has been continuously shown as recoverable as arrears of electricity supplied. The sub section also provides that the licensee (generating company) shall not cut off the supply of electricity in such cases.

Test check of records of seven electrical divisions¹¹ between November 2007 and February 2008 revealed that the executive engineers (EE) of the divisions cut off service connections in respect of 5,076 consumers during the period April 1998 to March 2006 due to non-payment of electricity charges involving Rs.5.50 crore (Appendix – 6.1). The department, however, failed to communicate the fact of arrears to the consumers and did not recover the outstanding amount within the prescribed period of two years of their becoming due. Thus, lack of timely action by the department led to loss of Rs. 5.50 crore, as the amount became irrecoverable, of which Rs. 3.34 crore pertained to the last five years.

¹¹ Imphal Maintenance Division; Thoubal Electrical Division; Imphal Electrical Division - II; Imphal Electrical Division – III; Rural Electrical Division, Kakching; Bishnupur Electrical Division and Tamenglong Electrical Division.

The matter was referred to the department/Government in May 2008; their reply had not yet been received (November 2008).

PUBLIC WORKS DEPARTMENT

6.3 Non-realisation of registration fee

Failure of the department to claim registration fee for enlistment of contractors resulted in non-realisation of Rs. 5.32 lakh

Rules regarding enlistment of contractors in Public Works Department, Manipur as amended vide notification dated 23 August 1995 provide for realisation of registration fee from contractors for enlistment in various classes at the following rates.

Table 14

Sl. No.	Class of contractor	Amount of registration fee
1	Special class	Rs. 2,500
2	1 st class	Rs. 2,000
3	2 nd class	Rs. 1,500
4	3 rd class	Rs. 1,000
5	4 th class	Rs. 500

Test check of records of the Chief Engineer, P.W.D., Manipur in July 2007 revealed that registration fee in respect of 363 contractors was not claimed by the department on the ground that their registration fee had been realised during their initial enlistment as 4th class contractors. The contention of the department is not correct as the enlistment rules provide for certain eligibility criteria for each class of contractors and do not provide for allowing enlistment to a higher class by making a one-time payment of registration fee for a lower class. Thus, due to the failure to claim enlistment fee from 363 contractors in their existing category revenue amounting to Rs. 5.32 lakh¹² was not realised of which Rs.2.11 lakh¹³ pertains to the period from 2002-03 to 2007-08.

¹² Spl. Class 115 nos. @ Rs. 2,000 = Rs. 2,30,500
 1st class 146 nos. @ Rs. 1,500 = Rs. 2,19,000
 2nd class 64 nos. @ Rs. 1,000 = Rs. 64,000
 3rd class 38 nos. @ Rs. 500 = Rs. 19,000
Rs. 5,32,000

¹³ Spl. Class 47 nos. @ Rs. 2,000 = Rs. 94,000
 1st class 65 nos. @ Rs. 1,500 = Rs. 97,500
 2nd class 19 nos. @ Rs. 1,000 = Rs. 19,000
 3rd class 1nos. @ Rs. 500 = Rs. 500
Rs. 2,11,000

After this was pointed out, the department accepted the audit observation and stated (November 2008) that demand notices have been served to the contractors to deposit enlistment fees immediately failing which their enlistment is liable to be cancelled without further notice. The date by which the contractors have to comply with the department's circular is, however, not specified. Progress on realisation of enlistment/registration fees from the contractors has not been received (November 2008).

The matter was reported to the Government between April and July 2008; their reply has not been received (November 2008).

TAXATION DEPARTMENT

6.4 Short levy of Tax

There was short levy of tax of Rs 48.01 lakh (including penalty) due to failure of the department to detect escaped/suppressed turnover

Under Section 19 of the Manipur Sales Tax (MST) Act, 1990 and Section 39 of the Manipur Value Added Tax (MVAT) Act, 2004, if the Commissioner of Taxes has reasons to believe that the whole or any part of the turnover has escaped assessment during a particular period, he shall assess or reassess the amount of tax due from the dealer in respect of such turnover. The Commissioner shall also levy, by way of penalty, a sum not exceeding one and half times the additional tax assessed, under section 21 of the MST Act and twice the tax under section 36 (7) of the MVAT Act.

Scrutiny of the records maintained by the Assistant Commissioner of Taxes, Imphal in March 2008 revealed that a dealer, M/S Mahawar Traders dealing in edible oils, made purchases of goods worth Rs. 5.98 crore during the period June 2004 to March 2007 as depicted in the statement of utilisation of declaration Form 'C' issued by the dealer, but accounted for goods valued at Rs. 1.68 crore only in his returns thereby suppressing purchases by Rs. 4.30 crore. The assessing authority (AA) while finalising the assessment between November 2004 and May 2007 for the said period did not detect the suppression of purchase which resulted in short levy of tax and penalty of Rs. 48.01 lakh (tax: Rs. 17.20 lakh and penalty Rs. 30.81 lakh).

After this was pointed out, the AA accepted the audit observation and served (April 2008) a demand notice of tax due amounting to Rs. 17.20 lakh to the dealer with a directive to clear the tax due on or before 26 May 2008.

The matter was referred to the Government/department during May 2008 and July 2008. The department, while accepting the audit observation further stated (November 2008) that a demand notice of penalty due of Rs. 30.81 lakh had since been served (November 2008) to the dealer for payment of penalty

on or before 15 December 2008. The report on realisation of the tax and penalty due has not been received (November 2008).

Reply of the Government has not been received (November 2008).

6.5 Short levy of penalty

Penalty of Rs. 2.46 crore was levied for concealment/suppression of turnover against leviable penalty of Rs. 4.90 crore resulting in short levy of penalty of Rs. 2.44 crore

Under Section 39(1)(a) and (b) of the MVAT Act (Act), where after a dealer is assessed, the Commissioner has reason to believe that the whole or any part of the turnover of a dealer in respect of any period has escaped assessment or under assessed, the Commissioner may proceed to assess to the best of his judgement, the amount of tax due from the dealer in respect of such turnover. And as per Section 36 (7) of the Act, if the Commissioner is satisfied that the dealer, in order to evade or avoid payment of tax, has furnished incomplete and incorrect returns for any period, he shall impose, by way of penalty, a sum equal to twice the additional tax assessed. Further, under Section 42 (6) of the Act read with Rule 32 of the MVAT Rules, when a dealer is in default even after the stipulated date for payment of dues, the amount due shall be recovered as arrear of land revenue and for such purpose, the AA, shall issue to the Collector, a recovery certificate in Form 37.

During test check of the assessment records maintained by the Superintendent of Taxes (ST), Headquarters' zone in March 2008 it was noticed that on discovery of incorrect returns for the years 2006-07 and 2007-08 submitted by one dealer viz M/s J.K. Steel House who dealt in cement, iron etc. the AA re-assessed (December 2007) the dealer for the said years to additional tax of Rs. 2.45 crore¹⁴ and imposed penalty of Rs. 2.46 crore. A demand notice for the dues of Rs. 4.91 crore was served to the dealer on 17 December 2007 with a directive to clear the due amount on or before 17 January 2008. Scrutiny of the assessment record revealed that the AA had imposed penalty of Rs. 2.46 crore as against leviable penalty of Rs. 4.90 crore¹⁵. No step was, however, found taken up by the AA for imposition of the additional amount of penalty nor was any action initiated for recovery of the dues as arrear of land revenue by application of Rule 32 *ibid*. Since the dealer has closed down his business in April 2008, the likelihood of recovery of the revenue of Rs 7.35 crore (Rs. 4.90 crore + Rs. 2.45 crore) appears to be remote.

¹⁴ Tax assessed Rs. 2.46 crore.
Less already paid Rs. 82,000.

¹⁵ Additional tax assessed: Rs. 2.45 crore.
Penalty under Section 36(7): Rs. 2.45 crore X 2 i.e. Rs. 4.90 crore.

After this was pointed out, the ST, Headquarters' zone stated (April 2008) that the dealer was given further opportunity to clear the dues by 28 March 2008 and on his failure to pay the dues within the stipulated date, a recovery certificate addressed to the Deputy Commissioner (DC), Imphal West was issued (April 2008) for recovery of the outstanding dues of Rs. 4.91 crore as arrear of land revenue which is yet to be recovered. The reply was, however, silent on imposition of the additional amount of penalty of Rs. 2.44 crore.

The matter was referred to the Government between May 2008 and July 2008; their reply has not been received (November 2008).

6.6 Short levy of central sales tax

Availment of concessional rate of tax on account of inter-State sales without furnishing declaration in form 'C' resulted in short levy of tax amounting to Rs. 9.39 lakh

As per Section 8 of the Central Sales Tax (CST) Act, 1956 and Rule 12 of the CST (Registration and Turnover) Rules 1957, a dealer who claims concessional rate of tax on account of inter-State sales is required to produce requisite details in declaration form 'C' duly authenticated by the recipient/purchasing dealer. Otherwise, tax is leviable at the rate of 10 *per cent* or at the rate leviable under the State Act, whichever is higher, in case of goods other than declared goods. Such declaration in form 'C' shall be furnished to the prescribed authority up to the time of assessment. In Manipur, plywood is taxable at 12.5 *per cent*.

Test check of assessment records of the ST, Zone-I in March 2008 revealed that M/s Mangalam Woods Industries Pvt. Ltd. who dealt in plywood business sold goods worth Rs. 98.86 lakh during July 2007 to December 2007¹⁶ in the course of inter-State sales and paid tax of Rs. 2.97 lakh at the concessional rate of three *per cent* without furnishing valid declaration in form 'C'. Neither the reason/cause for not furnishing the requisite declaration in form 'C' at the time of assessment nor further time allowed by the AA for submission of the declaration in question by the dealer was on record. The resulting short levy of CST was calculated at Rs. 9.39 lakh at the differential rate of 9.5 (12.5 - 3) *per cent* on the turnover of Rs. 98.86 lakh.

The matter was reported to the Department and the Government during May 2008 and July 2008.

After this was pointed out, the AA while accepting the audit observation stated that notices had been issued (June and July 2008) to the dealer with a directive

¹⁶ Return period ending September 2007: Rs. 51.49 lakh (date of assessment 30 November 2007) and period ending December 2007: Rs. 47.37 lakh (date of assessment 7 January 2008).

to clear CST amounting to Rs. 9.39 lakh as he failed to submit the requisite declaration in form 'C'.

The matter was reported to the department and the Government during May and July 2008; their reply has not been received (November 2008).

6.7 Short realisation of show tax

Inaction of the department resulted in short realisation of show tax amounting to Rs. 3.44 lakh

The Assam Amusements and Betting tax Act 1939, as adopted in the State of Manipur provides that in case of cinematograph exhibitions, in addition to the entertainment tax, a tax at Rs 5 per show was leviable. The rate of tax was enhanced to Rs. 100 per show w.e.f. 1 August 1998. In the meantime, the Guwahati High Court, Imphal Bench, passed an interim order (7 June 1999) against a writ petition filed by the Cine Exhibitors Association of Imphal ruling payment of 50 *per cent* of enhanced tax by the petitioner subject to the final outcome of the pending writ petition.

During test check of the records maintained by the Assistant Commissioner of Taxes, Imphal in March 2008, it was noticed that the department realised show tax amounting to Rs. 0.09 lakh at the old rate of Rs. 5 per show in respect of only one cinema hall whereas a total of 7,057 shows were held in four cinema halls¹⁷ during the years 2005-06 to 2007-08 (upto February 2008). Show tax of Rs. 3.53 lakh was leviable as per the Court's interim order. Action taken to realise the outstanding tax was not on record. Thus, inaction of the department resulted in short realisation of show tax amounting to Rs. 3.44 lakh.

The matter was reported to the department and the Government during May 2008. The department, while accepting the audit observation stated (May 2008) that demand notices of Rs. 3.44 lakh were served (April 2008) to the proprietor/managers of the defaulting cinema halls for deposit of the show tax due on or before 10 May 2008. However, report of realisation of the show tax has not been received (November 2008).

The reply of the Government has not been received (November 2008).

¹⁷ Includes the cinema hall from which Rs. 5 was collected per show.

6.8 Non levy of penalty

Failure of the department to levy penalty amounting to Rs. 13.27 lakh on dealers failing to comply with provision under the MVAT Act

Under Section 58 of the MVAT Act, if the gross turnover of a dealer, in any year exceeds Rs. 20 lakh or such other amount as the Commissioner may specify, such dealer's account shall be audited by a Chartered Accountant or by a person appointed to act as an auditor of Companies by virtue of Section 226 (2) of the Companies Act, 1956 within six months from the end of the relevant year. The dealer shall furnish a copy of the certificate of the audit of accounts in form 25 to the tax authorities by the end of the month after expiry of the six months cited above failing which, the Commissioner shall impose on the dealer penalty equal to 0.1 *per cent* of the turnover.

Scrutiny of the records maintained by the ST, Zones-I, IV, V, VI and Headquarters in March 2008 revealed that, in absence of any other quantum of turnover specified by the Commissioner, 13 dealers whose turnover exceeded Rs. 20 lakh each during 2005-06 and 2006-07 and whose assessments for the said years were finalised (February 2006 to January 2008), were required to get their accounts audited by a chartered accountant and submit the audit reports to the tax authorities within the stipulated dates, i.e. by October 2006 and October 2007 respectively. However, while these dealers failed to comply with the mandatory provisions even after expiry of 4 to 16 months from the prescribed period, the department did not impose any penalty. This resulted in non-realisation of penalty to the tune of Rs. 13.27 lakh (0.1 *per cent* of taxable turnover of Rs. 132.68 crore)

The matter was referred to the Government and the department in May 2008 and October 2008. The department, while accepting the audit observation, stated (November 2008) that demand notices of Rs. 13.16 lakh were served (June 2008) to 13 dealers for payment of the penalty in question on or before 11 July 2008. Report on realisation of the penalty and reasons for raising less demand by Rs. 11,000 has not been received (November 2008). Reply of the Government has not been received (November 2008).

6.9 Non realisation of profession tax

Profession tax for the period from 2004-05 to 2007-08 amounting to Rs. 20.38 lakh remained unrealised from legal practitioners

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

As per the Manipur Professions, Trades, Callings and Employment Taxation (seventh Amendment) Act, 2000, the rates of profession tax in respect of legal practitioners whose standing in the profession is three years or less and more than three years but less than five years are Rs. 1,000 and Rs. 2,000 per annum, respectively.

During audit of the Commissioner of Taxes, Manipur in March 2008, it was noticed that there were 458 legal practitioners in the State whose period of standing in the profession ranged from more than one year to less than five years. Though these legal practitioners were liable to pay profession tax, none of them had done so during the period from 2004-05 to 2007-08. The AA, however, did not initiate any action either to levy professional tax on the said legal practitioners or to recover the profession tax due as arrear of land revenue. Thus, inaction of the department resulted in non realisation of the professional tax amounting to Rs. 20.38 lakh for the aforesaid period.

The matter was referred to the Government and the department in May and October 2008. The department, while accepting the observation, stated (November 2008) that notices had been issued (June and September 2008) for payment of profession tax by the legal practitioners for the years 2004-05 to 2007-08 from 458 legal practitioners in the State. A report on realisation of the professional tax has not been received (November 2008).

Reply of the Government has not been received (November 2008).