

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

**6. General**

**6.1 Trend of Revenue receipts**

**6.1.1** The tax and non-tax revenue raised by the Government of Manipur during the year 2003-04, the State's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are given below:

**Table No. 6.1**

**(Rupees in crore)**

		1999-2000	2000-01	2001-02	2002-03	2003-04
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	(a) Tax Revenue	39.95	49.07	51.01	65.16	68.24
	(b) Non-Tax Revenue	42.65	41.66	28.73	56.49	49.33
	<b>Total:</b>	<b>82.60</b>	<b>90.73</b>	<b>79.74</b>	<b>121.65</b>	<b>117.57</b>
<b>II.</b>	<b>Receipts from Government of India</b>					
	(a) State's share of net proceeds of divisible Union Taxes	317.87	163.52	142.14	188.12	240.89
	(b) Grants-in-aid	669.38	790.37	954.90	1018.22	1061.25
	<b>Total:</b>	<b>987.25</b>	<b>953.89</b>	<b>1097.04</b>	<b>1206.34</b>	<b>1302.14</b>
<b>III.</b>	<b>Total receipts of State Government (I+II)</b>	<b>1069.85</b>	<b>1044.62</b>	<b>1176.78</b>	<b>1327.99</b>	<b>1419.71</b>
<b>IV.</b>	<b>Percentage of I to II</b>	8	10	7	10	9

(Source: Finance Accounts)

**6.2 Analysis of Revenue receipts**

**6.2.1** The details of tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

**Table No. 6.2**

**(Rupees in crore)**

Sl. No.	Head of Revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Percentage of Increase(+)/ Decrease(-) in 2003-04 over 2002-03
1.	Sales Tax	22.87	31.30	29.52	43.18	46.12	(+) 6.81
2.	State Excise	1.39	1.24	1.46	2.29	2.96	(+) 29.26
3.	Stamps and Registration Fees	1.46	1.80	1.48	1.90	2.33	(+) 22.63
4.	Taxes and Duties on Electricity	0.55	0.97	2.17	<sup>1</sup>	0.49	(+) 13143.24
5.	Taxes on Vehicles	2.33	2.80	2.77	3.44	3.38	(-) 1.74
6.	Taxes on Goods and Passengers	0.49	0.48	0.44	0.67	0.62	(-) 7.46
7.	Other Taxes on Income and Expenditure	9.58	9.61	12.64	12.68	11.66	(-) 8.04
8.	Other Taxes and Duties on Commodities and Services	0.76	0.50	0.13	0.17	0.11	(-) 35.29
9.	Land Revenue	0.52	0.37	0.40	0.83	0.57	(-) 31.33
	<b>Total :</b>	<b>39.95</b>	<b>49.07</b>	<b>51.01</b>	<b>65.16</b>	<b>68.24</b>	<b>(+) 4.73</b>

(Source: Finance Accounts)

Reasons for variations though called for in August 2004 and January 2005 from the Government/departments had not been received.

***Non-tax revenue raised by the State***

**6.2.2** The details of major non-tax revenue raised during the year 2003-04 alongwith the figures for the preceding four years are given below:

<sup>1</sup> Rs.0.37 lakh only.

Table No. 6.3

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-01	2001-02	2002-03	2003-04	Percentage of Increase(+)/ Decrease(-) in 2003-04 over 2002-03
1.	Interest Receipts	0.70	0.76	1.00	0.61	1.39	(+) 127.87
2.	Housing	0.43	0.58	1.00	0.75	0.93	(+) 24.00
3.	Water Supply and Sanitation	0.62	0.66	0.67	1.43	2.46	(+) 72.03
4.	Forestry and Wild Life	0.79	0.97	0.75	0.81	1.01	(+) 24.69
5.	Education, Sports and Art and Culture	0.82	2.16	1.03	1.13	0.97	(-) 14.16
6.	Miscellaneous General Services	4.32	1.67	0.05	1.59	0.57	(-) 64.15
7.	Power	22.22	26.33	19.73	43.90	36.77	(-) 16.24
8.	Major and Medium Irrigation	0.38	0.31	0.31	0.24	0.34	(+) 41.67
9.	Medical and Public Health	0.79	0.26	0.32	0.34	0.30	(-) 11.76
10.	Co-operation	0.05	0.05	0.04	0.42	0.10	(-) 79.19
11.	Public Works	4.02	2.19	1.23	3.18	2.73	(-) 14.15
12.	Police	0.71	0.97	0.59	0.56	0.37	(-) 33.93
13.	Other Administrative Services	2.36	0.68	1.20	0.49	0.53	(+) 8.16
14.	Crop Husbandry	0.19	0.07	0.03	0.08	0.03	(-) 62.50
15.	Social Security and Welfare	3.19	3.16	0.02	0.01	0.19	(+) 1800.00
16.	Others	1.06	0.84	0.76	0.95	0.64	(-) 32.63
	<b>Total :</b>	<b>42.65</b>	<b>41.66</b>	<b>28.73</b>	<b>56.49</b>	<b>49.33</b>	<b>(-) 12.67</b>

(Source: Finance Accounts)

Reasons for variations under non-tax revenue though called for in August 2004 and January 2005 from the departments had not been received.

### 6.3 Variations between Budget estimates and actuals

**6.3.1** The variations between budget estimates and the actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

**Table No. 6.4**

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations Increase(+)/ Decrease(-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
<b>A. Tax Revenue</b>					
1.	Sales Tax	39.55	46.12	(+) 6.57	(+) 17
2.	Other Taxes on Income and Expenditure (Taxes on Professions, Trades, Callings and Employment)	15.01	11.66	(-) 3.35	(-) 22
3.	Other Taxes and Duties on Commodities and Services	2.22	0.11	(-) 2.11	(-) 95
4.	Stamps and Registration Fees	2.26	2.33	(+) 0.07	(+) 3
5.	Taxes on Vehicles	3.39	3.38	(-) 0.01	—
6.	State Excise	2.26	2.96	(+) 0.70	(+) 31
7.	Land Revenue	0.63	0.57	(-) 0.06	(-) 10
8.	Taxes on Goods and Passengers	0.76	0.62	(-) 0.14	(-) 18
9.	Taxes and Duties on Electricity	2.89	0.49	(-) 2.40	(-) 83
	<b>Total:</b>	<b>68.97</b>	<b>68.24</b>	<b>0.73</b>	<b>(-) 1</b>
<b>B. Non-tax Revenue</b>					
1.	Miscellaneous General Services	40.00	0.57	(-) 39.43	(-) 99
2.	Power	55.00	36.77	(-) 18.23	(-) 33
3.	Public Works	4.00	2.73	(-) 1.27	(-) 32
4.	Forestry and Wild Life	1.13	1.01	(-) 0.12	(-) 11
5.	Police	0.81	0.37	(-) 0.44	(-) 54
6.	Interest Receipts	1.02	1.39	(+) 0.37	(+) 36
7.	Water Supply and Sanitation	1.50	2.46	(+) 0.96	(+) 64
8.	Education, Sports, Art and Culture	2.26	0.97	(-) 1.29	(-) 57
9.	Other Administrative Services	0.60	0.53	(-) 0.07	(-) 12
10.	Major and Medium Irrigation	0.62	0.34	(-) 0.28	(-) 45
11.	Medical and Public Health	0.42	0.30	(-) 0.12	(-) 29
12.	Social Security and Welfare	0.01	0.19	(+) 0.18	(+) 1800
13.	Crop Husbandry	0.09	0.03	(-) 0.06	(-) 67
14.	Housing	1.13	0.93	(-) 0.20	(-) 18
15.	Co-operation	0.06	0.10	(+) 0.04	(+) 67
16.	Others	1.00	0.64	(-) 0.36	(-) 36
	<b>Total:</b>	<b>109.65</b>	<b>49.33</b>	<b>(-) 60.32</b>	<b>(-) 55</b>

(Source: Budget document/Finance Accounts)

The reasons as furnished by the Department for the variation in receipts during 2003-04 against budget estimates are as under:

**Public Works:** Decrease (32 per cent) was due to non-realisation of hire charges of machinery during 2003-04.

**Forestry and Wild Life:** Decrease (11 per cent) was due to Hon'ble Supreme Court's ban of felling trees.

**Major and Medium Irrigation:** Decrease (45 per cent) was due to non-collection of water tax from farmers and land owners.

**Medical and Public Health:** Decrease (29 per cent) was mainly due to machines like CT Scan, ECG, ultrasonography etc. remaining out of order off and on.

**Miscellaneous General Service:** Decrease (99 *per cent*) was due to postponement of draws of Manipur State on-line lottery with effect from 1<sup>st</sup> February 2004.

**Housing:** Decrease (18 *per cent*) was mainly due to shortfall in collection of house rent during 2003-04.

Reasons for variation under remaining heads of account though called for in August and October 2004 had not been received from the respective departments (January 2005).

## 6.4 Cost of collection

**6.4.1** The gross collection in respect of major revenue receipts, expenditure incurred on their collection and percentage of such expenditure to gross collection during the year 2001-02, 2002-03 and 2003-04 alongwith all India average percentage of expenditure on collection to gross collection for 2002-03 are given below:

**Table No.6.5**

(Rupees in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of expenditure to gross collection for the year 2002-03
1	2	3	4	5	6
Sale Tax	2001-02	29.52	1.34	4.54	
	2002-03	43.18	1.16	2.69	1.18
	2003-04	46.06	1.09	2.37	
Taxes on Vehicles	2001-02	2.77	1.20	43.32	
	2002-03	3.44	1.19	34.59	2.86
	2003-04	3.36	1.13	33.63	

(Source: Finance Accounts)

It can be seen from the above that the cost of collection in respect of above heads of revenue were much higher than the all India average. The reason for high cost of collection though called for from the departments were not received (January 2005)

## 6.5 Outstanding Inspection Reports and Audit observations

**6.5.1** Audit observations on incorrect assessments, under-assessments, non-levy and short-levy of taxes and other revenue receipts and defects in the maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the departmental authorities and Heads of departments through inspection reports. The more important irregularities are also reported to Government for taking prompt remedial measures. The heads of offices are required to furnish replies to the inspection reports through the respective Heads of Departments within a period of two months.

**6.5.2** The number of inspection reports and audit observations issued up to December 2003 but pending settlement by the Departments as on 30 June 2004 along with corresponding figures for the preceding two years are given below:

**Table No. 6.6**

**(Rupees in crore)**

Department	Number of Inspection Reports			Number of Audit observations			Money value		
	Up to 2001-02	2002-03	2003-04	Up to 2001-02	2002-03	2003-04	Up to 2001-02	2002-03	2003-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Taxation	31	—	7	189	—	19	6.49	—	1.14
Excise	10	1	—	27	2	—	1.53	0.01	—
Land Revenue	63	—	3	170	—	6	4.11	—	0.40
Motor Vehicle	30	7	—	101	21	—	0.79	0.18	—
Electricity	44	11	9	101	45	37	22.16	40.18	42.38
Fisheries	24	1	—	56	3	—	0.50	0.04	—
Lotteries	8	—	1	45	—	3	23.16	—	0.16
Forest	43	6	6	112	12	5	10.73	0.25	0.12
Registration	10	—	—	15	—	—	0.03	—	—
PHED/Water Tax	10	3	3	25	5	8	1.25	0.21	2.30
Medical	—	1	1	—	5	3	—	0.18	0.03
<b>Total :</b>	<b>273</b>	<b>30</b>	<b>30</b>	<b>841</b>	<b>93</b>	<b>81</b>	<b>70.75</b>	<b>41.05</b>	<b>46.53</b>

Out of 333 inspection reports with money value of Rs.158.33 crore pending settlement, even the first reply has not been received in respect of 111 inspection reports containing 424 audit observations with money value of Rs.83.99 crore. Further 65 inspection reports up to 2003-04 containing 182 audit observations with money value of Rs.10.31 crore have been pending for settlement for more than 10 years.

## **6.6 Results of audit**

**6.6.1** Test-check of the records of Power, Forest, Taxation and Transport Departments conducted during 2003-04 revealed short-demand/under-assessment/loss of revenue etc. amounting to Rs.1.53 crore in 12 cases.

This chapter contains nine paragraphs and one review relating to loss of revenue, short-levy of tax, interest and penalty etc. involving Rs.1.82 crore of which audit observations for Rs.1.10 crore was accepted by the departments and a recovery of Rs.15.81 lakh out of the accepted amount has been made by the Department.

**SECTION “A”  
(AUDIT REVIEW)**

**TAXATION DEPARTMENT**

**6.7 Review on Sales Tax including Internal Control System prevalent in the Department**

*Highlights*

**Failure in taking effective measures culminated in high rate of non-compliance in filing Sales Tax returns. The number of defaulting dealers who did not file returns was as high as 80 to 83 per cent of the total dealers registered during 1999-2000 to 2003-04.**

**(Paragraph 6.7.5)**

**Lack of monitoring system for watching disposal of assessment cases resulted in extreme laxity in finalisation of assessments. Assessments pending with the department ranged between 46 to 73 per cent of assessments due based on the returns submitted. Compared to total returns receivable, the shortfall/pendency ranged between 83 to 88 per cent.**

**(Paragraph 6.7.6)**

**Internal control mechanism in the Department was weak giving ample scope for concealment/inaccurate furnishing of particulars by dealers and under-assessment resulting in evasion/loss of tax of Rs83.77 lakh including penalty.**

**(Paragraph 6.7.10)**

**6.7.1. Introduction**

Sales Tax is one of the major source of revenue in the State of Manipur. Registration of dealers, assessment and collection of sales tax is governed by Central Sales Tax Act, 1956, Manipur Sales Tax Act, 1990 (MST Act) and Manipur Sales Tax Rule, 1990 (Rules) made thereunder.

**6.7.2. Organisational set-up**

The Commissioner of Taxes, Manipur is the Head of the Department of Taxes. In discharge of his functions under the Act, he is assisted by nine<sup>2</sup> Superintendents of Taxes (Assessing Officers) who are responsible for registration and assessment of dealers. They are assisted by 30 Inspectors of Taxes for survey and other ancillary works in relation to registration and assessment of dealers.

<sup>2</sup> Zone I, II, III, IV and V and Headquarter, Imphal, Superintendent of Taxes, Churachandpur, Superintendent of Taxes, Moreh, Superintendent of Taxes, Kangpokpi (Now at Sekmai).

### 6.7.3. Scope of Audit

A review of the initial records in the office of the Commissioner of Taxes, six assessing units<sup>3</sup> at Imphal and all other three collecting units at Kangpokpi (Now Sekmai), Churachandpur and Moreh for the period 1999-2000 to 2003-04 was conducted between March and May 2004 with a view :

- to ascertain the efficiency of the Department in assessing the dealers correctly, raising demands of sales tax in time and ensuring prompt recovery thereof and
- to examine the adequacy of initial control system in the Department.

### 6.7.4. Budget estimates and actuals

The year-wise budget estimates and actual collection of sales tax during the period 1999-2000 to 2003-04 as furnished by the department were as below:

**Table No. 6.7**

**(Rupees in crore)**

Year	Budget estimate	Actual receipts	Shortfall(-)/excess (+)	Percentage of variations
1999-2000	32.75	22.87	(-) 9.88	(-) 30
2000-01	37.33	31.30	(-) 6.03	(-) 16
2001-02	26.00	29.52	(+) 3.52	(+) 14
2002-03	36.00	43.18	(+) 7.18	(+) 20
2003-04	39.55	46.12	(+) 6.57	(+) 17

There was significant shortfall in collection of revenue during 1999-2000 and 2000-01 respectively. Neither the reasons for the variations/shortfalls in collections nor explanation for fixing low budget estimates for 2001-02 and 2003-04 were furnished by the Department.

### 6.7.5 Filing of Returns by Registered Dealers

Under MST Act read with rules made thereunder, every registered dealer shall furnish quarterly returns within 30 days from the expiry of a quarter to the appropriate Assessing Authority. If any dealer fails to furnish the return within the time allowed without reasonable cause, the Commissioner may direct such dealer to pay penalty, in addition to tax payable by him, a sum not exceeding one and a half times of the tax payable.

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<sup>3</sup> Zone I, II, III, IV and V and Headquarter, Imphal.



The position of quarterly returns due and actually received during last five years was as under:

**Table No. 6.8**

Year	Total registered dealers	Dealers who submitted returns	Total quarterly returns receivable	Quarterly returns received	Quarterly returns due but not received	Percentage of shortfall in returns
1999-2000	5,159	896	20,636	3,584	17,052	83
2000-01	5,293	961	21,172	3,844	17,328	82
2001-02	5,484	985	21,936	3,940	17,996	82
2002-03	5,588	1,036	22,352	4,144	18,208	81
2003-04	5,976	1,218	23,904	4,872	19,032	80

The shortfall in receipt of quarterly returns varied from 80 to 83 *per cent* which the Department attributed to non filing of returns by contractors and suppliers executing works contract or supplying store to Government Departments/Offices. Since these contractors/suppliers had no established shops, Department expressed difficulties in contacting them for filing of returns. The reply is not tenable as all the dealers were registered and therefore necessary information should be available with the Department which is normally furnished at the time of registration.

#### 6.7.6. Assessment

The Rules provide that returns are to be furnished by dealers quarterly and the assessment of tax is to be made on yearly basis in case dealers submit returns regularly. In cases where dealers have defaulted in filing the returns in time, the assessment is to be made on best judgement basis.

Year-wise position of quarterly returns submitted for assessment, assessment completed and number of cases pending finalisation for the last five years is given below:

**Table No. 6.9**

Year	Opening balance	Returns submitted for assessment during the year	Total	Assessment completed	Assessment pending finalisation	Percentage shortfall in assessment
1999-2000	3,040	3,584	6,624	3,600	3,024	46
2000-01	3,024	3,844	6,868	3,460	3,408	50
2001-02	3,408	3,940	7,348	2,704	4,644	63
2002-03	4,644	4,144	8,788	3,088	5,700	65
2003-04	5,700	4,872	10,572	2,880	7,692	73

Although percentage of shortfall on assessment due as per returns submitted varied from 46 to 73, as compared to the total number of quarterly returns receivable the percentage of shortfall in assessment ranged between 83 and 88. The number of cases pending assessment has also doubled during last five years indicating slow disposal and inefficient functioning of the Department.

Test-check of records of the Superintendent of Taxes (HQ), Zone, Imphal further revealed that 51 registered dealers failed to submit their returns since registration between July 1992 and January 2004. The Department issued notices only to 10

dealers leaving 41 dealers unassessed. After this was pointed out in audit, the Department stated in November 2004 that action was being taken for cancellation of their registration certificates.

Thus, on one hand a large section of dealers were effectively kept out of the purview of tax net by not enforcing provisions regarding filing of returns. On the other hand the Department did not complete assessment of the returns in sizeable number of cases during the year resulting in non-assessment and non-realisation of Sales Tax Revenue. Moreover, no norms have been prescribed by the Department for the finalisation of assessment by the assessing officers.

On being asked about the reasons for shortfall in assessment of cases and steps taken to address the matter, the Commissioner of Taxes confirmed in May 2004 that no instructions were issued by the Government for expeditious disposal of pending assessments cases. He, however, agreed to issue instructions which were still awaited in audit as of November 2004.

#### ***6.7.7 Defective maintenance of records***

Rules provide that the Commissioner shall make the necessary entry in the register in Form ST-9 in respect of dealer whose registration has been cancelled or registration certificate amended as the case may be.

Test-check of records revealed that Superintendent of Taxes, Moreh cancelled registration certificates of 36 dealers during the period 1999-2000 to 2003-04. Neither any entry was made in the register in Form ST-9 nor any separate register was maintained to record the fact of such cancellation. The respective files were also not made available to audit for verification.

Non-maintenance of records in violation of provisions of Rules indicates inadequacy of internal controls in the Department.

#### ***6.7.8 Non-deposit of tax deducted at source to Government account***

As per Government notification of July 1994, any person or persons responsible for paying any sum as sales tax on the execution of works contract on behalf of any Department of the State Government shall deduct the amount of tax payable at the rates prescribed from time to time from the bill of the contractor or sub-contractor. The amount of tax so deducted shall be deposited into Government account within seven days from the date of deduction failing which the person responsible shall pay by way of penalty one and a half time of tax in addition to tax.

Test check of the records of the Superintendent of Taxes, (Headquarter Zone) Imphal revealed in May 2004 that a work of special repair of NH-39, Maram to Imphal Section (Sh: providing 50 mm BM and 25 mm SDBC from Km 247 to Km 260) was awarded to a contractor in December 2001. The contractor was made payments of Rs.2.44 crore and tax of Rs.13.65 lakh was reported to be deducted by the Regional Officer, Ministry of Shipping, Road Transport and Highways, Guwahati upto the 4<sup>th</sup> Running Account bill of the contractor but an

amount of Rs.1.56 lakh only was deposited to Government account till December 2004. The balance amount of Rs.12.09 lakh was not yet deposited as per requirement of the aforesaid provisions. Besides, penalty was also leviable for non-depositing the amount in time.

The Department stated (December 2004) that the matter was being pursued with the Regional Officer, Guwahati to deposit the balance amount.

#### **6.7.9. Internal Control**

The following deficiencies were noticed in audit in respect of internal control mechanism of the Department:

All the applications received for registrations are to be recorded in a register through which their disposal is to be monitored.

Test check of six<sup>4</sup> units revealed that neither any format was prescribed nor any instructions/guidelines issued for keeping records of applications received for registration and for watching their timely disposal. The date of receipt of application was not also recorded on the applications making it difficult to ascertain in audit whether the cases were disposed of expeditiously within the time limit prescribed under the Act.

The Commissioner of Taxes stated (May 2004) that a new file was opened for each application for prompt action. However, a proforma was under preparation for maintaining record of applications for better monitoring.

As per MST Act, the Commissioner shall issue on a dealer a notice requiring him to produce or cause to be produced any evidence on which he may rely in support of his return.

It has been observed that the annual accounts were neither furnished by the assessee alongwith returns nor were kept on record by the assessing officers for verification by the audit about correctness of the assessments made by the assessing officers.

The Department claimed in May 2004 that system had been evolved for detection of bogus/casual dealers so that they may not escape tax since their goods have to pass through the taxation check post. The Department further claimed that whenever such cases were detected, tax as well as penalty on the value of goods brought were realised at the spot by the check post authorities.

Test-check of records of Superintendent of Taxes, Kangpokpi (now at Sekmai) check post revealed that neither the Superintendent of Taxes, Sekmai sent any statement of tax collected from casual dealers in Form ST-20 to the office of the Commissioner nor any register was maintained by the Commissioner in Form ST-21 for tax/penalty collected and statement in Form ST-22 of collection by challans for Treasury/sub-treasury verification as required under the provision of Rule 37 (4) (5) (6) and (7) of the Manipur Sales Tax Act Rules, 1990.

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<sup>4</sup> ST Zone I, II, III, IV, V and HQ.

There is no provision in the Act/Rules for surprise check of the stock position of dealers. However, surprise checks are stated to have been conducted in the market area occasionally as instructed by the Commissioner of Taxes as and when required but no record of such checks was maintained by the Department. In the absence of such checks dealers operating without registration, bringing in goods without declaration and accuracy of stock position and turnover with reference to return can not be detected/ascertained.

There was a casual approach in registration, taking action in case of non-submission of returns, pending assessment and collection of taxes. Essential records were not properly maintained and no effective action was taken against the defaulters who failed to file returns for long periods. This is indicative of failure of internal control mechanism in the department which, inter alia, made room for a number of cases of concealment/furnishing of inaccurate particulars by the dealers resulting in evasion of tax and consequent short realisation/loss of revenue as would be evident from the illustrative cases cited below:

#### ***6.7.10 Concealment of turnover***

The provisions of the MST Act, 1990 empowers the Commissioner to direct that a dealer who has, to his satisfaction, concealed the particulars or deliberately furnished inaccurate particulars relevant to the determination of his liability to tax, shall pay by way of penalty, in addition to the tax payable by him a sum not exceeding one and a half times that amount, subject to being given reasonable opportunity of being heard.

Test-check of records of the Superintendent of Taxes (ST Zone I) revealed that a dealer had imported paints and colour worth Rs.27.11 lakh along with other hardware goods during the period ending from September 2002 to September 2003 but while furnishing returns he had shown turnover of hardware goods and was assessed accordingly. Non-depiction of turnover of paints and colours in the returns resulted in evasion of tax of Rs.2.71 lakh. The Department stated in December 2004 that the dealer was re-assessed. However, actual realisation was awaited (January 2005).

Test check of records of the Superintendent of tax (ST Zone I, III, IV, HQ & Churachandpur) revealed that in the case of thirteen dealers the taxable turnover of Rs.6.95 crore was assessed to tax as per returns furnished by them for the period from June 2000 to December 2003. Cross verification of the records of Superintendent of Taxes, Sekmai check post revealed that these dealers had imported goods valued at Rs.10.73 crore. This resulted in concealment of turnover of Rs.3.78 crore and loss of tax of Rs.81.06 lakh including penalty.

The Department stated in December 2004 that seven dealers were re-assessed and raised demand of Rs.15.92 lakh and realised Rs.0.66 lakh from one dealer.

**6.7.11 Recommendation/Suggestion:**

- There is need for enhanced coordination between all departments executing Works and Sales Tax Department to prevent tax evasion by the Contractors.
- An effective Management Information System should be developed by the Sales Tax Department for the purpose of monitoring all purchases, sales transaction of business, transportation of goods etc., through constant data inflow from check-posts and other departments to the Taxation Department.
- Internal control system should be evolved/developed by the Department for effective monitoring of activities like registrations etc.
- There is a need to put in place a system of surprise check to ensure correct reporting by dealer and registration of all the dealers engaged in business but not yet registered.
- The Government should take strict measures to improve compliance in filing of returns by the dealers.
- The matter was reported to Government in August 2004; their replies were awaited (January 2005).

**SECTION "B"  
(AUDIT PARAGRAPHS)**

**TAXATION DEPARTMENT**

**SALES TAX**

**6.8 Non-levy of Sales Tax Rs.6.93 lakh**

**Tax of Rs.6.93 lakh was not levied from a dealer on account of non-submission of return/annual statement of accounts.**

As per provisions of Manipur Sales Tax Act 1990 (MST Act), every registered dealer is required to furnish return quarterly within thirty days from the expiry of a quarter to the appropriate Assessing Authority failing which the assessing authority may direct that such dealer shall pay by way of penalty, in addition to tax payable by him a sum not exceeding one and a half times that amount.

Test check of the records of the Superintendent of Taxes, Churachandpur revealed in October 2001 that a dealer registered in May 2000, failed to submit the quarterly returns for the period ending June, September and December 2000. Cross verification of the records with the records maintained at Kangpokpi revealed that dealer imported MS rod and cement valued at Rs.86.62 lakh during this period. The dealer also failed to submit the annual statement of account to the assessing authority. This resulted in non-levy of tax of Rs.6.93 lakh, besides penalty was also leviable.

After this was pointed out in audit, the Department stated in December 2004 that demand notice was served to the dealer in July 2002 for tax amount of Rs.7.38 lakh including penalty. A reminder was also issued to the dealer in August 2004 but the dealer failed to turn up. It was further reported that the shop/firm was closed since 2002.

The matter was reported to Government in August 2004; the reply was awaited (January 2005).

**6.9 Short levy of tax**

**Reduction in purchase value by tax authority resulted in short levy of Rs.1.56 lakh.**

As per provisions of the M.S.T. Act, if a dealer fails to file a return, the Commissioner shall, by an order in writing, assess him to the best of his judgement and determine the tax payable by him on the basis of such assessment, after allowing the dealer such further time as he thinks fit.

Test-check of the records of Superintendent of Taxes Zone II, Imphal revealed in May 2004 that while finalising the assessment of a dealer for the year 2002-03 on best judgement basis the purchase turnover was fixed as Rs.53.71 lakh. Cross verification of records maintained at Sekmai check post revealed that dealer had declared value of goods as Rs.73.23 lakh (as per Form ST 35). This resulted in short levy of tax of Rs.1.56 lakh on escapement of purchase turnover of Rs.19.52 lakh.

After this was pointed out in audit, the Department stated (December 2004) that the dealer was re-assessed taking the value of unsold goods at Rs.9.52 lakh and raised demand of Rs.0.85 lakh. The reply is not tenable as the value of unsold goods was determined without actual verification of the closing stock

The matter was reported to Government in August 2004; their reply was awaited (January 2005).

#### **6.10 Non-realisation of tax and penalty of Rs.50.73 lakh**

##### **Non-realisation of tax and penalty Rs.50.73 lakh from the transporters.**

Under Manipur Sales Tax Rule, 1990, no dealer or person shall transport any goods without declaration in form S.T.-35, S.T.-36 or S.T.-37 and a bill or invoice. Contravention of this rule by any dealer shall render him liable to pay by way of penalty, in addition to tax payable by him, a sum not exceeding one and a half times that amount. The rule further provides that if any dealer or person fails to clear the due tax payable at the check post, the transporters shall pay the tax along with penalty if the goods are released without the above documents.

Test check of “Daily Goods Movement Register” and “Detailed Statement of Trucks carrying goods cum spot Assessment Report” maintained by the Superintendent of Taxes, Sekmai Check Post for the period from April 1999 to March 2004 revealed in May 2004 that 50 dealers/transport agencies transported goods valued at Rs.3.33 crore without declaration Form ST 35 and the check post Authority released the concerned vehicles without realisation of tax Rs.50.73 lakh including penalty.

The Superintendent of Taxes, Sekmai Check Post stated in December 2004 that the transport agencies were not registered with the Department, as such they had not submitted any returns. The reply is not tenable because as per rules transport agencies are to pay tax and penalty if the dealers fail to do so.

While accepting the audit observation the Department stated in December 2004 that tax and penalty amounting to Rs.15.02 lakh was realised from 13 transport agencies.

The matter was reported to Government in August 2004; their reply was awaited (January 2005).

## SHOW TAX

### 6.11 Short-realisation of Show tax

#### **Non-application of rate prescribed by court resulted in short-realisation of tax to the tune of Rs.9.34 lakh.**

The Assam Amusements and Betting Tax Act, 1939 as extended to the State of Manipur provided that in the case of cinematograph exhibition, in addition to the entertainment tax there shall be levied a tax at the rate of rupees five per show which was enhanced to Rs.100 with effect from 1 August 1998. In the meantime, the Hon'ble Guwahati High Court, Imphal Bench passed an interim order (7 June 1999) against writ petition filed by Cine Exhibitors Association of Imphal ruling payment of 50 *per cent* of the enhanced tax by the petitioners subject to the final outcome of the writ petition which is still pending (September 2004).

Test-check (May 2002 and June 2003) of records of the Commissioner of Taxes (Entertainment and Amusement Tax) revealed that tax amounting to Rs.0.83 lakh at the old rate of Rs.5 per show was collected from the proprietors of 10 cinema halls in respect of 20,349 shows held during the period from 1999-2000 to 2002-03 against leviable tax of Rs.10.17 lakh as per court's interim order. This resulted in short-realisation of tax to the tune of Rs.9.34 lakh.

After this was pointed out in audit, the Department stated in May 2004 that demand notices up to the year 2001-02 had since been issued to proprietors of cinema houses. The Department also directed the Deputy Commissioners, Imphal East and Imphal West in August 2004 to recover the show tax as arrears of land revenue for the entire period upto 2002-03. Report on actual realisation was awaited as of January 2005.

The matter was reported to the Government in August 2004; reply has not been received (January 2005).



## TAXATION AND TRANSPORT DEPARTMENTS

### PROFESSIONAL TAX

#### 6.12 Non-levy/realisation of Professional Tax

##### **Professional tax to the tune of Rs.6.22 lakh due from mill owners and permit holders of vehicles.**

As per Manipur Professions, Trades, Callings and Employments Taxation (Fifth Amendment) Act, 1991, every person who carries on a trade shall be liable to pay tax for each year at the rates prescribed and shall get himself duly registered for the purpose. In case of the trader's failure to apply for registration, the assessing authority may impose upon him a penalty not exceeding Rs.5 for each day of delay. The Government of Manipur vide their Notification dated 14 November 2000 appointed the Chief Inspector of Factories as Additional Taxation Officer (re-designated as Superintendent of Taxes) for collection and deposit of Professional Tax from persons holding license/permit of saw mill/rice mill at the rate specified in the schedule appended to the Act fixed at Rs.500 per annum.

Test check in June 2003 of records of the Superintendent of Taxes (Professional Tax), Imphal revealed that the assessing authority renewed licenses/permits issued to 270 mill owners prior to 1995 (Rice mill-222, Atta/Flour mill-21 and Oil mill-27). During the period from 1999 to 2003 (calendar year), neither these mill owners got themselves registered nor was any action taken by the Assessing Authority to bring them under purview of Professional Tax Act as required under the said Act. This resulted in non-realisation of Professional Tax of Rs.4.29 lakh for the period 1999-2000 to 2003-04 apart from penalty leviable as per provisions of the Act.

After this was pointed out by audit in June 2003, the Department stated in July 2003 notices had been issued to all mill owners to pay the professional tax. The Commissioner of Taxes, Manipur, further stated in July 2004 that eight mill owners had paid professional tax amounting to Rs.9,000 for the years 1999-2000 to 2003-04. Further reply was awaited (January 2005).

The matter was reported to the Government in May 2004, their reply had not been received in January 2005.

Under the provision of the Manipur Professions, Trades, Callings and Employment Taxation Act 1981, the Government of Manipur by a notification issued in October 2000 appointed the District Transport Officer (DTO) posted in every district of the State as the Additional Taxation Officer re-designated as Superintendent of taxes for collection of Professional Tax in his/her administrative jurisdiction from persons holding permit for taxies, goods vehicles, trucks, buses and three wheelers at the rate of Rs.1,000 per annum and deposit of the same into the Government account.

Test-check of records of DTOs of Churachandpur and Thoubal Districts revealed (November 2003) that 193 permits in respect of various vehicles were issued during 2001-02 to 2003-04 on which professional tax of Rs.1.93 lakh though realisable was not collected. No demand notices were issued by the Department to the permit holders in this regard.

After this was pointed out in audit the DTO's Churachandpur and Thoubal issued demand notices in December 2003. However, the progress of realisation was awaited (January 2005).

The matter was reported to the Government in May 2004; their reply was awaited (January 2005).

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## TRANSPORT DEPARTMENT

### 6.13 Non-realisation of permit fee and penalty

**Permit fee and penalty to the tune of Rs.1.90 lakh in respect of 110 heavy vehicles were not realised for periods ranging from nine months to more than four years.**

The Manipur Motor Vehicles Taxation (MMVT) Act, 1998 provides that there shall be levied and collected, on all motor vehicles used or kept for use in Manipur, a tax in advance at the appropriate rate specified in the Act and by appropriate opted mode of payment which *inter alia* includes permit fee payable annually or quarterly at the rates applicable for the specific class of vehicle. In case of default, the vehicle owner shall be punishable with fine which may extend to a sum equal to the annual tax payable and when any person without any reasonable cause fails to pay the tax, the registering authority shall proceed to recover such tax, including penalty as arrears of land revenue.

Test-check of records of the District Transport Officer, Thoubal revealed in November 2003 that renewal permit fee was not realised in respect of 110 goods vehicles for periods ranging from nine to 57 months although these vehicles were allowed to ply on road during the years from 2000-01 to 2003-04. This was mainly due to lack of proper monitoring and non-issue of demand notices in time to the defaulters who failed to pay renewal fee as per schedule. This resulted in non-realisation of fees and penalty amounting to Rs.1.90 lakh.

After being pointed out in audit, DTO, Thoubal realised permit fee and penalty of Rs.0.04 lakh in case of three vehicles in June 2004 and issued demand notices of Rs.0.18 lakh to fourteen vehicle owners, as per reply furnished by the Director of Transport, Manipur in July 2004. Position of further recovery was awaited (January 2005).

The matter was brought to the notice of the Government in May 2004; reply was awaited as of January 2005.

**GENERAL ADMINISTRATION DEPARTMENT**

**6.14 Loss of revenue due to application of incorrect rate of room rent and irregular allowance of use of State Guest House.**

**Application of incorrect rate of room rent resulted in loss of revenue to the tune of Rs.3.89 lakh.**

The Manipur State Guest House (Accommodation) Rules, 1989 provides that accommodation in the State Guest House shall not be reserved for a period for a continuous stay of more than seven days in one spell. However, Administration may extend this period in special circumstances but for not more than 30 days in any case. In such cases, the officer/official occupying the room beyond seven days should pay three times the normal room rent per day per bed. The increased room rent shall be charged from the eighth day of occupation of room in the State Guest House. Further, the room rent is to be paid in advance on the day reservation is made.

Test check of records of the State Guest House, Imphal revealed in February 2003 that an amount of Rs.0.52 lakh was realized as room rent from 50 occupants (other than serving Government employees) staying in the rooms continuously for more than seven days during the period March 1999 to May 2002 as against total recoverable amount of Rs.4.41 lakh. Though the continuous stay of the occupants ranged between 12 days to 267 days, room rents were collected at the normal rate in violation of the said Rule. Further, 32 out of the above 50 occupants were irregularly allowed to stay in the Guest house continuously beyond 30 days which was not permissible as per rules.

Thus, due to application of incorrect rates of room rent, there was a short-realisation of Rs.3.89 lakh resulting in loss of Government revenue apart from irregular stay in the State Guest House for more than permissible period.

The matter was reported to the Government in August 2004. The Government in their reply furnished in October 2004 intimated that it would revise the existing rate of room rent based on the rates charged in the neighbouring states but did not issue any instructions for recovery of above amounts from 50 occupants.

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**POWER DEPARTMENT**

**6.15 Non-realisation of electricity charges from the occupants of Government quarters**

**Vacation of Government quarters by the occupants without clearing electricity charges resulted in non-realisation of electricity charges to the tune of Rs.3.51 lakh.**

As per Manipur Electricity Supply Regulations, 1971 as amended from time to time, where any consumer neglects to pay dues for energy charges in respect of the supply of energy to him, such charges shall be recovered by suit or on application to a Magistrate having jurisdiction therefor, by distress and sale of any movable property belonging to such consumer. The Government of Manipur with a view to realise electrical dues from Government employees ordered in March 2000 that all employees residing in Government quarters should obtain 'No Due Certificate' (NDC) from the Electricity Department and also directed the Drawing and Disbursing Officers to prepare pay bills of such employees only after production of valid 'NDCs'.

Test-check of records of the Executive Engineer, Electrical Division No.II, Imphal revealed in January 2003 that 39 consumers residing in Government quarters vacated their quarters during the period May 1998 to August 2002 without paying the electricity charges amounting to Rs.3.51 lakh.

Neither NDC was insisted upon by the concerned departments at the time of vacation of quarters by the employees nor the Electrical Division took any action to get the outstanding dues recovered from such employees as required under provisions of the Regulation.

This resulted in non-realisation of electricity charges amounting to Rs.3.51 lakh.

After the irregularity being pointed in audit in May 2003, the Executive Engineer issued demand notices in October 2004 to the respective Drawing and Disbursing Officers for recovery of the dues. The results of recovery were awaited (January 2005).

The matter was brought to the notice of the Government of Manipur in June, 2004. The Power Department, Manipur stated in October 2004 that action for realisation of outstanding dues from the defaulting consumers through their respective departments had been initiated. Report on actual realisation was however, awaited as of January 2005.

**6.16 Short-levy of electricity charges due to incorrect billing**

**Application of incorrect rates for billing of electrical energy supplied without meters resulted in short levy of electricity charges to the tune of Rs.2.03 lakh.**

As per Manipur Electricity Supply Regulations 1971, where supply of electricity to the consumer has been given without a meter for any reason, energy charges for bulk supply (load above 10 KW) are leviable at the flat rates of Rs.492 per KW of contract demand per month plus demand charge at the rate of Rs.61 per KW of 60 *per cent* of the contract demand per month for the period from 12 July 2001 to 2 September 2002 and Rs.458.50 per KW of contract demand per month as energy charges plus demand charge at the rate of Rs.74 per KW of 60 *per cent* of the contract demand per month from 3 September 2002 onwards. Where the meter has been provided and working, the monthly minimum charges leviable from the consumer corresponding to these rates are Rs.295 and Rs.273 respectively, per KW of contract demand per month plus demand charges.

Test-check of records of the Executive Engineer, Bishnupur Division, Electricity Department, revealed in January 2003 that during the period between August 2001 and December 2002, the division levied electricity charges of Rs.3.02 lakh instead of Rs.5.05 lakh in case of two consumers due to incorrect application of rates. These consumers were without energy meters. This resulted in short-levy of Rs.2.03 lakh.

After this was pointed out in audit, the department issued revised bills in May 2004. Further reply was awaited (January 2005).

The matter was reported to Government in June 2004. The Government of Manipur, Power Department stated in October 2004 that the shortfall had been accounted for and it would be realised from the consumers. Report on realisation was, however, awaited as of January 2005.