

CHAPTER – VI

REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

6.1.1 Total receipts of the Government of Mizoram for the year 2001-2002 were Rs.867.79 crore. The position of revenue raised by the State Government and State's share of divisible Union Taxes and grants-in-aid received from Government of India during the year and preceding two years is given below:-

Table 6.1

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002
		(Rupees in crore)		
	Revenue raised by the State Government			
I.	(a) Tax Revenue	10.73	14.43	19.12
	(b) Non-Tax Revenue	41.35	40.37	44.87
	Total : I	52.08	54.80	63.99
	Receipts from Government of India			
	(a) State's share of divisible Union taxes	325.04	87.45	43.73
	(b) Grants-in-aid	483.72	685.97	760.07
	Total : II	808.76	773.42	803.80
III.	Total receipts of the State Government – I + II	860.84	828.22	867.79

6.2 Tax revenue raised by the State

6.2.1 Receipts from tax revenue constituted 30 *per cent* of the State's own revenue receipts during the year 2001-2002. Details of tax revenue for the year 2001-2002 and the preceding two years are given below :-

Table 6.2

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002		Percentage of increase (+) / decrease (-) over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
2.	Sales Tax	3.61	6.06	6.00	9.85	(+) 63	(+) 64
3.	Other Taxes on Income and Expenditure	2.38	3.32	3.50	3.62	(+) 09	(+) 03
4.	Taxes on Vehicles	1.83	2.02	1.90	2.10	(+) 4	(+) 11
5.	Land Revenue	1.26	1.16	1.40	1.24	(+) 7	(-) 11
6.	Taxes on Goods and Passengers	0.39	0.51	0.50	0.53	(+) 4	(+) 6
7.	Other Taxes and Duties on Commodities and Services	0.25	0.32	0.35	0.34	(+) 06	(-) 03
8.	Stamps and Registration Fee	0.08	0.07	0.10	0.08	(+) 14	(-) 20
9.	Taxes on duty on Electricity	---	0.01	---	---	---	---
Total:		10.73	14.43	14.65	19.12	(+) 33	(+) 31

6.2.2 The reasons for variations in receipts during 2001-2002 over those in 2000-2001 as well as in actuals during 2001-2002 with reference to budget estimates had not been furnished (November 2002).

6.3 Non-tax revenue of the State

6.3.1 Non-tax revenue constituted 68 *per cent* of State's own revenue receipts during 2001-2002. Miscellaneous General Services, Power, Other Industries, Road Transport, Water Supply and Sanitation, Forestry and Wild Life and Other Administrative Services were the principal sources of non-tax revenue of the State.

6.3.2 Details of non-tax revenue under the principal heads for the year 2001-2002 and preceding two years are given below:

Table 6.3

(Rupees in crore)

Sl. No.	Heads of revenue	1999-2000	2000-2001	2001-02		Percentage of increase(+)/decrease (-) over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
1.	Miscellaneous General Services	3.41	3.86	3.50	5.00	(+) 30	(+) 43
2.	Power	13.28	17.79	15.50	23.04	(+) 30	(+) 49
3.	Other Industries	3.48	0.06	0.07
4.	Forestry and Wild Life	3.99	1.86	2.0	1.63	(-) 12	(-) 19
5.	Public Works	0.32	0.89	0.35	0.50	(-) 44	(+) 43
6.	Road Transport	2.02	1.93	2.07	1.71	(-) 11	(-) 17
7.	Water Supply and Sanitation	2.33	2.87	2.50	3.49	(+) 22	(+) 40
8.	Supplies and Disposals	0.21	0.85	0.80	0.02	(-) 98	(-) 98
9.	Other Administrative Services	6.26	1.65	0.90	2.44	(+) 48	(+) 171
10.	Crop Husbandry	0.86	0.85	0.71	0.57	(-) 33	(-) 20
11.	Stationery and Printing	0.71	0.38	0.55	0.35	(-) 8	(-) 36
12.	Interest Receipts	0.83	3.12	1.20	1.45	(-) 54	(+) 21
13.	Animal Husbandry	0.43	0.30	0.55	0.40	(-) 33	(-) 27
14.	Education, Sports, Art and Culture	0.29	0.31	0.34	0.41	(-) 32	(+) 21
15.	Roads and Bridges	0.68	0.43	1.10	0.27	(-) 37	(-) 75
16.	Other Rural Development Programmes	0.03	0.03	0.03	0.11	(+) 267	(+) 267
17.	Village and Small Industries	0.05	0.08	0.05	0.09	(+) 13	(+) 80
18.	Others	2.17	3.11	2.81	3.39	(+) 9	(+) 21
Total :		41.35	40.37	35.03	44.87	(+) 11	(+) 28

6.3.3 The reasons for variations in receipts during 2001-2002 over those in 2000-2001, as well as in actuals during 2001-2002 with reference to budget estimates had not been furnished (November 2002).

6.4 Revenue realisation *vis-a-vis* budgeting forecast

6.4.1 The trend of actual revenue raised by the State Government compared to budget estimates during the five year's period ending March 2002 is as under:

Table 6.4

(Rupees in crore)

Year	Budget Estimates			Actuals			Increase (+)/decrease (-) (and percentage of variation) with reference to budget estimates		
	Tax Revenue	Non-Tax Revenue	Total	Tax Revenue	Non-Tax Revenue	Total	Tax Revenue	Non-Tax Revenue	Total
1997-1998	6.98	40.84	47.82	7.87	45.75	53.62	(+) 0.89 (13)	(+) 4.91 (12)	(+)5.80 (12)
1998-1999	7.89	36.77	44.66	9.20	36.18	45.38	(+) 1.31 (17)	(-) 0.59 (-2)	(+)0.72 (2)
1999-2000	8.65	33.61	42.26	10.73	41.35	52.08	(+) 2.08 (24)	(+) 7.74 (23)	(+)9.82 (23)
2000-2001	10.82	32.64	43.46	14.43	40.37	54.80	(+) 3.61 (33)	(+) 7.73 (24)	(+)11.34 (26)
2001-2002	14.65	35.03	49.68	19.12	44.87	63.99	(+) 4.47 (31)	(+) 9.84 (28)	(+)14.31 (29)

6.4.2 The total revenue raised by the State Government during the period from 1997-98 to 2001-2002 was in excess over the estimated provision and the excesses ranged between 12 per cent and 29 per cent except for the year 1998-1999 (2 per cent). The tax revenue raised by the Government was in excess over the budget estimates and the excesses ranged between 13 per cent and 31 per cent while in the case of non-tax revenue the excesses varied between 12 per cent and 28 per cent except for the year 1998-1999 (-2 per cent). This indicates that the revenue forecasting in the budget was not made on realistic basis.

6.5 Follow up on Audit Reports – Summarised position

6.5.1 With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instruction for submission of *suo-motu* replies on all paragraphs and reviews featuring in the Audit Reports within 3 months. As regards Action Taken Notes (ATNs) on the recommendations of the PAC, the Committee specified the time frame for submission of ATNs as six months.

6.5.2 Review of follow up on submission of *suo-motu* replies and submission of ATNs as of 31 October 2002 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed as under:-

6.5.3 The departments of the State Government had not submitted *suo-motu* replies on 18 paragraphs and 1 review featured in the Audit Reports for the years 1992-1993 to 2000-2001 in respect of revenue receipts as detailed below:

Table 6.5

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/ reviews included in the Audit Report (excluding standard paragraphs)		Number of paragraphs/ reviews on which <i>suo motu</i> replies are awaited	
		Paragraphs	Reviews	Paragraphs	Reviews
1992-1993	21.3.95	1	---	1	---
1993-1994	27.9.95	1	---	1	---
1994-1995	19.3.96	2	---	2	---
1995-1996	17.7.97	5	---	1	---
1998-1999	13.4.2000	3	---	3	---
1999-2000	17.10.2001	3	---	3	---
2000-2001	26.3.2002	7	1	7	1
Total		22	1	18	1

6.5.4 The department failed to submit ATN of 1 paragraph pertaining to Revenue Receipts for the year 1987-88 (para 6.7) on which the recommendations were made by PAC in its 54th Report presented before the State Legislature in October 1993.

6.5.5 Thus failure to comply with the instructions of the PAC by the respective Departments resulted in the objectives of ensuring accountability of the executive remaining unfulfilled.

6.6 Response of the departments to Draft Audit Paragraphs

6.6.1 The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each such paragraph included in the Audit Report.

6.6.2 8 Draft paragraphs and 1 review pertaining to Revenue Receipts, proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2002, Government of Mizoram were forwarded to the Secretaries of the respective departments during May-July 2002 through demi official letters.

6.6.3 The Secretaries of the departments did not send replies to any of the Draft paras and Review in compliance to the request of Audit. As such these Paragraphs have been included in this Report without the response of the departments.

SECTION – A - REVIEW

FINANCE (TAXATION) DEPARTMENT

6.7 Assessment, levy and collection of Sales Tax in Mizoram

Highlights

Minimum taxable turnover of Rs.17.54 crore in respect of 6 dealers escaped taxation, thereby resulting in evasion of tax of Rs.51.46 lakh at the least; penalty of Rs.77.19 lakh leviable was also not levied in these cases.

(Paragraph 6.7.9 & 6.7.10)

Concealment of taxable turnover of Rs.1.70 crore in respect of 3 dealers resulted in under-assessment of tax of Rs.4.07 lakh.

(Paragraph 6.7.14)

Tax of Rs.33.32 lakh was not levied in respect of inter-State Sales of goods valued at Rs.3.33 crore by 31 un-registered dealers.

(Paragraph 6.7.17)

There was loss of revenue of Rs.25.10 lakh due to erroneous notification.

(Paragraph 6.7.21)

There was short levy of tax of Rs.3.11 lakh due to incorrect exemption.

(Paragraph 6.7.24)

Concealment of taxable turnover of Rs.44.25 lakh by one un-registered dealer resulted in evasion of tax of Rs.4.84 lakh with non-levy of Penalty of Rs.7.26 lakh.

(Paragraph 6.7.27)

Interest of Rs.4.23 lakh was not levied for delayed payment of tax by a dealer.

(Paragraph 6.7.30)

Shortage/missing of 15830 'C' Forms and 1282 'F' Forms escaped notice of the Department.

(Paragraph 6.7.36)

Introduction

6.7.1 The assessment, levy and collection of Sales tax is governed by the Mizoram Sales Tax (MST) Act 1989, the Mizoram (Sales of Petroleum Products including Motor Spirit and Lubricant) Taxation Act 1973 (MSPMSL, Act 1973), the Central Sales Tax Act 1956 and the Rules framed thereunder and administrative instructions issued from time to time. The MST Act 1989 was suspended from 01 April 1993 by the Government of Mizoram but was again brought into force from 01 November 1999 and only 7 items were brought under tax net. Subsequently, the taxable items were increased to 9 and 15 from 01 July 2001 and 01 October 2001 respectively. The Department had not prepared till date any Manual containing the procedure, duties and functions of officers relating to implementation of the relevant Acts and Rules.

Organisational set-up

6.7.2 At the apex level, overall responsibility of Sales Tax administration lies with the Commissioner of Taxes (CT), Mizoram who is assisted by one Joint Commissioner of Taxes and 3 Deputy Commissioners of Taxes at Headquarters. The State is divided into 3 Taxation Zones (*viz.*, Aizawl North, Aizawl South and Lunglei) and each Zone is headed by an Assistant Commissioner of Taxes (ACT). Survey and registration of dealers, assessment, raising of demand and collection of Sales Tax *etc.*, under the Act are made by three Superintendents of Taxes (SOT) in 3 unit offices in the State. The Inspectors of Taxes are responsible for conducting survey and are also required to assist the SOT in matters relating to registration and assessment of dealers.

Scope of audit

6.7.3 A review on assessment, levy and collection of Sales Tax was conducted during March-April 2002 covering the period 1997-1998 to 2001-2002 to evaluate the adequacy and efficiency of the system and proper administration of the Taxation Department of the Government of Mizoram. In addition to the records maintained in the office of the CT, Mizoram records of 2 unit offices under Aizawl North and South Zones out of 3 units and the only check-post (Vairengte) in the State were also test checked. The audit findings are discussed in the succeeding paragraphs.

Growth of Registered dealers

6.7.4 The table below indicates the number of registered dealers during 1997-1998 to 2001-2002 and the percentage of increase in their numbers from year to year.

Table 6.6

Year	No. of Regd. Dealers at the beginning of the year	No. of dealers registered during the year	No. of dealers who cancelled registration voluntarily during the year	No. of dealers at the end of the year	Increase (+) Decrease (-) (in percentage)
1997-98	44	--	7	37	(-) 15.91
1998-99	37	--	6	31	(-) 16.22
1999-2000	31	138	--	169	(+) 445.16
2000-2001	169	38	11	196	(+) 15.98
2001-2002	196	186	--	382	(+) 94.90

6.7.5 Maximum growth was noticed during 1999-2000 consequent upon re-introduction of MST Act on 01 November 1999. Though numbers of registered dealers increased during 2001-2002, the trend of increase was not uniform during the period of review.

Trend of revenue

6.7.6 The budget estimates vis-à-vis revenue realised by the State from Sales Tax during the year 1997-1998 to 2001-2002 are shown below:

Table 6.7

Year	Budget Estimates	Actual receipt	Excess(+) shortfall(-)	Percentage of excess (+) short fall (-)
	(Rupees in Lakh)			
1997-1998	170	250.75	(+) 80.75	(+) 47.50
1998-1999	197	286.66	(+) 89.66	(+) 45.51
1999-2000	270	360.57	(+) 90.57	(+) 33.54
2000-2001	400	605.85	(+) 205.85	(+) 51.46
2001-2002	600	978.72	(+) 378.72	(+) 63.12

6.7.7 Budget estimates were not made on realistic basis as the actual collection was far above the estimated receipts during the last 5 years. The reasons for variation between the budget estimates and actuals although called for (May and July 2002) have not been received.

Assessment, levy and collection of Sales Tax

Turnover escaped assessment

6.7.8 Under Section 15(I) of the MST Act, 1989, every registered dealer is required to file return of his total taxable turnover correctly within the due dates to the prescribed authority. Further, Section 22 (2) (a) of the Act, *ibid* provides that if any dealer conceals the particulars of his turnover or deliberately furnishes inaccurate particulars of such turnover, he shall be liable to pay penalty in addition to the tax payable by him, a sum not exceeding one and a half times of the tax due.

6.7.9 Test check (April 2002) of assessment records of Sales Tax Unit Offices under North Zone and South Zone, Aizawl revealed that 6 (six) registered dealers disclosed net taxable turnover of Rs.28.31 crore (Goods worth Rs.23.44 crore taxable at 2 per cent and worth Rs.4.87 crore at 5 per cent) for the period during 01 November 1999 and 31 March 2001 and these dealers were assessed accordingly between November 2000 and April 2002 for the aforesaid periods against minimum taxable turnover of Rs.45.85 crore (i.e., Rs.35.51 crore taxable at 2 per cent and Rs.10.34 crore at 5 per cent) based on cost price (sale price is not known in these cases). Such irregular assessments had resulted in escapement of turnover of Rs.17.54 crore (i.e., Rs.12.08 crore at 2 per cent and Rs.5.46 crore at 5 per cent) with consequential evasion of tax of at least Rs.51.46 lakh as detailed below:

Table 6.8

Name of the assessing Unit	No. of regd. dealers	Items purchased (rate of tax)	Opening stock as on 01 November 1999	Purchase made during 01 November 1999 to 31 March 2001	Closing stock as on 31 March 2001	Taxable Turn-over	Turn-over disclosed and assessed	Turnover concealed	Tax evaded
			(Rupees in lakh)						
SOT, North Zone, Aizawl	4	Motor Vehicle, Motor Cycle. (2 per cent)	11.76	3340.42	19.57	3332.61	2155.39	1177.22	23.54
-- do--		Motor Parts, Tyre, Tube, T.V, Refrigerator, Washing Machine Etc., (5 per cent)	35.77	1078.29	105.47	1008.59	478.64	529.95	26.50
SOT South Zone, Aizawl	2	Motor Cycle, Motor Vehicle (2 per cent)	3.80	221.94	6.76	218.98	188.60	30.38	0.61
--do--		Motor Parts Tyre, Tube, Water Cooler etc., (5 per cent)	8.29	18.73	2.02	25.00	8.82	16.18	0.81
TOTAL	6		59.62	4659.38	133.82	4585.18	2831.45	1753.73	51.46

6.7.10 The tax effect would be even more if element of profit is taken into consideration. Besides, penalty not exceeding Rs.77.19 lakh for such willful concealment of turnover of sales was also leviable but not levied.

6.7.11 In reply the department in the case of 1 dealer of SOT South Zone stated (September 2002) that the closing stock of 1.01 lakh of the dealer as on 31 March 2001 was corrected as 7.80 lakh because closing of the previous year was not taken as opening stock of that year and hence there was no concealment. The reply is not tenable as the closing of previous year was taken into account while calculating the concealment of turnover in audit. In case of another dealer of the Zone, the department stated (September 2002) that the assessment was rectified under Section 21 of the MST Act instead of Section 19 *ibid* thereby irregularly allowing deduction of Rs.7.76 lakh from taxable turnover being value of goods returned on the plea of accident which

the dealer neither claimed in his return nor was such concession allowed by the Assessing Officer in original assessment. In case of 4 dealers of North Zone, the Department while admitting the facts stated that notices were issued to all the 4 dealers to produce books of accounts for verification and making fresh assessment.

Concealment of turnover

6.7.12 Section 19 of the MST Act provides that the CT may assess or reassess a dealer within eight years of the return period if he is satisfied upon information which has come to his possession that any turnover has escaped assessment during the aforesaid return period.

6.7.13 In Mizoram, tax is leviable @ 2 per cent and 5 per cent on sales of motor vehicles and motor spare parts respectively from 01 November 1999 to 30 June 2001.

6.7.14 Test-check (April 2002) of the assessment records of the SOT, North Zone, Aizawl revealed that 3 registered dealers sold taxable goods (Motor Vehicles and Motor Parts) valued at Rs.1.70 crore (Motor Vehicles: Rs.1.46 crore and Motor parts: Rs.23.94 lakh) during the period between 01 November 1999 and 25 June 2000. But the turnover during the aforesaid assessment period was neither disclosed by the dealer nor was assessed by the assessing officer. Thus failure on the part of the assessing officer to detect the concealment of turnover of Rs.1.70 crore while finalising assessment resulted in evasion of tax to the extent of Rs.4.07 lakh.

6.7.15 In reply the Department in respect of 1 dealer stated (September 2002) that the dealer being a commission agent was not assessed to tax. The reply is not tenable as commission agents are treated as dealers and liable to pay tax on sale of taxable goods as provided under Section 2(10)(b) read with Section 3(1) of the MST Act. In respect of 2 other dealers tax of Rs.1.14 lakh was levied out of which Rs.0.10 lakh was realised. The report on recovery of balance tax (Rs.1.04 lakh) has not been received.

Non-levy of central sales tax due to irregular exemption

6.7.16 Under Section 8(2A) of the Central Sales Tax (CST) Act 1956, the sales of goods which are 'generally' exempted from tax under the sales tax law of appropriate State, shall also be exempted from payment of CST. Under the MST Act, 1989, timber and bamboo were not 'generally' exempted from tax as specified in Schedule III under Section 7 of MST Act. Further, under the CST Act 1956, sales of goods in course of inter-State trade or commerce if not supported by declarations in Form 'C', tax is leviable at the rate of 10 per cent or at the rate applicable to such sales within the State, whichever is higher.

6.7.17 Cross verification (April 2002) of records of the Principal Chief Conservator of Forests, Mizoram, Aizawl, revealed that 31 forest contractors sold 399.16 lakh bamboos and 1957.4987 cum of timber valued at Rs.3.33 crore in course of inter-State trade or commerce during April 2000 to March 2002. Since bamboos and timbers are un-scheduled goods under Section 7 of MST Act, inter-State sales of those goods are not exempted from payment of tax under CST Act. But the assessing officer neither registered the contractors under Section 7(1) of the CST Act nor initiated any action to levy and collect CST. This resulted in non-levy of CST of Rs.33.32 lakh.

6.7.18 On this being pointed out (May 2002), the Department while admitting the fact that the aforesaid items were not 'generally' exempted under the MST Act, stated (September 2002) that there was no corresponding authorisation under the MST Act for levy of tax as provided in Section 8 (2A) of the CST Act. The reply is not tenable as the goods specified in Schedule III which are generally exempted under the MST Act, 1989 are only eligible for exemption under Section 8 (2A) of the CST Act.

Loss of revenue

6.7.19 Under Section 4 (I) of the MST Act 1989, the tax payable by a dealer shall be at the rates specified in Schedule II to this Act. Again sale of goods specified in Schedule III under section 7 of the Act *ibid*, shall be exempted from tax subject to the conditions and exceptions as specified therein. The goods which are neither taxable nor exempted were classified as 'other goods' under Schedule II, taxable at the rate of 5 *per cent*. Further, under Section 4 (2) of the Act *ibid*, the State Government, after giving notification in the Official Gazette may reduce or increase the rates of tax specified in the schedule.

6.7.20 In the name of exercise of the power conferred under Section 4 (2) of the Act, the Government of Mizoram (Taxation Department) vide notification dated 01 November 1999 not only deleted all the items including item 'other goods' in Schedule II but also inserted new items along with rate of tax. The notification is irregular as the Government was not empowered to delete/insert any item from the Schedule II as such power vests with the Legislature only, it was also incumbent on the part of Government to issue the Notification (01 November 1999) under Section 4 (2) *ibid* only after giving advance notification in the Official Gazette before 3 months of its intention for any revision of rates. This procedure was, however, not complied with. However, as per MST (Amendment) Act 2000 published in Official Gazette the Government is competent to do so.

6.7.21 Cross check of records of the Umkiang Taxation check gate (Meghalaya) with two Sales Tax unit offices of North and South Zones, Aizawl revealed that items like cement, medicine, MS rod, torsteel, Gas stove, electrical goods, furniture *etc.*, valued at Rs.5.18 crore were imported by 30

Mizoram based dealers during November 1999 to March 2000 from outside the State for resale within Mizoram but were not assessed to tax. All these items were taxable under Schedule II (under Section 4 (1) *ibid*) vide item 4 which *inter-alia* covered all other goods not specified anywhere in the Act, had there been no deletion (November 1999) of item 4 (other goods) under Schedule II. Thus, erroneous deletion of the item 'other goods' through irregular notification (01 November 1999) resulted in loss of revenue of Rs.25.10 lakh.

6.7.22 In reply the Department stated (September 2002) that Section 4(2) of the MST Act has already been amended (May 2000) which *inter-alia* deleted the provision of 3 months notices for increase or reduce the rate of tax specified in the Schedule and empowered the State Government to add to or omit any entry or entries from the Schedule. The reply is not tenable as the State Government erroneously deleted the item 'other goods' from Schedule II on 1 November 1999 when Amended Act *ibid* was not in force.

Incorrect exemption

6.7.23 Section 3 (3) of the MSPPMSL Taxation Act 1973 provides grant of exemption upto 1 *per cent* on account of shortage of Motor Spirit (MS) and High Speed Diesel (HSD). The aforesaid provision of exemption was, however, discontinued from 17 November 1995.

6.7.24 Test-check (April 2002) of the assessment records of the SOT, North Zone, Aizawl revealed that a registered dealer claimed exemption on account of shortage of 141665 litres of MS and 142583 litres of HSD. valued at Rs.43.73 lakh (MS: Rs.30.73 lakh and HSD: Rs.13 lakh) during 15 quarterly return period between January 1997 and September 2000. The assessing officer also accepted the claim of exemption for the aforesaid shortage and assessed accordingly. Such irregular exemption had resulted in short levy of tax of Rs.3.11 lakh (MS: Rs.2.46 lakh HSD: Rs.0.65 lakh) at the rate of 8 and 5 *per cent* respectively.

6.7.25 In reply the Department while admitting the fact stated (September 2002) that the assessing authority had no other alternative but to accept the claim of exemption as such quantity of shortage was neither sold nor kept in stock. The reply is not tenable as such exemption was not in force from/after 17 November 1995.

Evasion of Tax by un-registered dealers

6.7.26 No dealer liable to pay tax under Section 7(1) of the CST Act, 1956, shall carry on business unless he is registered and possessed a certificate of registration. Further, inter-State Sales of goods shall be taxable at a concessional rate of 4 *per cent* if such sales are supported by declaration in Form 'C'. Otherwise, such sales are taxable at the rate of 10 *per cent* or at the rate applicable to such sales within the State, whichever is higher. In

Mizoram, sale of Motor Vehicle is taxable within the State at the rate of 2, 6 and 12 *per cent* with effect from 01 November 1999, 01 July 2001 and 01 October 2001 respectively.

6.7.27 Test-check (April 2002) of the records of the ACT, Aizawl revealed that a dealer registered under Section 7(2) of the CST Act, 1956 sold goods (Maruti Cars) valued at Rs.44.25 lakh in course of inter-State trade or commerce during 01 November 1999 to 18 October 2001. However, the aforesaid turnover of sales was neither disclosed by the dealer nor was assessed by the assessing officer. This resulted in evasion of tax of Rs.4.84 lakh. Further, penalty not exceeding Rs.7.26 lakh was also leviable for such deliberate concealment of sales but not levied.

6.7.28 In reply the Department stated (September 2002) that notices had already been issued to the dealer for re-examination of books of accounts.

Non-levy of interest

6.7.29 Under Section 23 (I) of the MSPMSL Act 1973, if a registered dealer fails to pay the full amount of tax by the due date (*i.e.*, within a period of one month following the close of the quarter), he is liable to pay interest at prescribed rates (ranging from 6 to 12 *per cent*) for the period of default on the amount by which tax paid falls short of the amount of tax payable as per returns/account books. In addition to the amount due, a sum not exceeding the amount of tax due shall be recovered from the defaulter by way of penalty.

6.7.30 Test-check (April 2002) of the assessment records of the SOT, North Zone, Aizawl revealed that a registered dealer was assessed between June 2001 and January 2002 to tax of Rs.2.15 crore for 3 quarters ending March 2000 to September 2000. The dealer paid the admitted tax belatedly between August 2000 and December 2000. Thus, for delayed payment of tax, interest amounting to Rs.4.23 lakh leviable was not levied. Besides, maximum penalty of Rs.2.15 crore which could be levied was also not levied in this case.

Non-maintenance of basic records at Taxation check gate

6.7.31 Under Section 52 of the MST Act 1989 and Rules made thereunder, the State Government may by notification, set-up and erect check-post and barriers at any place in the State with a view to arrest the evasion of tax. No person shall transport taxable goods across or beyond the check-gate except after filing before the officer-in-charge of the check-gate, a declaration in Form-XX, in triplicate.

6.7.32 Test-check (April 2002) of the records of the lone Taxation check-gate at Vairengte revealed that the particulars of taxable goods imported only from outside the State were declared by the registered dealers in Form-XX at the check-gate and the same were recorded in the Movement Register of incoming vehicles. No record was, however, maintained at the check-gate pertaining to

the movement of outgoing vehicles carrying taxable goods. In absence of these particulars, transactions occurred in course of inter-State trade or commerce from Mizoram to other States could not be examined in audit.

6.7.33 In reply the Department stated (September 2002) that instructions had been given to the officer in charge of check gate for maintenance of records of outgoing vehicles also.

Internal audit

6.7.34 The department does not have any Internal Audit Wing in absence of which the adequacy of internal checks/control is doubtful.

Other Topics of interest

Missing of Declaration Forms

6.7.35 As required under financial rules, Stock Register showing the opening balance, receipt, issue and closing stock of 'C' and 'F' Forms shall be maintained. The 'C' & 'F' Forms considered to be 'valuables', their stock shall be verified periodically to arrest any misuse/loss thereof.

6.7.36 Test-check (April 2002) of the Stock Register of Declaration in Forms 'C' and 'F' revealed that Opening Stock of 'C' and 'F' forms as on 01 April 1997 was 69330 and 11124 respectively out of which, 16250 'C' forms and 1325 'F' forms were issued on different dates between April 1997 and August 2001 as per recorded entries in the Stock Register. Thus, actual closing stock of aforesaid Forms should have been 53080 and 9799 respectively against which 37250 'C' Forms and 8517 'F' Forms were lying in stock as per physical verification conducted on 21 August 2001. This had not only resulted in shortage/missing of 15830 'C' Form and 1282 'F' Forms which had escaped the notice of the CT because of non-review of the Stock Register periodically, but also fraught with the risk of misuse of such Forms detrimental to the revenue of the State.

Conclusions

6.7.37 It was noticed in audit that a good number of important items like timber, bamboo, sand, stone, ginger, onion, garlic, furniture, electrical goods, medicine, tea, *etc.*, were neither included in the list of 'taxable goods' under Schedule II, nor in the list of 'exempted goods' under Schedule III of the MST Act. The sale of these un-scheduled items was not brought under tax-net causing recurring losses of revenue every year. It was also noticed that 1885 dealers were registered under the CST Act 1956 against which only 382 dealers were registered under the MST Act 1989 and MSPPMSL Act 1973.

6.7.38 In order to arrest leakage of revenue due to above lacunae, the Government may consider to insert a new item for 'other goods', under

Schedule II of the Act *ibid* to accommodate all un-classified goods. More check gates may be opened bordering all neighbouring countries/States with the instruction to all such check gates including the existing one at Vairengte to check and record particulars of both incoming and outgoing vehicles in order to arrest possible evasion of tax. Periodical survey of the records of the un-registered dealers may be conducted to bring more dealers under tax net with special reference to those already registered under CST Act.

6.7.39 The foregoing points were reported to the Department/Government in May 2002 and July 2002; their replies have not been received (November 2002).

SECTION: 'B'- PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

6.8 Loss of revenue due to delay in disposal of timber

Delay in disposal of 49 lots of teak logs measuring 2243.2341 cum led to loss of revenue of Rs.64.42 lakh.

6.8.1 With a view to mobilising additional resources for the State, the Government of Mizoram Environment and Forest (E&F) Department submitted a proposal (October 1998) to the Government of India (Ministry of E&F) to grant permission for thinning of teak trees from the Government plantation in 6* Forest Divisions. The Government of India (Ministry of E&F) conveyed their approval to the proposal in December 1998.

6.8.2 It was noticed in audit (June 2000 and March 2002) that based on Government of India's approval, 74007 teak logs measuring 3855.4389 cum valued at Rs.4.87 crore (floor price) were harvested during thinning operation between April 1999 and July 1999. These logs divided into 83 lots were kept in 17 roadside open depots, without ensuring proper safety and security for preservation of such costly timber in the site. Based on the report (July 2001) of the Divisional Forest Officer, Kolasib Forest Division the Conservator of Forests (Northern Circle), Aizawl reported (August 2001) to the Department that 12 lots of teak logs measuring 285.739 cum valued at Rs.30.61 lakh of Bairabi range under Kolasib Forest Division were lost due to flood in October 2000.

6.8.3 Further scrutiny revealed that the lots were put to sale in November 1999, December 1999, March 2000, May 2000, January 2001 and May 2001 respectively, but no sale was effected due to very little response from the timber traders both from within and outside the State obviously in view of fixation of floor price on the higher side.

6.8.4 The Government belatedly approved (November 2001) settlement of teak lots to the highest bidder whose offer was only 30 *per cent* of the floor price. In spite of this approval only 37 lots measuring 1957.4951cum could be sold to the highest bidder fetching Rs.88.72 lakh only against bids of Rs.1.23 crore offered (first tender of November 1999) earlier for which floor price was Rs.2.58 crore.

* Kolasib, Aizawl, Darlawn, Kawrthah, Lunglei and Tlabung.

6.8.5 Further, the balance quantity of logs under 34 lots measuring 1612.2048 cum continued to deteriorate due to continued exposure to the weather conditions. The commercial value of the logs under 34 lots were not assessed till date. Such loss could have been avoided, had the department made proper evaluation of market price before estimating floor price. As such, the settlement price was subsequently scaled down drastically thereby indicating lack of proper appreciation of market conditions while fixing the floor price. Moreover, no action was taken for proper stocking of the logs in safer places not prone to flood.

6.8.6 Thus, due to non-disposal of teak logs at the initial price offered there was a total loss of revenue of Rs.64.42 lakh.

6.8.7 The matter was reported to the Department/Government in July 2000, March 2001 and May 2002; their replies have not been received (November 2002).

6.9 Loss of Revenue due to unauthorised extraction of bamboos

Undue favour extended by the Department in allowing the mahalder for unauthorised extraction of bamboo resulting in loss of revenue Rs.1.51 lakh.

6.9.1 In Mizoram, Bamboo *Mahal* are settled annually through notice inviting tenders specifying the numbers of bamboos to be extracted during the entire working period.

6.9.2 Test check (February 2002) of records of Divisional Forest Officer, Mamit Forest Division, revealed that one Bamboo *Mahal* for the working period from 01 November 1999 to 15 June 2000 was settled (30 November 1999) for collection of 7 lakh bamboos at Rs.3.85 lakh with the stipulation that the first installment of 50 *per cent* of the settled amount would be paid within 15 days from the issue of order of acceptance and second and third installments at 25 *per cent* each would be paid within 45 days from the date of payment of first and second installments respectively. It was also specified in the agreement that, in the event of failure to pay any installment due, the agreement would be terminated and the Mahalder would not be allowed to work in the *Mahal* from such date which he defaulted.

6.9.3 The mahalder deposited first and second installments on due dates but failed to deposit the third/final installment of Rs.0.96 lakh due on 18 February 2000. The mahalder, however, continued to work in the *Mahal* till 15 June 2000 in contravention of the provisions of the agreement for which no effective action was taken by the authority. Consequently, the mahalder extracted 8 lakh bamboos valued at Rs.4.40 lakh (calculated @ Re.0.55 per bamboo on settled value). Against this, an amount of Rs.2.89 lakh only was

paid by the mahalder (in first two installments) for which he was entitled to collect 5,25,682 bamboos only.

6.9.4 Thus, undue favour extended to the mahalder to work in the *Mahal* even beyond the date of his default (18 February 2000), instead of terminating the contract as per agreement resulted in excess removal of 274318 bamboos and consequential loss of revenue to the tune of Rs.1.51 lakh.

6.9.5 The matter was reported to the Department/Government in February and May 2002; the reply has not been received (November 2002).

6.10 Loss of revenue

Failure to shift seized and confiscated timber to safe place and delay in its disposal led to loss of revenue of Rs.1.47 lakh.

6.10.1 Under the provision of the Mizoram (Forest) Act, 1955, seized/confiscated forest produce shall be kept in safe custody immediately after seizure/confiscation for quick disposal where the produces are prone to speedy natural decay. Further, the Supreme Court of India instructed (January 1998) that all seized timbers lying in the forest should be immediately transported to specified forest depots and disposed off in public auction or through sealed tenders after fixing floor price by an Expert Committee with 5 representatives from the Ministry of Environment and Forest.

6.10.2 Test check (July 2000) of records of the Kawrthah Forest Division revealed that 4153.82 cft of sawn timber was seized and confiscated during April, May 1999 and March 2000 of which only 2555.46 cft of timber were put to sale through auction during the period upto March 2000 leaving aside 1598.36 cft of timber in the open air involving floor price of Rs.2.17 lakh as fixed by the Expert Committee of Senior Officer of the Forest Department/Ministry.

6.10.3 On this being pointed out (July 2000, February 2001 and June 2001) in audit the Divisional Forest Officer stated (May 2001 and July 2001) that the balance quantity (1598.36 cft.) was sold at Rs.0.70 lakh as the same has deteriorated by 35 to 85 *per cent* due to exposure to the vagaries of weather. The reply is not tenable as the balance timber was not sold in public auction or through sealed tenders, nor was the approval of the Government taken before the disposal of timber at a price lower than the floor price. This resulted in loss of revenue of Rs.1.47 lakh due to non-disposal of the balance wood during 1999-2000 itself together with the earlier lots.

6.10.4 The case was reported to the Government/Department in July 2000, February 2001 and June 2001; their reply has not been received (November 2002).

TRANSPORT DEPARTMENT

6.11 Short realisation of composite fee

Realisation of Composite fee of Rs.4.24 lakh against Rs.31.23 lakh from 354 Tourist/National permit holders of Assam State led to short –realisation of Composite fee of Rs.26.99 lakh.

6.11.1 The Government of Mizoram, Transport Department in their notification of February 1994 fixed composite fee (CF) on goods carriages plying with national permit at Rs.3000 per year per permit, with effect from 1 April 1994. Similarly notification was also issued (February 1995) for mini buses (14-35 seaters) authorised to ply under Tourist Permit for payment of CF at Rs.12,000 per quarter per mini bus from 1 April 1995. CF is to be realised by the Secretary, State Transport Authority (STA) of the State which issues the national permit and is to be sent to the STA of the concerned State by Bank Draft.

6.11.2 Test check (July 2000) of records of the Secretary, STA, Mizoram, Aizawl revealed that in 125 cases, CF was realised by Assam State for plying of vehicles in the State of Mizoram during the period from February 1999 to November 1999 at varied rates of Rs.1000 and Rs.1500 instead of Rs.3000 per annum and sent to the Secretary, STA, Mizoram. Similarly, in 229 cases of mini bus (14 to 35 seaters) of Assam CF was realised at the rate of Rs.1000 instead of Rs.12,000 per quarter during the period from March 1998 to September 1999. The difference in rate was neither paid by the vehicle owner subsequently nor was the matter taken up by the STA, Mizoram with his counterpart in Assam State where short realisation was made. This resulted in short realisation of CF of Rs.26.99 lakh.

6.11.3 The matter was reported to the Department/Government in September 2000 and June 2001; their replies have not been received (November 2002).

6.12 Short realisation of Motor Vehicles Tax

Short realisation of Rs.1.54 lakh due to application of incorrect rate of annual road tax.

6.12.1 The Government of Mizoram in their notification (March 1997) revised the rates of road taxes on all classes of vehicles with effect from 01 April 1997. In terms of the said notifications annual road tax of Rs.700 is payable by local taxis having seating capacity of 5 persons.

6.12.2 During test check (February 2002) of records of District Transport Officer (DTO), Lunglei, Mizoram it was noticed that in 305 cases, annual road tax of Rs.4 lakh was realised @Rs.500 per annum instead of Rs.5.54 lakh @ Rs.700 per annum for the period from April 1997 to December 2002 from the local taxis having seating capacity of 5 persons. Thus, application of incorrect rates of taxes resulted in short realisation of Rs.1.54 lakh.

6.12.3 On this being pointed out (February 2002) in audit, the DTO stated (June 2002) that seating capacity of 5 persons instead of 4 in local taxis was recorded inadvertently in the Combined Register. The reply is not tenable as the seating capacity of local taxis was already increased from 4 persons to 5 persons from November 1992 by the State Transport Authority, Mizoram.

6.12.3 The matter was reported to the Department/Government in February 2002; reply has not yet been received (November 2002).

6.13 Misappropriation of revenue

Non-accountal and non-deposit of closing balances of receipts as per cash book led to misappropriation of revenue of Rs.1.36 lakh.

6.13.1 Under the General Financial Rules, any money received by or tendered to any Government office on account of revenue shall be brought into account and without undue delay be deposited in full into the Government account.

6.13.2 Test check (December 2000) of cash books of the District Transport Officer (DTO), Saiha disclosed that on two occasions closing balances of collected revenue of Rs.0.45 lakh and Rs.0.76 lakh as on 31 December 1990 and 08 January 1993 were neither brought forward in the cash book on the respective opening dates of 01 January 1991 and 09 January 1993 while re-opening the new cash book volumes, nor were the said amounts of revenue deposited into the Government account. Further, revenue of Rs.0.15 lakh collected through 53 receipts during January 1993 was also not taken into the

cash book nor deposited till the date of audit (December 2000). This resulted in misappropriation of the Government revenue of Rs.1.36 lakh.

6.13.3 On this being pointed out in audit, the DTO, Saiha in reply stated (December 2000) that the matter was taken up with the Director of Transport, Mizoram. Further progress on recovery and action if any taken against the delinquent official responsible for misappropriation had not been reported (April 2002) despite reminders.

6.13.4 The matter was reported to the Government in February, July 2001 and May 2002; reply has not been received (November 2002).

LAND REVENUE DEPARTMENT

6.14 Non-levy of penalty

Realisation of arrear land revenue without imposition of penalty resulted in non-levy of penalty of Rs.12.06 lakh.

6.14.1 Under the Mizo District (Land Revenue) Act, 1956 and rules framed thereunder in 1967, land revenue should be paid annually by the end of each financial year. If any land revenue remains unpaid after the closure of a particular financial year, and the defaulter fails to pay the arrear within one month from the date of receipt of demand notice, an equal amount of the arrear shall be levied on him by way of penalty which shall be paid with the arrear within three months from the date of receipt of such levying order which *inter-alia* stipulates the warning for recovery of dues by attachment/sale of movable and immovable properties in case of default in payments.

6.14.2 Test-check (September 1997, September 2000 and June 2001) of records of the Assistant Settlement Officer (ASO), Aizawl circle revealed that an amount of Rs.12.06 lakh was belatedly (ranging from two to eleven months) realised as arrears of land revenue for the period from 1996-97 to 2000-01, but penalty though leviable for delayed payment of arrears was neither levied by the ASO nor paid by the defaulter even in a single case, and no further action was initiated by the Department in terms of above Acts/Rules. This resulted in non-levy of penalty of Rs.12.06 lakh.

6.14.3 On being pointed out (July 2002) in audit, ASO, Aizawl while admitting the lapse, stated (August 2002) that the penalty could not be levied and collected due to acute shortage of staff.

6.14.4 The cases were reported to the Government in November 1997 and 2000, July 2001 and 2002; their reply has not been received (November 2002).

6.15 Non-accountal and non-deposit of Government revenue

Collection of surcharge of Rs.7.90 lakh remained unaccounted due to non-observance of codal provision.

6.15.1 As per provisions in Central Treasury Rules and General Financial Rules (as adopted by the Government of Mizoram) all moneys received by or tendered to a Government officer on account of revenue shall without any undue delay be paid in full into a treasury and shall be included in the accounts of the Government. Moneys received as aforesaid shall not be appropriated to meet the departmental expenditure, nor otherwise kept apart from the accounts of the Government.

6.15.2 Test check (September 2000 and June 2001) of the records of the Assistant Settlement Officer (ASO), Aizawl revealed that surcharge of Rs.7.90 lakh collected during April 1998 to March 2001 from non-residential buildings in terms of Government Notification dated 06 June 1995 was neither deposited into Government accounts nor was recorded in the cash book of the ASO.

6.15.3 On this being pointed out in audit (September 2000 and June 2001), the Department stated (August 2002) that Rs.5.35 lakh was deposited in January 2002, that too, after a lapse of 9 to 45 months and the balance amount of Rs.2.55 lakh was retained as cash in hand till finalisation of the case pending with Hon'ble Guwahati High Court pursuant to higher authority's instructions. Reply is not tenable as such practice is against the provisions of Financial Rules, and the Court had nowhere specified in its interim order (June 1998) to retain the cash in hand. However, report on deposit of balance amount of Rs.2.55 lakh into Government accounts and reasons for delay in deposit of Rs.5.35 lakh have not been intimated.

6.15.4 The case was reported to the Government in November 2000, July 2001 and 2002; their reply has not been received (November 2002).