

CHAPTER – VI REVENUE RECEIPTS

6.1 Trend of revenue receipts

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

Table - 6.1

(Rupees in crore)

		2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
•	Tax revenue	105.53	108.00	116.95	147.23	173.18
•	Non-tax revenue	1,315.84	537.29	992.47	990.10	1,085.04
	Total	1,421.37	645.29	1,109.42	1,137.33	1,258.22
II.	Receipts from the Government of India					
•	State's share of divisible Union taxes	77.20	112.33	107.35	182.13	222.78
•	Grants-in-aid	581.95	583.56	675.63	644.90	635.54
	Total	659.15	695.89	782.98	827.03	858.32
III.	Total receipts of the State	2,080.52	1,341.18	1,892.40	1,964.36	2,116.54
IV.	Percentage of I to III	68	48	59	58	59

Thus, during the year 2006-07, the State Government raised 59 *per cent* of the total revenue receipts against 58 *per cent* in the preceding year. The balance 41 *per cent* of receipts during 2006-07 was from the Government of India.

6.1.1 Tax revenue

The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

Table - 6.2

(Rupees in crore)

Sl. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) / decrease (-) in 2006-07 over 2005-06
1.	Sales tax	41.42	48.87	48.18	56.65	74.66	(+) 31.79
2.	Taxes on income other than corporation tax	32.67	26.76	29.09	47.82	46.71	(-) 2.32
3.	State excise	22.45	25.25	32.69	32.96	33.31	(+) 1.06
4.	Stamps and registration fees	3.45	1.14	1.43	2.27	2.52	(+) 11.01
5.	Taxes on vehicles	2.35	2.74	3.24	4.24	5.95	(+) 40.33
6.	Other taxes and duties on commodities and services	2.79	3.06	1.88	2.68	9.25	(+) 245.15
7.	Land revenue	0.40	0.18	0.44	0.61	0.78	(+) 27.87
	Total	105.53	108.00	116.95	147.23	173.18	(+)17.63

The following reasons for variations were reported by the concerned departments:

Sales tax: The increase was mainly due to frequent monitoring of the target and achievement, increase in input of information technology, monthly review meetings, tax deducted at source (TDS) verifications, workshops relating to the manner and procedures of making TDS and remittance of taxes, strict monitoring of import and export of goods in the check posts and focus on capacity building of the tax officials.

Taxes on vehicles: The increase in revenue was due to upward revision of tax and more registration of vehicles.

Other taxes and duties on commodities and services: The increase was due to introduction of professional tax.

The other departments did not inform the reasons for variation despite being requested (July and August 2007).

6.1.2 Non-tax revenue

The following table presents the details of non-tax revenue raised during the period from 2002-03 to 2006-07:

Table - 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	7.17	2.73	8.03	6.31	5.34	(-) 15.37
2.	Road transport	17.26	17.33	21.52	13.67	14.86	(+) 8.71
3.	Plantations	1.78	1.92	1.63	2.01	1.95	(-) 2.99
4.	Dividends & profits	1.76	0.74	0.92	1.14	0.76	(-) 33.33
5.	Forestry and wild life	7.15	7.24	7.92	9.97	9.50	(-) 4.71
6.	Tourism	0.54	0.79	0.78	0.81	0.87	(+) 7.4
7.	Crop husbandry	0.50	0.31	0.31	0.36	0.50	(+) 38.89
8.	Power	12.97	13.67	21.41	28.00	58.16	(+) 107.71
9.	Printing & stationery	1.12	1.04	1.07	1.65	1.69	(+) 2.42
10.	Medical and public health	0.36	0.44	0.98	0.91	0.60	(-) 34.06
11.	Village & small industries	0.63	0.58	0.08	0.14	0.10	(-) 28.57
12.	Public works	2.41	1.64	2.46	3.09	3.74	(+) 21.03
13.	Police	1.40	10.20	4.38	14.14	13.90	(-) 1.70
14.	Animal husbandry	0.24	0.23	0.31	0.41	0.39	(-) 4.88
15.	Industries	0.01	0.02	0.01	0.19	0.02	(-) 89.47
16.	State lotteries ¹	1,256.72 (84.24)	473.72 (31.47)	912.27 (31.16)	898.35 (22.19)	963.30 (50.01)	(+) 7.23
17.	Others	3.82	4.69	8.39	8.95	9.36	(+) 4.58
	Total	1,315.84	537.29	992.47	990.10	1,085.04	

The following reasons for variations were reported by the concerned departments:

Interest receipts: The decrease was due to less realisation of interest from investment of cash balances.

Road transport: The increase was due to rise in supervision charges.

Dividends and profits: The decrease was due to less realisation of dividend from the public sector undertakings.

Crop husbandry: The increase was due to introduction of farmers' registration fee, and collection of more fees from the centrally sponsored schemes.

Public works: The increase in revenue was due to increase in the uses of road machineries and settlement of pending bills and on sales of tender forms.

The other departments did not inform (September 2007) the reasons for variations despite being requested (July and August 2007).

¹ Figures in brackets represent net receipts

6.1.3 Variations between budget estimates and actuals

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

Table - 6.4

(Rupees in crore)

	Head of revenue	BE	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
A	Tax revenue				
1.	Corporation tax	76.70	86.54	(+) 9.84	(+) 12.83
2.	Union excise duties	57.49	56.66	(-) 0.83	(-) 1.44
3.	Customs	50.79	53.36	(+) 2.57	(+) 5.06
4.	Sales tax	50.00	74.66	(+) 24.66	(+) 49.32
5.	Taxes on income other than corporation tax	37.00	46.71	(+) 9.71	(+) 26.24
6.	State excise	27.00	33.31	(+) 6.31	(+) 23.37
7.	Service tax	23.72	26.25	(+) 2.53	(+) 10.67
8.	Other taxes and duties on commodities and services	9.85	9.25	(-) 0.60	(-) 6.09
9.	Taxes on vehicles	2.50	5.95	(+) 3.45	(+) 138.00
10.	Stamps and registration	1.68	2.52	(+) 0.84	(+) 50.00
11.	Other taxes on income and expenditure.	1.00	0.18	(-) 0.82	(-) 82.00
B	Non-tax revenue				
12.	Miscellaneous general services	943.29	963.57	(+) 20.28	(+) 2.15
13.	Power	49.00	58.16	(+) 9.16	(+) 18.69
14.	Police	14.21	13.90	(-) 0.31	(-) 2.18
15.	Road transport	13.00	14.86	(+) 1.86	(+) 14.31
16.	Forestry and wildlife	8.00	9.50	(+) 1.5	(+) 18.75
17.	Interest receipts	4.06	5.34	(+) 1.28	(+) 31.53
18.	Public works	2.04	3.74	(+) 1.70	(+) 83.33
19.	Other administrative services	1.59	2.52	(+) 0.93	(+) 58.49
20.	Stationery and printing	1.30	1.69	(+) 0.39	(+) 30.00

The following reasons for variations between BE and actuals were reported by the concerned departments:

Sales tax: The increase was due to frequent monitoring of the target and achievement, input of information technology, monthly review meetings, TDS verifications, workshops relating to manner and procedures of making TDS and remittance of taxes, strict monitoring of import and export of goods in the check posts and focus on capacity building of the tax officials, streamlining of VAT system, returns monitoring computerisation of tax administration and monitoring of check posts affairs through VSAT.

Taxes on income other than corporation tax: The reasons of variation were due to business assessment, TDS, income tax deducted from lottery winners and educational institutions.

State excise: The increase in revenue was due to addition of more industry and better management of revenue collection.

Taxes on vehicles: The increase in revenue was due to realisation of tax, fitness and route permit fee from increased number of vehicles.

Other taxes on income and expenditure: The decrease was because being the first year of introduction, only the employees were to pay profession tax on their salaries. The others like professionals, traders etc. were to pay after the end of the financial year after assessment.

Road transport: The revenue increased as a result of rise of supervision charges due to increase in traffic flow in the later part of the year.

Public works: The increase in revenue was due to increase in use of the machineries and more tender work during the year than anticipated.

Other administrative services: The increase was due to the increase in occupancy in guest houses during the financial year.

Printing and stationeries: The increase was due to collection of major unpaid dues during 2005-06.

The other departments did not inform (September 2007) the reasons for variations despite being requested (July and August 2007).

6.1.4 Analysis of Collection

The break-up of total collection at the pre-assessment stage and after regular assessment for the year 2006-07 and the corresponding figures for the preceding two years as furnished by the departments is as follows:

Table - 6.5

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment state	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection ²	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Sales tax	2004-05	10.54	0.74	0.06	4.70	6.64	158.73
	2005-06	30.62	0.65	0.05	3.99	27.33	112.04
	2006-07	1.31 ³	0.17	0.02	0.004	1.49	87.92
Sikkim Income tax	2004-05	⁴ Nil	0.98	Nil	Nil	0.98	0
	2005-06	Nil	1.93	Nil	0.05	1.88	0
	2006-07	0.35	2.06	Nil	0.029	2.38	14.71

6.1.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 is as follows.

Table - 6.6

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Sales tax	2004-05	48.18	1.10	2.28	0.91
		2005-06	56.65	1.66	2.93	
		2006-07	74.66	1.57	2.10	
2.	State excise	2004-05	32.69	1.49	4.56	3.40
		2005-06	32.96	1.76	5.34	
		2006-07	33.31	1.90	5.70	
3.	Taxes on vehicles	2004-05	3.24	0.43	13.27	2.67
		2005-06	4.24	0.58	13.68	
		2006-07	5.95	0.56	9.41	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the corresponding all India average percentage for 2005-06 was high in the cases of sales tax, state excise and taxes which the Government needs to look into.

² Net collection reported by departments did not tally with the Finance Accounts and needs reconciliation.

³ The department did not inform the reasons for wide variation vis-à-vis the previous year despite being requested

⁴ The department did not inform the reasons for nil amount collected at pre-assessment stage despite being requested.

6.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue as furnished by the departments amounted to Rs. 41.61 crore of which Rs. 11.44 crore was outstanding for more than five years as mentioned in the following table:

Table - 6.7

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007
1.	Public works (Bldgs)	0.16	--
2.	Road transport (SNT)	3.48	Nil
3.	Hire charges of machinery & equipment	1.50	0.42
4.	Non-ferrous mining and metallurgical industries	3.30	2.31
5.	State lotteries	24.75	--
6.	Printing & stationery	0.23	0.18
7.	Sales tax	0.61	0.3
8.	Income tax	7.58	8.23
	Total	41.61	11.44

6.1.7 Arrears in assessments

The details of pending assessment cases at the beginning of the year, cases becoming due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2006-07 as furnished by the departments are mentioned below:

Table - 6.8

Name of tax	Opening balance	New cases due for assessment during 2006-07	Total assessments due	Cases disposed during 2006-07	Balance at the end of the year	Arrears in percentage against total cases
Sales Tax	721	53	774	335	439	56.72
Sikkim Income Tax	2,011	416	2,427	1,320	1,107	45.61
Total	2,732	469	3,201	1,655	1,546	52

Thus, the percentage of cases pending disposal at the end of 2006-07 was 46 and 57 *per cent*. Immediate action needs to be taken to finalise the pending assessments cases in a definite time frame. The department informed (September 2007) that the pending assessment cases were related to firms, companies and house property dealers only and many of the firms were presently not in operation.

6.1.8 Evasion of Tax

There was no case of evasion of tax detected by the Finance, Revenue and Expenditure Department in respect of sales tax during the year as per information furnished by the department.

6.1.9 Write off and waiver of revenue

There was no case of write off and waiver of revenue in respect of sales tax, income tax and state excise as per information furnished by the respective departments.

6.1.10 Refunds

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

Table-6.9

(Rupees in lakh)

Sl. No.	Particulars	Sales tax		State excise	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	Nil	Nil	Nil	Nil
2	Claims received during the year	2	0.39	Nil	Nil
3	Refunds made during the year	2	0.39	Nil	Nil
4	Balance outstanding at the end of the year	Nil		Nil	Nil

6.1.11 Results of audit

Test check of the records of income and commercial tax, state excise, transport, state lotteries, mines & geology, urban development and housing, forest department etc. conducted during the year 2006-07 revealed loss/non-collection of revenue/royalty/penalty, non/incorrect assessment, wrong imposition of rate, incorrect assessment of excise duties, irregular waiver etc. aggregating Rs. 76.10 crore in 63 cases. The department/Government accepted audit observations in six cases and recovered Rs. 26 lakh in one case. This chapter highlights seven important cases involving Rs. 21.98 crore in the paragraphs from 6.2 to 6.8.

6.1.12 Status of recovery against audit observations accepted by Government

A review of the replies of the Government to the Audit Reports for the last five years from 2001-02 to 2005-06, shows that against the revenue effect of Rs. 105.56 crore of the audit observations accepted by the departments, the actual recovery is extremely low at Rs. 50 lakh only (0.47 per cent). A year-wise break up of the recovery of revenue till November 2007 is mentioned below:

Table – 6.13

(Rupees in crore)

Year of Audit Report	Revenue effect of the Report	Amount accepted by the departments	Amount recovered
2001-02	1.92	1.49	-
2002-03	9.06	1.81	-
2003-04	9.75	9.75	-
2004-05	85.71	85.71	0.02
2005-06	9.95	6.80	0.48
Total	116.33	105.56	0.50

6.1.13 Failure to enforce accountability and protect interest of the Government

Audit observations on the loss of revenue/short levy of demand and energy charges/under valuation/short assessment/irregular waiver etc. noticed during local audit are intimated through inspection reports (IRs) to the departmental officers, heads of departments and also to the Government where necessary. The points mentioned in the IRs are to be settled as expeditiously as possible and first replies should be sent within four weeks from the date of receipt of IRs by the departments.

The position of IRs (with money value) in respect of the following revenue heads issued upto the end of December 2006 but remaining outstanding as at the end of June 2007 is as mentioned below:

Table-6.11

(Rupees in crore)

Sl. No.	Head of revenue	No. of IRs	No. of audit objections	Amount
1	State lotteries	4	9	1.31
2	Mines, Minerals and Geology	2	3	0.02
3	Urban development and housing	7	18	3.79
4	Motor vehicles	5	17	1.06
5	Sales tax	8	30	11.48
6	Income tax	10	27	8.48
7	Forest	33	62	1.80
8	State excise	2	4	0.01
9	Land revenue	14	15	0.52
10	Energy and power	9	29	30.41
Total		94	214	58.88

The above indicates the failure of the departmental officers in initiating rectificatory action for defects, omissions and irregularities pointed out in the IRs by the Accountant General. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers took prompt and timely action.

6.1.14 Departmental Audit Committee Meetings

During 2006-07, 11 Audit Committee meetings were held and 91 IRs and 343 paras were discussed out of which 17 IRs and 133 paras were settled.

6.1.15 Response of the departments to draft audit paragraphs

Draft audit paragraphs are issued to the concerned heads of the departments with a copy to the Finance, Revenue and Expenditure Department, the replies to which are to be communicated to the Accountant General within two weeks of the date of their receipt.

Eight draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2007 were forwarded to the secretaries of the respective departments between May 2007 and July 2007 through demi-official letters. The administrative secretaries responded to all the paragraphs.

6.1.16 Follow up on Audit Reports – summarised position.

The administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports after its presentation in the State Legislature.

As at the end of 2005-06, Audit Reports for the period upto the year 2002-03 were discussed and recommendations made. During the year 2006-07, Audit Report for the year 2003-04 was discussed but no recommendations were made as of September 2007.

**FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
DIRECTORATE OF STATE LOTTERIES**

6.2 Loss of revenue

The percentage of minimum assured revenue payable by the marketing agent for managing the new games of lottery was fixed without justification at a rate substantially lower than that being paid by him for managing other lottery games in the State of Sikkim and resulted in loss of revenue of Rs. 15.70 crore.

The Government of Sikkim floated a new game of lottery for 2004-05 and 2005-06. The game was proposed to be managed through a marketing agent (MA). However, the Directorate of Lottery neither invited any tender nor was any auction conducted for selection of the MA. Instead, it was offered to a company that had been the MA of the Government for some other lottery games since 2001.

Audit scrutiny revealed the MA was paying five *per cent* of his turnover as Government's share on the games managed by him. But the department while entering into agreement with the MA on 18th November 2005 for this game fixed the Government's share as one *per cent* instead of five *per cent* paid by him on the other games. The reduction in Government's share constituted undue favour to the MA and resulted in loss of revenue aggregating to Rs. 15.70 crore.

After the case was pointed out, the department stated in September 2006 that it was an interim agreement and share was based on prevailing market condition and the percentage of revenue being paid in other States. The reply of the Government is not tenable as the MA was already paying five *per cent* of his turnover in Sikkim. Besides, the department had not followed any system for appointing the MA. The reduction in rate was, therefore, not justified.

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

**FINANCE, REVENUE AND EXPENDITURE DEPARTMENT
INCOME TAX AND COMMERCIAL TAX
DIVISION**

6.3 Short realisation of tax

Failure of the ITO to assess the actual gross turnover of a dealer led to short realisation of income tax of Rs. 33.50 lakh.

According to the Sikkim Income Tax Manual, 1948 all persons engaged in business are required to pay income tax at the prescribed rate on the gross sale proceeds of the previous year. Rule 4 (ii) of the Manual also prescribes maintenance of proper accounts by every person engaged in business in Sikkim and produce the same on demand to the income tax officer (ITO) and authorised the ITO to assess the tax at his discretion in case of default or unsatisfactory accounts furnished by the assessee.

Test check of the records of the Special Secretary (Income Tax & Commercial Tax) in December 2006 revealed that the ITO while finalising the assessments for the year from 2002-03 to 2005-06 of a company, registered for transmission of satellite TV channels and allied services through cable, determined the tax as Rs. 22.86 lakh based on the subscriber strength of 900. Cross verification of the records of the Urban Development and Housing Department revealed that the number of subscribers of the cable operator during the same period was 22,000 and the corresponding tax liability for the period based on the actual subscriber was Rs. 56.36 lakh. Thus, failure of the ITO to ascertain the gross turnover on the basis of actual number of subscriber resulted in short levy of tax of Rs. 33.50 lakh.

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

6.4 Loss of revenue

Failure to assess tax according to the best judgement resulted in loss of revenue of Rs. 15.16 lakh.

The Sikkim Sales Tax Act, 1983 stipulated furnishing of returns in the prescribed form within 30 days of expiry of each quarter by registered dealers to the assessing authority. The Act further enjoined the tax authority to assess tax of the defaulting assessee according to its best judgment and impose penalty upto half of the tax so assessed provided that this procedure was initiated within four years.

Scrutiny of the records of the Special Commissioner, Gangtok in November 2006 revealed that a dealer of Gangtok engaged in procurement and supply of agricultural inputs and other articles such as stationery to the State Government departments, had furnished returns only for the period from 1 January 2000 to 31 December 2000 indicating a taxable turnover of Rs. 2.83 crore with sales tax liability of Rs. 15.16 lakh. Thereafter, neither the dealer submitted any returns nor did the department ask for these. The department had not taken any step to assess tax according to the best judgement as per the Act. Thus, failure of the department to assess the dealer within the specified time resulted in loss of Rs. 15.16 lakh as the assessment had become time-barred as per the provisions of the Act.

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

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

6.5 Non-realisation of income tax

Failure of the department to incorporate a suitable clause for deduction of State income tax in the agreement in violation of the Government directives led to loss of Rs. 72.63 lakh.

The Sikkim Income Tax Manual, 1948 lays down that all persons engaged in business should be charged with income tax at three *per cent* on the gross sale proceeds of the previous year. The Income and Sales Tax Department in December 1981 stipulated deduction of three *per cent* State income tax at source from the bills of all the contractors/suppliers. Subsequently, the Finance, Revenue and Expenditure Department clarified in August 2004 that mandatory deduction of three *per cent* State income tax would be applicable even to the firms based outside Sikkim. The circular envisages incorporation of suitable clause to this effect by all the departments before entering into any contract with the firms based outside Sikkim.

Test check of the records in November 2006 revealed that the department in December 2004 awarded a construction work to a company of Kolkata at a cost of Rs. 34.73 crore. However, the department did not incorporate a suitable clause stipulating mandatory deduction of State income tax at source from the bills of the contractor. Consequently, no deduction towards state income tax could be effected from the bills of the contractor. As of March 2007, Rs. 24.21 crore had been released to the contractor for the work on which income tax of Rs. 72.63 lakh has not been realised.

After the case was pointed out, the department stated (June 2007) that it was a religious firm which was also an assessee under Indian Tax Act 1961. The reply of the department is not tenable as the Sikkim Income Tax Manual does not provide for any exemptions from the deduction of income tax and as per the circular dated 19 August 2004 of the Finance and Revenue Department, deduction of three *per cent* income tax at source is mandatory even from the firm based outside Sikkim.

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

6.6 Loss of revenue due to non-verification of cable subscribers

Non-verification of the actual number of subscribers of a cable operator led to non-realisation of entertainment tax of Rs. 4.72 crore and penalty of Rs. 14.52 lakh.

According to Rule 8(5) of the Sikkim Entertainment Tax Rules, 1981, cable operators are liable to pay entertainment tax at the rate of 25 *per cent* of total turnover on monthly basis to be deposited within 30 days of the following month failing which a penalty of Re. 1 per connection per day was to be levied.

Scrutiny of the records of the Commissioner-cum-Secretary, Urban Development and Housing Department in November 2006 revealed that a cable operator⁵ declared the number of its subscribers as 900 for the period from February 2003 to June 2006. The department, however, did not verify the declaration of the cable operator and realised entertainment tax of Rs. 17 lakh for the said period based on the declared subscriber strength. Further scrutiny of the letter forwarded by the cable operator available with the department revealed that during the same period the number of subscribers of the cable operator was 22,000 and the operator was liable to pay entertainment tax of Rs 4.89 crore. Thus, failure of the department to verify the actual number of subscribers of the cable operator from their own records resulted in non-realisation of revenue of Rs. 4.72 crore. Besides, penalty of Rs. 14.52 lakh was also leviable for non-payment of entertainment tax.

After the case was pointed out, the Government stated in June 2007 that the statement submitted by the operator not being reliable, the department had initiated action for undertaking house to house survey throughout the State. The outcome of the survey has not been received (October 2007).

⁵ Nayuma Cable Television

The matter was referred to the State Vigilance by the audit department in September for further investigation; their reply has not been received (October 2007).

6.7 Loss of revenue due to non-maintenance of database of private schools

Non-maintenance of database of private schools engaged in imparting education in the State led to non-levy of licence fee and fine leading to loss of revenue of Rs. 20.68 lakh.

The Sikkim Trade Licence and Miscellaneous Provision Rules, 1985 forbade imparting of education, skill or any other training by any institution except under a valid trade licence issued by the Urban Development & Housing Department (UDHD) on payment of the prescribed licence fee failing which a fine ranging between Rs. 5,000 and Rs. 20,000 should be imposed and the institution closed forthwith.

Scrutiny of the records of the UDHD in November 2006 revealed that only eight schools had obtained trade licences and paid the prescribed annual licence fee. Cross verification conducted by audit with the records of the Human Resource Development Department (HRDD) revealed that 341 private schools were engaged in imparting education to the children from nursery to senior secondary classes in the State during 2002-03 to 2006-07. This resulted in non-levy of licence fee of Rs. 6.23 lakh and minimum penalty of Rs. 14.45 lakh. Audit also noticed that UDHD had neither maintained any database of private schools engaged in imparting education in the State nor initiated any effort to cross check the records with HRDD which maintains the list of schools, number of students, etc.

After the case was pointed out, the Government accepted (July 2007) the audit observation.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

6.8 Loss of revenue due to non-levy of water irrigation tax

Lack of initiative on the part of the department in framing relevant rules under the Sikkim Irrigation Water Tax Act was not only against the intent of the legislature but also led to potential loss of revenue of Rs. 30.79 lakh.

According to the Sikkim Irrigation Water Tax Act, 2002 effective from April 2003, the land owners using water from the Government irrigation channels are required

to pay irrigation water tax at specified rates varying between Rs. 10 and Rs. 200 per hectare for each *fasli year*⁶. The Act, *inter alia* envisages that relevant rules should be formulated for carrying out the objectives of this Act.

Scrutiny of the records in February 2007 revealed that the department had not formulated the relevant rules for collection of irrigation of water tax from the user farmers as of March 2007. Though there were 763 functional irrigation channels in the State with the utilisation potential of 13,169 hectares of land, the department had not even maintained the list of farmers availing irrigation facilities constructed and augmented by the Government from time to time. The department neither prescribed the manner of payment of water tax and its collection nor intimated the district collectors to facilitate declaration of the command area for irrigation. The delay in making rules under the Sikkim Irrigation Water Tax Act by the department resulted in potential loss of Rs. 31.61⁷ lakh during the period from 2003-04 to 2006-07.

After the case was pointed out, the department stated in August 2007 that the water tax was not levied earlier due to non-framing of relevant rules which had since been framed with effect from April 2007. The reply is, however, silent about the reasons for delay in framing the rule.

⁶ One year period reckoned from July to June every year.

⁷ 13,169 * 60 * 4 = Rs. 31.61 lakh (Rs. 60 is the minimum value for class III paddy field.)