

CHAPTER VI

REVENUE RECEIPT

Paragraph	Particulars	Page
6.1	<i>Trend of Revenue receipts</i>	165
6.2	<i>Variation between the Budget Estimates</i>	167
6.3	<i>Cost of Collection</i>	168
6.4	<i>Outstanding Inspection Reports</i>	169
6.5	<i>Results of Audit</i>	170
	Income Tax Department	
6.6	<i>Non-assessment of income tax</i>	170
	Motor Vehicle Department	
6.7	<i>Non-realisation of permit fee</i>	171
	Power Department	
6.8	<i>Incorrect calculation of energy charges</i>	171
6.9	<i>Non-realisation of energy charges</i>	172
	Sikkim Nationalised Transport Department/ State Trading Corporation of Sikkim	
6.10	<i>Non-deduction of tax at source</i>	173

CHAPTER VI REVENUE RECEIPTS

6.1 Trend of Revenue receipts

The tax and non-tax revenue raised by the State Government, State's Share of divisible Union Taxes and Grants-in-aid from Government of India during the year 1999-2000 alongwith the corresponding figures for the preceding two years are given below:

		1997-98	1998-99	1999-2000
		(Rupees in lakh)		
I	Revenue raised by the State Government			
(a)	Tax Revenue	3649.62	4675.67	4907.04
(b)	Non-Tax Revenue*	92982.91 (4302.91)	102091.57 (4291.57)	104274.77 (6478.44)
	Total	96632.53	106767.24	109181.81
II	Receipts from the Government of India			
(a)	State's share of divisible Union taxes	7991.00	9221.00	9954.00
(b)	Grants-in-aid	25323.83	28077.95	32047.29
	Total	33314.83	37298.95	42001.29
III	Total receipts of the State (I+II)	129947.36	144066.19	151183.10
IV	Percentage of I to III	74	74	72

(a) Tax revenue raised by the State

Receipts from tax revenue constituted 4 per cent of the total revenue raised by the State during 1999-2000. An analysis of the tax revenue for the year 1999-2000 and the preceding two years is given below:

Sl. No	Tax Revenue	1997-98	1998-99	1999-2000	Increase (+) / Decrease (-)	Percentage of variation
		(Rupees in lakh)			(in 1999-2000 over 1998-99)	
1	State Excise	1081.09	1185.89	1339.40	153.51	13
2	Taxes on Income other than Corporation tax	905.61	1832.41	1784.38	(-) 48.03	(-) 3
3	Sales Tax	1271.06	1306.22	1363.75	57.53	4
4	Taxes on vehicles	154.40	151.38	169.04	17.66	12
5	Stamps & Registration Fees	36.61	50.92	61.70	10.78	21
6	Land Revenue	95.92	12.15	53.73	41.58	342
7	Other Taxes & Duties on Commodities & Services	104.93	136.70	135.04	(-) 1.66	(-) 1
	Total	3649.62	4675.67	4907.04	231.37	

During 1999-2000, tax revenue increased by Rs 231.37 lakh (5 per cent). The increase of Rs 153.51 lakh under 'State Excise' was due to upward revision of excise duty and Rs 41.58 lakh under 'Land Revenue' was due to revenue received from compensation value on acquisition of land, increase in registration cases and recovery of arrears. The reasons for variation in respect of the remaining heads of revenue have not been received (October 2000).

* Figures in brackets exclude Rs. 886.80 crore, Rs. 978.00 crore and Rs 977.96 crore on account of expenditure towards State Lotteries during 1997-98, 1998-99 and 1999-2000 respectively. For details, please see 'Statement No. 10-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

Audit Report for the year ended 31 March 2000

(b) Non-tax revenue raised by the State

Lotteries, Road Transport Service, Power, Forest, Interest, Plantations, Police, Dividends and Profits were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 1999-2000 constituted 96 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1997-98 to 1999-2000 is given below:

Sl. No.	Non-Tax Revenue	1997-98	1998-99	1999-2000	Increase (+)/ Decrease (-) in 1999-2000 with reference to 1998-99	Percentage of variation
(Rupees in lakh)						
1	Road Transport	1166.70	749.15	1189.16	(+) 440.01	58
2	Power	550.06	644.03	833.03	(+) 189.00	29
3	Forestry and Wild Life	135.76	159.63	489.69	(+)330.06	207
4	Interest Receipts	5.83	26.15	51.33	(+) 25.18	96
5	Plantations	218.04	222.00	235.00	(+)13.00	6
6	Dividends & Profits	159.48	123.05	72.39	(-)50.66	(-)41
7	Police	163.41	344.91	283.69	(-)61.22	(-)18
8	Public Works	60.63	51.01	44.83	(-)6.18	(-)12
9	Tourism	25.40	39.44	40.39	(+)0.95	2
10	Crop Husbandry	42.03	20.85	20.29	(-)0.56	(-)3
11	Stationery & Printing	58.17	94.81	95.84	(+)1.03	1
12	Village & Small Industries	41.39	49.58	48.85	(-) 0.73	(-)1
13	Animal Husbandry	17.67	14.13	15.54	(+)1.41	10
14	Industries	4.00	10.95	-	(-)10.95	(-)100
15	Medical & Public Health	9.60	41.84	14.08	(-)27.76	(-)66
16	Others*	1644.74	1700.04	3044.33	(+)1344.29	79
	Total	4302.91	4291.57	6478.44	(+)2186.87	51

* Excludes Rs. 886.80 crore, Rs. 978.00 crore and Rs 977.96 crore on account of expenditure towards State Lotteries during 1997-98, 1998-99 and 1999-2000 respectively which has been taken in the Finance Accounts for the purpose of calculating the non-tax revenue during the respective years.

During 1999-2000, non-tax revenue increased by Rs 2186.87 lakh (51 per cent). The increase of Rs 440.01 lakh under 'Road Transport' was due to revision of fares and improvement in the collection of outstanding bills; Rs 330.06 lakh under 'Forest' was due to effective collection; Rs 0.95 lakh under 'Tourism' was due to imposition of Nathula entry fee*; Rs 1.03 lakh under 'Stationery and Printing' was due to initiative taken by the department to collect past dues. The decrease of Rs 6.18 lakh under 'Public Works' was attributed to the budget cut imposed due to which substantial amount creditable to revenue could not be materialised. The reasons for variation in respect of the remaining heads of revenue have not been received (October 2000).

* Fee collected from the tourists visiting Nathula Pass on Indo-Tibetan border area.

6.2 Variation between the Budget Estimates and Actuals

The variation between the Budget Estimates and Actuals of tax and non-tax revenue during the year 1999-2000 is given below:

	Budget (Revised)	Actuals	Variation increase(+) decrease (-) (percentage)
	(Rupees in lakh)		
Tax-Revenue	5166.28	4907.04	(-) 259.24 (5)
Non-Tax Revenue	104377.96	104274.77	(-) 103.19 (0.09)
Total	109544.24	109181.81	(-) 362.43 (0.33)

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 1999-2000 were more than 10 per cent:

Sl. No	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) Decrease(-) (Percentage)
1	2	3	4	5
	(Rupees in lakh)			
A. Tax Revenue				
1	Land Revenue	10.00	53.73	(+) 43.73 (437)
2	Stamps and Registration	53.93	61.70	(+) 7.77 (14)
3	Taxes on Sales, Trade etc.	1600.00	1363.75	(-) 236.25 (15)
4	Taxes on Vehicles	116.00	169.04	(+) 53.04 (46)
B. Non-Tax Revenue				
5	Public Works	74.00	44.83	(-) 29.17 (39)
6	Education, Sports, Art & Culture	15.10	12.07	(-) 3.03 (20)
7	Medical and Public Health	10.00	14.08	(+) 4.08 (41)
8	Information and Publicity	5.00	7.76	(+) 2.76 (55)
9	Labours and Employment	4.50	2.98	(-) 1.52 (34)
10	Crop Husbandry	24.00	20.29	(-) 3.71 (15)
11	Animal Husbandry	24.00	15.54	(-) 8.46 (35)
12	Fisheries	1.20	0.82	(-) 0.38 (32)
13	Forestry and Wild Life	145.00	489.69	(+) 344.69 (238)
14	Food Storage and Warehousing	1.80	2.14	(+) 0.34 (19)
15	Other Rural Development Programme	1.20	5.27	(+) 4.07 (339)
16	Industries	21.00	Nil	(-) 21.00 (100)
17	Non Ferrous, Mining & Metallurgical Industries	5.00	2.54	(-) 2.46 (49)
18	Road Transport	1318.00	1189.16	(-) 128.84 (10)
19	Interest Receipts	30.55	51.33	(+) 20.78 (68)
20	Dividend and profit	100.00	72.39	(-) 27.61 (28)
21	Public Service Commission	0.50	0.14	(-) 0.36 (72)
22	Police	605.29	283.69	(-) 321.60 (53)
23	Stationary & Printing	75.00	95.84	(+) 20.84 (28)
24	Other Administrative Services	223.67	145.05	(-) 78.62 (35)
Sl. No	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) Decrease(-) (Percentage)
1	2	3	4	5
	(Rupees in lakh)			
25	Contribution and Recoveries towards Pension and Other Retirement Benefits	Nil	1.20	(+) 1.20
26	Housing	15.55	17.07	(+) 1.52 (10)
27	Social Security and Welfare	0.85	0.97	(+) 0.12 (14)
28	Minor Irrigation	1.50	1.91	(+) 0.41 (27)
29	Non Conventional Sources of Energy	1.90	1.65	(-) 0.25 (13)
30	Other General Economic Services	1.70	3.08	(+) 1.38 (81)

The increase of Rs 43.73 lakh under 'Land Revenue' was due to revenue received from compensation value on acquisition of land and also realisation

Audit Report for the year ended 31 March 2000

of arrear revenue beside the normal tax; Rs 53.04 lakh under 'Taxes on Vehicle' was due to increase of tax by 10 per cent and revised rate of fee by Central Government; Rs 344.69 lakh under 'Forest' was due to effective collection; Rs 20.84 lakh under 'Stationery and Printing' was due to better performance by the department.

The decrease of Rs 29.17 lakh under 'Public Works' was due to the budget cut imposed for which substantial amount could not be credited to revenue; Rs 361.60 lakh under 'Police' was due to less receipt of reimbursement on account of Police Checkposts and Indian Reserve Battalion from Ministry of Home Affairs, Government of India.

The reasons for variation in respect of the remaining heads of revenue have not been received (October 2000).

6.3 Cost of Collection

Expenditure incurred on collection of revenue under the principal heads during the years 1997-98 to 1999-2000 is given below:

Sl. No	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 1998-99
			(Rupees in lakh)			
1	State Excise	1997-98	1081.09	94.25	146.18	9
		1998-99	1185.89		119.81	12
		1999-00	1339.40			9
2	Sales Tax	1997-98	1271.06		34.23	3
		1998-99	1306.22		56.36	4
		1999-00	1363.75		58.17	4
3	Taxes on vehicles	1997-98	154.40		14.94	10
		1998-99	151.38		40.47	27
		1999-00	169.04		27.05	16

It would be seen from the table that the percentage of expenditure to gross collection during 1999-2000 as compared to the corresponding All India Average Percentage for 1998-1999 was very high.

6.4 Outstanding Inspection Reports

Audit observations on irregularities and defects in assessment, demand and collection of State receipts noticed during local audit are intimated through Inspection Reports (IRs) to the departmental officers, head 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 the IRs by the departments.

The position of IRs in respect of revenue receipts issued to the end of December 1999 but remaining outstanding as at the end of June 2000 was as under:

	At the end of		
	June 1998	June 1999	June 2000
1. Number of outstanding IRs.	144	154	161
2. Number of outstanding Audit objections	372	381	377
3. Money value of the objections (Rupees in crore)	25.37	27.35	32.51

Receipt-wise break-up of the IRs and objections (with money value) is given below:

Sl.No	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount (Rupees.in crore)
1	Sales Tax	13	50	7.30
2	Income Tax	16	71	6.59
3	Forests	53	112	2.43
4	Land Revenue	32	58	1.04
5	Motor Vehicle	08	15	0.34
6	State Excise	09	14	7.43
7	Urban Development & Housing Department	12	20	0.64
8	Power	14	33	5.53
9	Mines and Geology	04	04	1.21
	Total	161	377	32.51

Out of IRs pending settlement, even first replies had not been received (June 2000) in respect of 56 reports containing 212 audit objections.

The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State Government (October 2000).

6.5 Results of Audit

Test check of the records of Motor Vehicle, Finance, Forest, Mines and Geology, Land revenue, Urban Development & Housing and State Excise Departments conducted during the year 1999-2000 revealed under-assessment/short levy/ loss of revenue amounting to Rs. 42.69 lakh in 9 cases. A few illustrative cases involving Rs. 260.76 lakh highlighting important audit observations are mentioned in the following paragraphs.

INCOME TAX DEPARTMENT

6.6 Non-assessment of income tax

The Department's inability either to obtain the book of accounts or to assess the tax led to the loss of revenue

As per provisions of the Sikkim Income tax Manual 1948, income tax is to be levied on the gross sale proceeds of the previous year of all persons engaged in business and every person doing business is required to maintain proper account and produce them on demand for assessment before the Income Tax

Audit Report for the year ended 31 March 2000

Officer who in case of default or in case of unsatisfactory accounts, will assess tax according to his discretion. Further the Income tax clearance certificate is issued by the Income Tax officer on receipt of accounts of previous year paving way for assessment on actual basis.

Test check of records of the Income Tax Department revealed (June 1999) that an assessee dealing in wholesale trade of Sikkim Made Foreign Liquor and Indian Made Foreign Liquor since August 1990 did not submit the returns to the Income Tax Department. The assessee had closed down his business in March 1993. No action was taken by the Department to assess the tax. However, as per the returns of Sales Tax Department, the gross turnover of the assessee for the assessment years 1990-91 to 1992-93 was Rs 2771.32 lakh, entailing an income tax of Rs 82.94 lakh. Thus, due to failure of the Department either to obtain the books of accounts from the dealer or to ascertain the factual position from the Sales Tax Department and to demand tax after the assessment, the Government sustained a loss of Rs 82.94 lakh towards income tax.

MOTOR VEHICLE DEPARTMENT

6.7 Non-realisation of permit fee

Despite Government Notifications to levy permit fees on goods carriers, the Department failed to realise the prescribed revenue

In accordance with the Notification dated 22 June 1995, fee of Rs 1000 per annum per goods carrier is leviable for the grant of recommendation for vehicles registered in Sikkim to ply outside Sikkim. In addition, fee of Rs 5000 per vehicle per quarter is also leviable on goods carrier plying on inter-State routes and within Sikkim in terms of Notification dated 6 February 1996.

Test check of records of the offices of the Regional Transport Office, Gangtok and Jorethang revealed (December 1997 and July 1999) that 1248 cases were recommended between 1996-97 to 1998-99 for plying outside Sikkim out of which in 97 cases, the fee of Rs 5000 per vehicle per quarter on goods carrier plying on inter-State routes and within Sikkim was not realised. This resulted in non-realisation of revenue to the tune of Rs 4.85 lakh.

In reply the Department stated (May 2000) that out of the 97 cases, the Department realised Rs 0.25 lakh in respect of 5 cases and issued notices in the remaining cases.

POWER DEPARTMENT

6.8 Incorrect calculation of energy charges

Despite clear method laid by the State Government on calculation of energy charge in case of incorrect meter reading, the Department incorrectly calculated energy charge resulting in loss of revenue amounting to Rs 7.58 lakh

Under clause 17 of the Conditions of Electricity Supply prescribed by the Government of Sikkim in 1975, energy charges for the disputed period is to be settled by taking the average reading of the meter for three months prior to the month in which the dispute has arisen.

Test check (February-March 2000) of records of revenue sub-division, Gyalshing revealed that the energy meter installed at National Hydel Power Corporation (NHPC) control room recorded incorrect reading from July 1998 to November 1998. To adjust the revenue loss, the sub-division calculated the energy consumption for the above disputed period by taking the highest of two readings of 1996 and 1997 instead of taking average reading of meter for three months prior to the month in which the dispute arose i.e., from April to June 1998, and raised a supplementary bill for Rs 10.30 lakh which was paid by NHPC during March 1999. However, according to the prescribed method of calculation laid down in the conditions of electricity supply, the amount works out to Rs 17.58 lakh. Thus, due to non-adherence to the prescribed method of calculation, there was short-realisation of revenue of Rs 7.58 lakh.

In reply, the Department stated (September 2000) that the NHPC had denied to pay the difference of energy charges, which according to the NHPC was on higher side. Hence, the Department had raised the bill by adopting the above mentioned method. Reply of the Department is not acceptable, as it had not sought the approval of the Government to relax the relevant clause of conditions of electricity supply.

6.9 Non-realisation of energy charges

Failure of the Department to realise the energy charges in time resulted in non-realisation of revenue amounting to Rs 158.74 lakh

Billing and collection of electricity charges is regulated with reference to the Department's tariff in force from time to time. Surcharge at 15 per cent per annum is leviable on the gross electricity charges, due from industrial consumers, outstanding as on 31 March every year.

Test check of records relating to Jorethang and Topakhani Sub-divisions revealed (February – March 2000) that energy charges of 4 industrial

Audit Report for the year ended 31 March 2000

consumer units were not being realised in time which resulted in accumulation of huge arrears as under:

Sl. No	Name of units	Period	Energy charges including surcharges (Rupees in lakh)		
			Payable	Paid	Balance
Jorethang Sub-division					
1.	Sikkim Vanaspati Ltd (SVL), Mazitar	April 1991 to March 1999	109.72	20.66	89.06
2.	Sikkim Ispat Udyog (SIU), Mazitar	-do-	36.83	16.12	20.71
3.	Sikkim Food Products (SFP), Melli	-do-	11.09	5.38	5.71
Topakhani Sub-division					
4.	M/s Oriental Manufacturing Co. (P) Ltd (OMCPL), Mazitar.	-do-	47.02	3.76	43.26
	TOTAL		204.66	45.92	158.74

While the service connections of SVL, SIU and SFP were disconnected during February 1996, November 1996 and November 1996 respectively, M/s OMCPL was closed in November 1993. Despite the huge amounts remaining unrealised for a long period, the Department could not take effective steps to realise the same. This has resulted in non-realisation of Government revenue to the tune of Rs 158.74 lakh and extension of undue benefit to the defaulting consumers.

In reply the Department intimated (August 2000) that it was considering to take legal action against the defaulting consumers within the financial year 2000-2001.

**SIKKIM NATIONALISED TRANSPORT DEPARTMENT/
STATE TRADING CORPORATION OF SIKKIM**

6.10 Non-deduction of tax at source

Despite State Government Notification and subsequent clarification to levy income tax on carriage bills, an amount of Rs 6.65 lakh was not realised

In accordance with the State Government Notification No 1243/500/ST dated 17 July 1969 and subsequent clarification issued (May 1995) by the Government, State Income Tax was to be deducted at source at the rate of 3 per cent from all the carriage bills.

During test check of records of Sikkim Nationalised Transport (SNT) and State Trading Corporation of Sikkim (STCS), it was noticed that while making payments of Rs 221.81 lakh to various suppliers on account of hiring of trucks for carriage of goods during 1995-96 to 1999-2000, the State Income Tax at the rate of 3 per cent amounting to Rs.6.65 lakh (SNT: Rs 5.46 lakh;

STCS: Rs 1.19 lakh) was not deducted by the Department/Management resulting in non-realisation of Government revenue to this extent.

In reply the SNT stated (July 2000) that the income tax on carriage bills was not deducted based on letter No 1622/IT dated 22 July 1985 issued by IT & ST Department. The STCS stated (July 2000) that the deduction of tax at source has been made effective from 10 January 2000 based on circular No.305/4529/IT & ST/99-2000 dated 10 January 2000. The replies were not acceptable as the Notification dated 17 July 1969 followed by clarification dated 6 May 1995 clearly stipulated the requirement of deduction of Income Tax at source on the carriage bills.