

## CHAPTER-IV REVENUE SECTOR

### 4.1 Trend of revenue receipts

**4.1.1** The tax and non-tax revenue raised by the Government of Manipur during the year 2011-12, the State's share of net proceeds of Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

		2007-08	2008-09	2009-10	2010-11	2011-12
I.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	147.45	170.06	196.04	267.05	368.07
	• Non-tax revenue	164.71	253.46	239.74	259.88	311.53
	<b>Total:</b>	<b>312.16</b>	<b>423.52</b>	<b>435.78</b>	<b>526.93</b>	<b>679.60</b>
II.	<b>Receipts from the Government of India</b>					
	• State's share of net proceeds of divisible Union taxes	550.40	580.81	597.56	990.57	1154.03 <sup>1</sup>
	• Grants-in-aid	2,645.71	2868.28	2839.79	3912.44	3819.92
	<b>Total:</b>	<b>3,196.11</b>	<b>3449.09</b>	<b>3437.35</b>	<b>4903.01</b>	<b>4973.95</b>
III.	<b>Total receipts of State Government (I+II)</b>	<b>3,508.27</b>	<b>3872.61</b>	<b>3873.13</b>	<b>5429.94</b>	<b>5653.55</b>
IV.	<b>Percentage of I to III</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>12</b>

(Source: Finance Accounts)

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 679.60 crore) was twelve *per cent* of the total revenue receipts against ten *per cent* in the preceding year. The balance 88 *per cent* of receipts during 2011-12 was from the Government of India.

<sup>1</sup> Includes only the amount booked under the minor head 901 - share of net proceeds assigned to the state booked under the major heads 0020 - Corporation tax, 0021-taxes on income other than corporation tax, 0032 - taxes on wealth, 0037 - Customs, 0038- Union excise duty, 0044 - Service tax under 'A-tax revenue'.

**4.1.2** The following table presents the details of tax revenue raised during the period 2007-08 to 2011-12:

(₹ in crore)							
Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1	Sales Tax/VAT	120.76	141.38	163.28	227.57	296.92	(+) 30.47
2	State Excise	3.75	3.91	4.70	6.61	9.80	(+) 48.26
3	Stamps and Registration Fees	2.93	3.18	4.26	3.57	4.82	(+) 35.01
4	Taxes and Duties on Electricity	— <sup>2</sup>	0.39	0.01	0.003	0.34	(+) 11233.30
5	Taxes on Vehicles	3.57	4.03	4.35	4.44	13.21	(+) 197.52
6	Taxes on Goods and Passengers	0.76	0.80	0.81	0.90	1.40	(+) 55.56
7	Other Taxes on Income and Expenditure	14.73	15.46	17.63	18.77	21.60	(+) 15.07
8	Other Taxes and Duties on Commodities and Services	0.20	0.13	0.19	3.90	19.14	(+) 390.76
9	Land Revenue	0.75	0.78	0.81	1.29	0.84	(-) 34.88
<b>Total</b>		<b>147.45</b>	<b>170.06</b>	<b>196.04</b>	<b>267.05</b>	<b>368.07</b>	<b>(+)37.82</b>

(Source: Finance Accounts)

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

**Taxes and Duties on Electricity:** The increase was attributed to heavy collection from NHPC.

**Taxes on Vehicles:** The increase was attributed to introduction of Manipur Motor Vehicle Taxation (Amendment) Act, 2011.

**Taxes on Goods and Passengers:** The increase was attributed to introduction of Manipur Motor Vehicle Taxation (Amendment) Act, 2011.

The other Departments did not inform (February 2013) the reasons for variation, despite being requested (August 2012).

<sup>2</sup> ₹ 9,000 only.

**4.1.3** The following table presents the details of the non-tax revenue raised during the period 2007-08 to 2011-12.

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase(+)/decrease (-) in 2011-12 over 2010-11
1	Interest receipts	27.61	39.99	32.73	44.65	25.18	(-)43.61
2	Housing	1.72	1.30	0.71	0.66	0.70	(+)6.06
3	Water supply and sanitation	1.58	6.89	9.48	14.21	5.87	(-)58.69
4	Forestry and wild life	1.45	1.02	2.25	2.1	3.46	(+)64.76
5	Education, Sports, Art and Culture	0.90	0.91	1.21	1.14	1.11	(-)2.63
6	Miscellaneous general services	54.24 <sup>3</sup>	92.77 <sup>4</sup>	61.47	76.87	138.33	(+)79.95
7	Power	62.29	88.28	104.07	88.29	106.58	(+)20.72
8	Medium irrigation	5.26	8.00	7.00	10.49	8.61	(-)17.92
9	Medical and public health	0.25	0.52	0.12	0.1217	0.10	(-)17.83
10	Co-operation	0.12	0.16	0.16	0.19	0.26	(+)36.84
11	Public works	6.14	7.96	17.65	16.88	15.13	(-)10.37
12	Police	0.42	3.36	0.94	0.88	0.90	(+)2.27
13	Other administrative services	1.07	0.59	0.38	1.08	2.89	(+)167.59
14	Crop husbandry	0.10	0.07	0.25	0.18	0.27	(+)50
15	Others	1.56	1.64	1.32	2.14	2.14	0
<b>Total</b>		<b>164.71</b>	<b>253.46</b>	<b>239.74</b>	<b>259.88</b>	<b>311.53</b>	<b>(+)19.87</b>

(Source: Finance Accounts)

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

**Forestry and wild life:** The increase was attributed to revision of schedule rate of royalty.

**Power:** The increase was attributed to collection of charges for Unscheduled Interchanges.

**Co-operation:** The increase was attributed to recovery of pending audit fees for the last year from Cooperative Societies and Voluntary Organisations.

The other departments did not inform (February 2013) the reasons for variation, despite being requested (August 2012).

#### 4.1.4 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2011-12 are mentioned in the following table:

<sup>3</sup> Includes debt relief of ₹ 37.54 crore given by Government of India on repayment of consolidated loan.

<sup>4</sup> Includes debt relief of ₹ 37.54 crore given by Government of India on repayment of consolidated loan.

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget Estimates	Actuals	Variation increase (+) decrease (-)	Percentage
<b>Tax Revenue</b>					
1	Sales Tax/VAT	242.20	296.92	(+)54.72	(+)22.59
2	State Excise	12.11	9.80	(-)2.31	(-)19.08
3	Stamp Duty and Registration Fees	15.52	4.82	(-)10.70	(-)68.94
4	Taxes on Vehicles	15.65	13.21	(-)2.44	(-)15.59
5	Taxes on Goods and Passengers	1.05	1.40	(+)0.35	(+)33.33
6	Land Revenue	1.05	0.84	(-)0.21	(-)20
<b>Non-tax Revenue</b>					
7	Interest Receipts	41.04	25.18	(-)15.86	(-)38.64
8	Other Administrative Services	0.45	2.89	(+)2.44	(+)542.22
9	Medical and Public Health	0.14	0.10	(-)0.04	(-)28.57
10	Public Works	21.36	15.13	(-)6.23	(-)29.17
11	Forestry and Wildlife	7.72	3.46	(-)4.26	(-)55.18
12	Education, Sports, Art and Culture	1.46	1.11	(-)0.35	(-)23.97
13	Power	250.00	106.58	(-)143.42	(-)57.37

(Source: Finance Accounts and Budget documents)

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

Forest Department stated that there was variation with estimate due to non-extraction of timber as Working Plans for eight territorial divisions were not completed.

Transport Department stated (August 2012) that increase in taxes on goods and passengers with reference to estimate were due to advance collection.

Power Department stated that the variation in collection with respect to budget estimate was due to non-payment of consumption charges of electricity by the consumers.

Reasons for variations from other departments were awaited (February 2013).

#### **4.1.5 Cost of Collection**

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collections for 2010-11 are mentioned in the following table:

Sl. No.	Head of revenue	Year	Gross Collection (₹ in crore)	Expenditure on collection (₹ in crore)	Percentage of expenditure to gross on collection	All India average percentage for the year 2010-11
1	Sales Tax/ VAT	2009-10	163.28	1.54	0.94	0.75
		2010-11	227.57	2.46	1.08	
		2011-12	296.92	2.64	0.89	
2	State Excise	2009-10	4.70	1.74	37.02	3.05
		2010-11	6.61	2.05	31.01	
		2011-12	9.80	2.47	25.20	
3	Taxes on Vehicles	2009-10	4.34	1.90	43.78	3.71
		2010-11	4.44	2.89	65.09	
		2011-12	13.21	3.62	27.40	
4	Stamp Duty and Registration Fees	2009-10	4.25	1.27	29.88	1.60
		2010-11	3.57	1.21	34.00	
		2011-12	4.82	1.48	30.70	

(Source: Finance Accounts)

Thus, it can be observed from the above table that the cost of collection of various taxes and duties in Manipur was much higher than the All India average for 2010-11.

#### 4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of taxes/VAT on Sales, Trades etc. as reported by the Taxation Department was ₹ 1.33 crore. No information was furnished by the Department regarding action taken for reduction of the arrear.

The position of arrear in respect of Taxes on vehicles and Taxes on goods and passengers could not be furnished by the concerned Department.

#### 4.1.7 Arrears in assessment

The details of Sales Tax/VAT assessment cases pending at the beginning of the year 2011-12, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2011-12 as furnished by the Deputy Commissioner of Taxes are mentioned in the following table:

Head of revenue	Opening balance as on 31 March 2011	New cases due for assessment during 2011-12	Total assessment due	Cases disposed of during 2011-12	Balance at the end of the year 2011-12	Percentage of disposals to the total assessments
1	2	3	4	5	6	7 (5 ÷ 4)
Taxes/VAT on Sales, Trades etc.	180	2923	3103	2687	416	86.59

(Source: Departmental records)

Thus, it can be observed that disposal of cases during 2011-12 (2687 cases) was less than the new cases of 2011-12 (2923 cases) by 236 cases. As a result, the closing balance of pending cases increased from 180 to 416 cases.

#### 4.1.8 Evasion of Tax

The details of cases of evasion of Sales tax/VAT detected, cases finalised and demands for additional tax raised in 2011-12, as reported by the Deputy Commissioner of Taxes are mentioned in the following table:

Name of tax/duty	Cases pending as on 31 March 2011	Cases detected during 2011-12	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty <i>etc.</i> , raised during the year 2011-12		Number of pending cases as on 31 March 2012
				No. of cases	(₹ in lakh)	
Sales Tax/VAT	17	Nil	17	Nil	Nil	17

(Source: Departments Records)

As seen from the above table, no cases of evasion of Sales tax/VAT were detected by the Department during 2011-12. However, 17 cases which were pending at the beginning of the year 2011-12 were yet to be finalised as on 31 March 2012.

In case of Taxes on vehicles and Taxes on goods and Passengers, details of cases (if any) of evasion could not be furnished by the Department concerned.

#### 4.1.9 Refunds

The information on refunds in case of Sales Tax/VAT during 2011-12 is mentioned in the following table:

Sl. No.	Particulars	Sales tax/VAT	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	8	0.31
2	Claims received during the year	Nil	Nil
3	Refunds made during the year	1	0.28
4	Balance outstanding at the end of the year	7	0.03

(Source: Departmental records)

#### 4.2 Response of the Departments/Government towards audit

Transactions and maintenance of important accounts and other records of the departments are test checked and Inspection Report containing audit findings is issued to the Head of the Office so audited for comments and/or compliance. Audit findings of serious nature are processed into draft paragraph and forwarded to the administrative head of the concerned Department through demi-official letter drawing its attention to the audit findings with a request to furnish its response within six weeks. The response of the departments/Government towards audit is discussed in the succeeding paragraphs.

#### 4.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Manipur (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2011 disclosed that 1347 paragraphs involving ₹ 1138.54 crore relating to 444 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding two years.

	June 2010	June 2011	June 2012
Number of outstanding IRs	401	417	444
Number of outstanding audit observations	1231	1282	1347
Amount involved (₹ in crore)	894.8	978.49	1138.54

The department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

Sl. No.	Name of Department	Nature of receipts	No. of outstanding IRs	No. of outstanding audit observations	Money value involved (₹ in crore)
1.	Public Health Engineering Department	Water Supply & Sanitation	37	82	29.07
2.	Power	Taxes and duties on electricity	127	391	1028.91
3.	Revenue	Land Revenue	80	216	23.02
4.	Revenue	Stamps and registration fees	4	9	0.12
5.	Health & Family Welfare	Medical and public health	4	9	0.25
6.	Fishery	Fisheries	17	46	1.08
7.	Excise	State excise	16	38	5.01
8.	Finance	Taxes/VAT on sales, trade etc	47	239	21.01
9.	Finance	Miscellaneous general services/ Lottery	4	25	19.37
10.	Transport	Taxes on vehicles/ Taxes on goods and passengers	56	175	6.07
11.	Forest & Environment	Forest & Wild Life	52	117	4.63
<b>Total</b>			<b>444</b>	<b>1347</b>	<b>1138.54</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 242 IRs issued upto December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government should take suitable steps to install an effective procedure for prompt and appropriate response to audit observations and appropriate action against officials/officers who fail to furnish replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

#### **4.2.2 Departmental audit committee meetings**

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committees are constituted by the Government. These committees are chaired by the secretaries of the concerned administrative Department and attended by the concerned officers of the State Government and officers of AG. The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. At the instance of AG, the State Level Audit Committee meeting, attended by the concerned Principal Secretaries and Commissioners was convened on September 28, 2009. In spite of this, no audit committee meetings in respect of revenue auditee units had been held till date.

The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.

#### **4.2.3 Response of the departments to the draft audit paragraphs**

Seven draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 were forwarded (September 2012) to the Secretaries/Commissioners of the respective departments through demi-official letters. The administrative Secretaries/Commissioners did not furnish replies (February 2013) in respect of four draft paragraphs. Out of these seven cases<sup>5</sup>, recovery of ₹ 13.37 lakh had been made at the instance of Audit.

#### **4.2.4 Follow up on Audit Reports – summarised position**

As per recommendations made by the High Powered Committee (HPC) which were also accepted by the State Government in October 1993, *suo motu* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments

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<sup>5</sup> This case for which recovery had been made at the instance of Audit is not featured in the Audit Report



duly vetted by the Accountant General to PAC within three months from the date of placing of Audit Reports in the Legislature.

However, as of November 2011 suo moto explanatory notes pertaining to 64 paragraphs/Performance Audits for the Audit reports for the years 2001-2011 were not received within the stipulated period of three months either from the Departments or through the Manipur Legislative Assembly Secretariat.

#### 4.2.5 Compliance with the earlier Audit Reports

In the Audit Reports 2006-07 to 2010-11 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands etc. involving ₹ 24.85 crore were reported. As of March 2012, the Departments<sup>6</sup> concerned have accepted observations of ₹ 11.35 crore and recovered ₹ 0.1817 crore. Audit Report wise details of cases accepted and recovered are given in the following table:

(₹ in crore)			
Year of Audit Report	Total money value <sup>7</sup>	Accepted money value	Recovery made
2006-07	1.87	1.01	0.02
2007-08	6.75	0.96	0.04
2008-09	6.77	3.81	0.11
2009-10	5.73	3.08	0.0025
2010-11	3.73	2.49	0.0092
<b>Total</b>	<b>24.85</b>	<b>11.35</b>	<b>0.1817</b>

#### 4.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report

The succeeding paragraphs 4.3.1 to 4.3.2.2 discuss the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

##### 4.3.1 Position of Inspection Reports

The summarised position of inspection reports (IR) issued during the last 10 years, paragraphs included in these reports and their status as on 30 June 2012 are given in the following table:

<sup>6</sup> Including Taxation, Transport, Revenue, Power, Social Welfare, Home.

<sup>7</sup> Including money value mentioned in Performance Audit(s), if any.

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
02-03	53	269	11.00	0	0	0	0	3	0.87	53	266	10.13
03-04	53	266	10.13	8	21	1.18	22	77	3.64	39	210	7.67
04-05	39	210	7.67	0	0	0	0	8	1.32	39	202	6.35
05-06	39	202	6.35	5	13	5.12	0	4	0.44	44	211	11.03
06-07	44	211	11.03	0	0	0	0	0	0	44	211	11.03
07-08	44	211	11.03	4	22	1.22	0	0	0	48	233	12.25
08-09	48	233	12.25	5	23	9.73	0	4	0.27	53	252	21.71
09-10	53	252	21.71	3	15	2.12	12	43	8.64	44	224	15.19
10-11	44	224	15.19	2	13	5.82	0	0	0	46	237	21.01
11-12	46	237	21.01	1	3	0.0062	0	1	0	47	239	21.02

The Departments<sup>8</sup> were sent periodic reminders to furnish replies to the outstanding audit observations. As can be seen from the above table, there was significant clearance of paras/IRs during 2003 -04 and 2009 -10. As such, efforts need to be taken up to settle the pending paras/IRs on regular basis as in these two years and bring down the closing balance of pending cases.

#### 4.3.2 Assurances given by the department/Government on the issues highlighted in the Audit Reports

##### 4.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Departments<sup>9</sup> and the amount recovered are mentioned in the following table:

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (₹ in crore)	No. of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2001-02	4	0.26	2	0.16	0.00	0.00
2002-03	7	0.72	2	0.51	0.03	0.03
2003-04	10	1.82	10	1.82	0.16	0.19
2004-05	7	0.63	6	0.25	0.00	0.19
2005-06	8	0.99	3	0.13	0.02	0.21
2006-07	7	1.87	3	1.01	0.02	0.23
2007-08	8	6.75	4	0.96	0.04	0.27
2008-09	7	6.77	3	3.81	0.11	0.38
2009-10	7	5.73	3	3.08	0.0025	0.3825
2010-11	4	0.62	3	0.57	0.0092	0.3917
<b>Total</b>	<b>69</b>	<b>26.16</b>	<b>39</b>	<b>12.30</b>	<b>0.3917</b>	

<sup>8</sup> Major Departments include Taxation, Revenue, Transport, Power, Forest & Environment, Excise, Public Health & Engineering, etc.

<sup>9</sup> Including Taxation, Transport, Revenue, Power, General Administration Department, Social Welfare, Home.

From the above table it is seen that the Departments had accepted 57 *per cent* of the paras. In monetary terms, the paras accepted were 47 *per cent*. However, recovery against accepted paras is very poor. Against ₹ 12.30 crore accepted by the Departments, recovery effected was only ₹ 0.3917 crore, which is a mere 3 *per cent*. As can be seen, recovery in two of the previous ten years was NIL.

The Departments need to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

#### 4.3.2.2 Action taken on the recommendations accepted by the departments/Government

The draft Performance Audits (PAs) conducted by the AG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These PAs are also discussed in an exit conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

The following paragraphs discuss the issues highlighted in the PAs on the Taxation Department featured in the last 10 Audit Reports including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government.

Year of AR	Name of the Performance Audit	No. of recommendations	Details of the recommendations accepted
2003-04	Performance Audit on Sales Tax including Internal Control System prevalent in the Department	5	Department's reply on the implementation of the recommendations made not received.
2008-09	Transition from Sales Tax to Value Added Tax (VAT) System	7	-do-
2010-11	Performance audit on "Declaration forms in Inter-state trade and commerce"	5	-do-

The draft PAs were forwarded to the Taxation Department and the audit findings and recommendations were discussed with the representatives of the Government and officers of the Department during the exit conference. Compliance to audit observations and recommendations has not been intimated. The Department needs to monitor and ensure that audit recommendations are taken to their logical conclusion.

## 4.4 Results of audit

### 4.4.1 Position of local audit conducted during the year

Test check of the records of 33 units of Electricity (receipts), Taxation, Motor Vehicles, Forest, and other Departments conducted during the year 2011-12

revealed underassessment/short levy/loss of revenue/non realisation of outstanding revenue aggregating ₹ 127.83 crore in 59 cases.

#### **4.4.2 This Report**

This report contains six paragraphs (selected from the audit findings of local audit referred to above and during earlier years which could not be included in earlier reports) having financial impact of ₹ 2.59 crore. The Departments/ Government have accepted audit observations involving ₹ 1.58 crore out of which ₹ 0.72 lakh has been recovered. The replies in the remaining cases have not been received (February 2013). These are discussed in succeeding paragraphs.

## AUDIT OF TRANSACTIONS (REVENUE)

### REVENUE DEPARTMENT

#### 4.5 Non-accountal of land revenue

Scrutiny (July 2009 and July-August 2011) of records<sup>10</sup> maintained by the Sub-Divisional Officer, Bishnupur revealed that one *Zilladar*<sup>11</sup>, Bishnupur

As per Rule 7(1) of Central Treasury Rules, all moneys received by or tendered to Government officers on account of government revenue shall, without undue delay, be paid in full into treasury and shall be included in the accounts of the Government, and such moneys received shall not be appropriated to meet departmental expenditure nor kept apart from Government account.

Circle collected an amount of ₹ 3.13 lakh as land revenue during the period from February 2006 to June 2011 (Details are given in **Appendix 4.1**). However, the said amount was retained by the *Zilladar* and the amount was not yet deposited (July 2011) to the cashier concerned of the office. As such, deposit of the land revenue to the Government account was remote which tantamounts to misappropriation of Government revenue.

The matter was referred to the Government (October 2012); reply had not been received (March 2013).

<sup>10</sup> Collection registers, receipt books and counterfoils of TR-5.

<sup>11</sup> A revenue officer appointed by the State Government for collection of land revenue.

## TAXATION DEPARTMENT

### 4.6 Suppression of purchase turnover and consequent evasion of tax

Section 39(1) of the Manipur Value Added Tax (MVAT), Act 2004 empowers the Commissioner of taxes to assess to the best of his judgment the tax due in respect of any turnover of a dealer who was assessed under Section 34(3) of the Act *ibid*, if he has reason to believe that the whole or part of the turnover of the dealer in respect of any period has escaped assessment or has been under assessed.

Further, under Section 36(7), penalty equal to twice the amount of additional tax assessed is leviable in the event of evasion or avoidance of payment of tax by furnishing incomplete and incorrect returns on the part of the dealer.

On test check (February and March 2012) of assessment records of Taxation Zones I, III, VI and VIII, we noticed that the Assessing Authority (AA) had assessed (March 2010 – November 2011) five dealers<sup>12</sup> under Section 34(3) of the Act *ibid* for the quarters endings ranging from March 2009 to September 2011. The assessment was done as per the returns of the dealers and by taking into account purchases of taxable goods amounting to ₹ 47.05 lakh<sup>13</sup> from outside the State.

Our cross verification of records like daily movement of goods registers maintained at the Taxation check

gates at Henbung in Senapati district and Jiribam in Imphal East district and utilisation statement of Form '27'<sup>14</sup>, however, revealed that these dealers purchased various taxable goods like electronic items, detergents, lubricants, *etc.* valued at ₹ 2.82 crore<sup>15</sup> from outside the State.

Thus, purchases of taxable goods of ₹ 2.35 crore<sup>16</sup> and consequent sales thereof with tax effect of ₹ 30.33 lakh<sup>17</sup> were suppressed. The details are given in **Appendix-4.2**.

- <sup>12</sup>
- Trade name - M/S Niranjan Electronics (TIN-14410027178), a dealer in electronic goods *etc.*
  - Trade name - M/S Debopriyo Agencies (TIN-14410168234), a dealer in detergents, cosmetics *etc.*
  - Trade name - M/S Vinod Hardware Store (TIN-14110013151), a dealer in marble/ ceramic, tiles *etc.*
  - Trade name - M/S Sarajeevan Enterprises (TIN-14210049150), a dealer in electronic goods, refrigerators, washing machines *etc.*
  - Trade name - M/S Sahara Lubricants (TIN-14810071144), a dealer in lubricants *etc.*

- <sup>13</sup>
- Trade name - M/S Niranjan Electronics : ₹ 10,73,385
  - Trade name - M/S Debopriyo Agencies : ₹ 29,67,279
  - Trade name - M/S Vinod Hardware Store : ₹ 5,10,710
  - Trade name - M/S Sarajeevan Enterprises : ₹ 0
  - Trade name - M/S Sahara Lubricants : ₹ 1,53,308
- ₹ 47,04,682

- <sup>14</sup> Statutory form used for import of goods from outside the State.

- <sup>15</sup>
- Trade name - M/S Niranjan Electronics : ₹ 27,86,896
  - Trade name - M/S Debopriyo Agencies : ₹ 1,74,49,320
  - Trade name - M/S Vinod Hardware Store : ₹ 23,66,155
  - Trade name - M/S Sarajeevan Enterprises : ₹ 34,62,024
  - Trade name - M/S Sahara Lubricants : ₹ 21,77,932
- ₹ 2,82,42,327

- <sup>16</sup> ₹ 2.82 cr.- ₹ 47.05 lakh

- <sup>17</sup>
- Trade name - M/S Niranjan Electronics : ₹ 2,31,324
  - Trade name - M/S Debopriyo Agencies : ₹ 18,10,255
  - Trade name - M/S Vinod Hardware Store : ₹ 2,50,485
  - Trade name - M/S Sarajeevan Enterprises : ₹ 4,67,373
  - Trade name - M/S Sahara Lubricants : ₹ 2,73,324
- ₹ 30,32,761

Penalty for furnishing of incomplete and incorrect return amounting to ₹ 60.66 lakh<sup>18</sup> was also leviable. Details are given at **Appendix 4.2**.

The matter was reported (October 2012) to the Department and the Government; their replies were awaited (March 2013).

#### 4.7 Evasion of tax by concealment of sales

Section 39(1) of the Manipur Value Added Tax (MVAT), Act 2004, provides *inter alia* that where after a dealer is assessed under section 34 of the Act for any year or part thereof, the Commissioner of Taxes has reason to believe that the whole or part of the turnover of the dealer in respect of any period has escaped assessment or has been under assessed, the Commissioner may proceed to assess to the best of his judgment, the amount of tax due in respect of such turnover.

Further, as per Section 36(7) of the Act *ibid*, if the dealer in order to evade or avoid payment of tax, has furnished incomplete and incorrect returns for any period, the Commissioner shall direct that the dealer shall pay, by way of penalty, a sum equal to twice the amount of additional tax assessed.

On test check (February and March, 2012) of assessment records maintained in Taxation Zone II, Imphal, it was noticed that the Assessing Authority (AA) concerned finalised (November, 2010 – April, 2011) the assessment of two dealers<sup>19</sup> under section 34(3) of the Act *ibid* for the quarters endings ranging from September 2010 to March 2011 by accepting the taxable turnover of sales to the extent of ₹ 9.23 lakh<sup>20</sup> as returned by the dealers.

Our cross verification of records maintained by the Superintendent of Taxes (ST) in-charge of Work Contracts, however, revealed that these

dealers sold various taxable goods like steel structures, sanitary ware, hardware items *etc.* worth ₹ 149.97 lakh<sup>21</sup> (Taxable turnover - ₹ 136.85 lakh)<sup>22</sup> to another dealer<sup>23</sup> within the jurisdiction of the aforesaid ST. Such sales were not disclosed by the dealers in their tax returns and remained undetected by the AA at the time of assessment. This resulted in evasion of

18	i. Trade name - M/S Niranjana Electronics	: ₹ 4,62,648
	ii. Trade name - M/S Debopriyo Agencies	: ₹ 36,20,510
	iii. Trade name - M/S Vinod Hardware Store	: ₹ 5,00,970
	iv. Trade name - M/S Sarajeevan Enterprises	: ₹ 9,34,746
	v. Trade name - M/S Sahara Lubricants	: ₹ 5,46,650
		<b>₹ 60,65,524</b>

- 19 i. M/S Santosh Sanitary (TIN : 14310234184) a dealer in hardware, sanitarywares etc.  
 ii. M/S Sangeeta Hardware (TIN : 143100037154) who dealt in hardware, sanitarywares etc.

- 20 i. M/S Santosh Sanitary (TIN : 14310234184) : ₹ 6.18 lakh in respect of goods with rate of tax of 4% - 13.5%  
 ii. M/S Sangeeta Hardware (TIN : 143100037154) : ₹ 3.05 lakh in respect of goods with rate of tax of 5% & 13.5%

- 21 M/S Santosh Sanitary : ₹ 118.21 lakh and M/S Sangeeta Hardwares : ₹ 31.76 lakh

- 22 M/S Santosh Sanitary : ₹ 107.89 lakh and M/S Sangeeta Hardwares : ₹ 28.96 lakh

- 23 M/S Simplex Projects Ltd. (TIN: 14010280175), a dealer in works contract

taxable turnover of sales to the extent of ₹ 1.28 crore<sup>24</sup> involving tax of ₹ 12.28 lakh<sup>25</sup>. Details are given in **Appendix-4.3**.

Furnishing of incomplete and incorrect returns on the part of the dealers also attracted penalty under Section 36(7) amounting to ₹ 24.56 lakh<sup>26</sup>.

The Department admitted (December 2012) the observation of Audit and stated that notices have been issued to the two dealers to pay the evaded tax and penalty. Accordingly, one<sup>27</sup> of the dealers had deposited (November 2012) ₹ 40,000 to the Government.

Realisation of the balance amount is yet to be intimated to Audit (March 2013).

#### **4.8 Non levy of penalty**

On scrutiny of records (February/March, 2012) maintained by the Superintendent of Taxes, Zones - Head Quarters, I, II, IV, V, VI and VII, we noticed that twelve dealers (other than Work Contract dealers) whose turnover exceeded ₹ 60 lakh each during 2009-10 and 2010-11 were assessed (August, 2009 – July, 2011) for the said years on taxable turnover of ₹ 68.87 crore by the Assessing Authorities concerned. As per provision of the Act *ibid* the dealers were required to get their accounts for the years audited by a Chartered Accountant and to submit the Audit Reports thereof to the Tax Authorities within the stipulated dates i.e. by October, 2010 and October, 2011 respectively. The dealers, however, failed to comply with the mandatory provisions even after the expiry of 5 to 17 months from the stipulated period. However, penalty leviable

As per Section 58(1) of the Manipur Value Added Tax (MVAT) Act 2004 read with notification no. Tax/3(40)/IMP/2005/322 dated 13<sup>th</sup> Sept., 2010 of the Commissioner of Taxes, Manipur, where in any year the gross turnover of a dealer (other than Work Contract dealers) is above ₹ 60 lakh, such dealer's account shall be audited by a Chartered Accountant or by a person appointed to act as an auditor of Companies by virtue of Section 226(2) of the Companies Act, 1956 within six months from the end of relevant year. The dealer shall furnish a copy of the certificate of the audit of accounts in Form 25 to the Tax Authority by the end of the month after expiry of the six months cited above failing which, the Commissioner shall impose on the dealer penalty equal to 0.1 *per cent* of the turnover.

<sup>24</sup> M/S Santosh Sanitary : ₹ 101.71 lakh and M/S Sangeeta Hardwares : ₹ 25.92 lakh

<sup>25</sup> M/S Santosh Sanitary : ₹ 9.64 lakh and M/S Sangeeta Hardwares : ₹ 2.64 lakh

<sup>26</sup> M/S Santosh Sanitary: ₹ 19.28 lakh and M/S Sangeeta Hardware : ₹ 5.28 lakh

<sup>27</sup> M/S Santosh Sanitary



amounting to ₹ 6.19 lakh (0.1 per cent on ₹ 61.91 crore) remained unrealised. Details are given in **Appendix 4.4**

On this being pointed out, the Department served demand notices to the dealers to pay penalty for default in audit of Account on or before 31 December 2012 and it further stated that penalty amounting to ₹ 0.32 lakh had been realised from the two defaulting dealers<sup>28</sup>. Realisation of penalty from the remaining defaulting dealers was awaited as of January 2013.

#### 4.9 Non-recovery of arrear of tax

Section 28 of the Manipur Value Added Tax (MVAT) Act, 2004 read with the Rule 24 (6) of the Manipur Value Added Rules, 2005 (Rules) provides that all registered dealers and dealers liable to pay tax with total turnover exceeding ₹ 10 lakh shall submit return accompanied by the full amount of tax payable within twenty days from the end of a month of the year. If the amount sent with return is less than the amount of tax payable, the Tax Authority shall serve upon the dealer a notice in Form '12' and the dealer shall pay the sum demanded in the said notice within the time and in the manner specified in the notice.

As per Section 42 (6) of the Act *ibid* the amount remaining unpaid after due date of payment shall be recovered as arrear of land revenue. Rule 32 (1) of the Rules further provides that for recovery of tax due as arrear of land revenue the appropriate assessing authority shall issue to the collector a recovery certificate in Form '37'.

On test check of records (February & March 2012) maintained by the Superintendent of Taxes in charge of petroleum and petroleum products, it was noticed that one dealer<sup>29</sup> filed returns for quarters endings from June 2007 to December 2010 showing payment of tax of ₹ 111.50 lakh out of total tax due of ₹ 226.08 lakh, thereby leaving an arrear of tax of ₹ 114.58 lakh. However, no notice was found served on the defaulting dealer for payment of the tax due. Details are given in **Appendix 4.5**

Our further scrutiny revealed that the dealer was also not assessed by the Assessing Authority (AA) concerned and hence, in spite of provisions for recovery of unpaid tax as arrear of land revenue, no

action had been initiated after lapse of 14 to 56 months (as on date of audit).

While admitting the audit observation, the Department stated (January 2013) that the concerned AA has been directed to issue recovery certificate to the district administration of Imphal West district for recovery as arrear of land revenue in case the dealer fails to pay the tax due within 30 days.

<sup>28</sup> M/S Manipur Steel Mart: ₹ 0.25 lakh and M/S Ranjit Enterprises ₹ 0.07 lakh

<sup>29</sup> M/s NRL Energy Station (TIN- 14010892285), Singjamei Imphal City-3, a dealer in petroleum etc.

## TRANSPORT DEPARTMENT

### 4.10 Non-realisation of tax and penalty

Test check of records (November 2011 and May 2012) maintained by the

As per the Manipur Motor Vehicles Taxation Act (MMVTA), 1998 read with the amendments, there shall be levied and collected on all motor vehicles used or kept for use in Manipur a tax payable in advance either annually or quarterly, at the prescribed rates. The Act also provides for a penalty of ₹ 200 in respect of light vehicles\* and ₹ 400 in respect of medium vehicles\*\* for violation of any provisions of the Act.

Further, as per the Manipur Passengers and Goods Taxation Act (MPGTA) 1977, the Government of Manipur by notifications issued in May 2002 and March 2010, fixed lump sum tax\*\*\* in lieu of tax chargeable on fare and freight on return basis as specified in the notifications payable in respect of different categories of commercial vehicles with effect from dates specified therein.

\* Any transport vehicle/omnibus the gross weight of which does not exceed 7.5 tonnes

\*\* Any goods carrier/passenger vehicle the gross weight of which exceeds 7.5 tonnes but does not exceed 12 tonnes.

\*\*\* Different lump sum rates of tax have been fixed for different category of vehicles.

District Transport Officers (DTOs) of Imphal West and Bishnupur revealed that in respect of 89 commercial vehicles (Goods vehicles: 74, Passenger vehicles: 15), Road tax and Goods/Passengers tax amounting to ₹ 7.24 lakh<sup>30</sup> and Penalty amounting to ₹ 0.26 lakh<sup>31</sup> for periods ranging from one to eleven quarters leviable under the MMVTA and MPGTA had not been realised from the vehicle owners. The concerned DTOs had also failed to serve demand notices to the defaulters. Thus, weak monitoring of tax collection by the DTOs resulted in non-realisation

of Government revenue worth ₹ 7.50 lakh (**Appendix-4.6**).

The matter was referred to the Government (September 2012). The reply of the Government was awaited (January 2013).

<sup>30</sup> DTO, Imphal West: ₹ 4.10 lakh; DTO, Bishnupur: ₹ 3.14 lakh.

<sup>31</sup> DTO, Imphal West: ₹ 0.13 lakh; DTO, Bishnupur: ₹ 0.13 lakh.