

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 2012-13, 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)

		2008-09	2009-10	2010-11	2011-12	2012-13
I	Revenue raised by the State Government					
	• Tax revenue	170.06	196.04	267.05	368.07	332.83
	• Non-tax revenue	253.46	239.74	259.88	311.53	231.78
	Total:	423.52	435.78	526.93	679.60	564.61
II	Receipts from the Government of India					
	• State's share of net proceeds of Union taxes	580.81	597.56	990.57	1154.03	1317.83 ¹
	• Grants-in-aid	2868.28	2839.79	3912.44	3819.92	4937.32
	Total:	3449.09	3437.35	4903.01	4973.95	6255.15
III	Total receipts of State Government (I+II)	3872.61	3873.13	5429.94	5653.55	6819.76
IV	Percentage of I to III	11	11	10	12	8

(Source: Finance Accounts)

The above table indicates that during the year 2012-13, the revenue raised by the State Government (₹ 564.61 crore) was eight *per cent* of the total revenue receipts against twelve *per cent* in the preceding year. The balance 92 *per cent* of receipts during 2012-13 was from the Government of India.

¹ 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.

4.1.2 The following table presents the details of tax revenue raised during the period 2008-09 to 2012-13:

							(₹ in crore)
Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1	Sales Tax/VAT	141.38	163.28	227.57	296.92	258.52	(-)12.93
2	State Excise	3.91	4.70	6.61	9.80	9.93	(+)1.33
3	Stamps and Registration Fees	3.18	4.26	3.57	4.82	5.99	(+)24.27
4	Taxes and Duties on Electricity	0.39	0.01	0.003	0.34	0.04	(-)88.24
5	Taxes on Vehicles	4.03	4.35	4.44	13.21	15.83	(+)19.83
6	Taxes on Goods and Passengers	0.80	0.81	0.90	1.40	1.43	(+)2.14
7	Other Taxes on Income and Expenditure	15.46	17.63	18.77	21.60	23.35	(+)8.10
8	Other Taxes and Duties on Commodities and Services	0.13	0.19	3.90	19.14	16.50	(-)13.79
9	Land Revenue	0.78	0.81	1.29	0.84	1.24	(+) 47.62
Total		170.06	196.04	267.05	368.07	332.83	(-) 9.57

(Source: Finance Accounts)

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

Stamps and Registration Fees: The increase was attributed to fixation of land value.

Taxes and Duties on Electricity: The decrease was attributed to non-payment of electric consumption charges.

State Excise: The increase was attributed to slight increase in the number of security forces deployed in the State, resulting in increase of sale of liquor.

The other Departments did not inform (December 2013) the reasons for variation, despite being requested (October 2013).

4.1.3 The following table presents the details of the non-tax revenue raised during the period 2008-09 to 2012-13.

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+)/ decrease (-) in 2012-13 over 2011-12
1	Interest receipts	39.99	32.73	44.65	25.18	20.66	(-)17.95
2	Housing	1.30	0.71	0.66	0.70	1.03	(+)47.14
3	Water Supply and Sanitation	6.89	9.48	14.21	5.87	6.15	(+)4.77
4	Forestry and Wild Life	1.02	2.25	2.10	3.46	2.94	(-)15.03
5	Education, Sports, Art and Culture	0.91	1.21	1.14	1.11	1.15	(+)3.60
6	Miscellaneous General Services	92.77 ²	61.47	76.87	138.33	75.29	(-)45.57
7	Power	88.28	104.07	88.29	106.58	108.30	(+)1.61
8	Medium Irrigation	8.00	7.00	10.49	8.61	3.75	(-)56.45
9	Medical and Public Health	0.52	0.12	0.12	0.10	0.15	(+)50.00
10	Co-operation	0.16	0.16	0.19	0.26	0.33	(+)26.92
11	Public Works	7.96	17.65	16.88	15.13	6.01	(-)60.28
12	Police	3.36	0.94	0.88	0.90	0.99	(+)10.00
13	Other Administrative Services	0.59	0.38	1.08	2.89	1.39	(-)51.90
14	Crop Husbandry	0.07	0.25	0.18	0.27	0.34	(+)25.93
15	Others	1.64	1.32	2.14	2.14	3.64	(+)70.09
Total		253.46	239.74	259.88	311.53	231.12	(-) 25.49

(Source: Finance Accounts)

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

Medium Irrigation: The decrease was due to less receipt of interest on Mobilisation Advance, hire charges of machinery, water tax etc. due to less released of Cheque Drawal Authority (CDA) during the year.

Public Works Department: The decrease in public works receipt was attributed to less collection on Agency charges.

Medical and Public Health: The increase was attributed to increase in State Medical Board and drugs licence.

Housing: Collection under Housing increased in 2012-13 over 2011-12 due to realisation of outstanding rent/furniture rent.

² Includes debt relief of ₹ 37.54 crore given by the Government of India on repayment of consolidated loan.

The other departments did not inform (December 2013) the reasons for variation, though called for (October 2013).

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 2012-13 are mentioned in the following table:

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget Estimates	Actuals	Variation increase (+)/ decrease (-)	Percentage
Tax Revenue					
1	Sales Tax/VAT	250.80	258.52	(+)7.72	(+)3.08
2	State Excise	8.59	9.93	(+)1.34	(+)15.60
3	Stamp Duty and Registration Fees	6.64	5.99	(-)0.65	(-)9.79
4	Taxes on Vehicles	17.17	15.83	(-)1.34	(-)7.80
5	Taxes on Goods and Passengers	1.17	1.43	(+)0.26	(+)22.22
6	Land Revenue	1.68	1.24	(-)0.44	(-)26.19
Non-tax Revenue					
7	Interest Receipts	54.02	20.66	(-)33.36	(-)61.75
8	Other Administrative Services	1.30	1.39	(+)0.09	(+)6.92
9	Medical and Public Health	0.15	0.15	0	0
10	Public Works	20.43	6.01	(-)14.42	(-)70.58
11	Forestry and Wildlife	2.54	2.94	(+)0.40	(+)15.75
12	Education, Sports, Art and Culture	1.37	1.15	(-)0.22	(-)16.06
13	Power	177.70	108.30	(-)69.40	(-)39.05

(Source: Budget documents and Finance Accounts)

The following reasons were furnished for variation between Budget estimate and Actuals by the Public Works Departments:

Public Works: The variation was due to less realisation of house rent and furniture rent.

The other departments have not informed (December 2013) the reasons for variation, though called for (October 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 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collections for 2011-12 are mentioned in the following table:

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross on collection	All India average percentage for the year 2011-12
1	Sales Tax/ VAT	2010-11	227.57	2.46	1.08	0.83
		2011-12	296.92	2.64	0.89	
		2012-13	258.52	2.83	1.09	
2	State Excise	2010-11	6.61	2.05	31.01	2.93
		2011-12	9.80	2.47	25.20	
		2012-13	9.93	2.26	22.76	
3	Taxes on Vehicles	2010-11	4.44	2.89	65.09	2.96
		2011-12	13.21	3.62	27.40	
		2012-13	15.83	3.42	21.60	
4	Stamp Duty and Registration Fees	2010-11	3.57	1.21	33.89	1.89
		2011-12	4.82	1.48	30.71	
		2012-13	5.99	1.49	24.87	

(Source: Finance Accounts)

Thus, it can be observed from the above table that the cost of collection of State Excise, Taxes on Vehicles and Stamp Duty and Registration Fees were much higher than the All India average for 2011-12.

4.1.6 Analysis of arrears of revenue, assessment, Evasion of Tax and Refunds

No information in respect of arrears of revenue, assessment, evasion of tax and refunds was not furnished by the Taxation Department, though called for (October 2013) and subsequent reminder (November 2013).

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 their

attention to the audit findings with a request to furnish their response within six weeks. The response of the departments/Government towards audit is discussed in 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 four weeks 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 up to June 2013 disclosed that 581 paragraphs involving ₹ 66.37 crore relating to 221 IRs remained outstanding at the end of June 2013 as mentioned in the following table along with the corresponding figures for the preceding two years.

	June 2011	June 2012	June 2013 ³
Number of outstanding IRs	417	444	221
Number of outstanding audit observations	1282	1347	581
Amount involved (₹ in crore)	978.49	1138.54	66.37

³ The significant reduction in outstanding Inspection Reports and the corresponding money value involved as on June 2013 is due to the inclusion of only five departments under Revenue Sector after sectorial segregation of Departments.

The department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned below:

Sl. No.	Name of Department	Nature of receipts	No. of outstanding IRs	No. of outstanding audit observations	Money value involved (₹ in crore)
1	Revenue	Land Revenue	98	254	25.15
2	Revenue	Stamps and registration fees	11	33	0.39
3	Excise	State excise	9	20	3.88
4	Finance	Taxes/VAT on sales, trade etc	46	135	19.42
5	Transport	Taxes on vehicles/ Taxes on goods and passengers	57	139	17.53
Total			221	581	66.37

Even the first replies required to be received from the heads of offices within four weeks from the date of issue of the IRs were not received for 120 IRs issued up to June 2013. 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 takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send 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 (Audit). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. At the instance of AG (Audit), the State Level Audit Committee meeting, attended by the concerned Principal Secretaries, Commissioners/ secretaries was convened on September 28, 2009. Thereafter no state Level Audit committee has 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

Six draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2013 were forwarded (September 2013) to the Principal Secretaries/ Commissioners/ Secretaries of the respective departments through demi-official letters. The administrative Secretaries/Commissioners have not furnished replies (December 2013) in respect of two draft paragraphs.

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 moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments duly vetted by the Accountant General to PAC within three months⁴ from the date of placing of Audit Reports in the Legislature.

However, as of November 2013 *suo moto explanatory* notes pertaining to 58 paragraphs/reviews for the Audit reports for the years 2002-2012 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 2007-08 to 2011-12 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands etc. involving ₹ 25.57 crore were reported. As of August 2013, the Departments⁵ concerned have accepted observations of ₹ 12.83 crore and recovered ₹ 0.74 crore. Audit Report wise details of cases accepted and recovered are detailed in the following table:

(₹ in crore)

Year of Audit Report	Total money value ⁶	Accepted money value	Recovery made
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
2011-12	2.59	2.49	0.58
Total	25.57	12.83	0.74

⁴ *Suo-moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC during this period.

⁵ Taxation, Transport, Revenue, Power, Social Welfare and Home.

⁶ Including money value mentioned in Performance Review(s), if any.

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 paragraph discusses the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last ten years from 2003-04 to 2012-13.

4.3.1 Position of Inspection Reports

The cumulative position of Inspection Reports issued during the last 10 years since 2003-04 and their status of clearance as on 30 June 2013 are tabulated below:

(₹ 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
2003-04	8	18	94.68	-	-	-	-	-	-	8	18	94.68
2004-05	8	18	94.68	6	14	513.80	-	-	-	14	32	608.48
2005-06	14	32	608.48	0	0	0	-	-	-	14	32	608.48
2006-07	14	32	608.48	2	6	20.00	-	-	-	16	38	628.48
2007-08	16	38	628.48	7	24	106.59	-	-	-	23	62	735.07
2008-09	23	62	735.07	6	17	142.74	-	-	-	29	79	877.81
2009-10	29	79	877.81	5	15	222.96	-	-	-	34	94	1100.77
2010-11	34	94	1100.77	6	16	584.03	-	-	-	40	110	1684.80
2011-12	40	110	1684.80	3	15	224.76	-	-	-	43	125	1909.56
2012-13	43	125	1909.56	3	9	32.02	-	-	-	46	134	1941.58

The Department⁷ was sent periodic reminders to furnish replies to the outstanding audit observations. As can be seen from the above table, there is no improvement in clearance of Inspection Reports and Paras from the Department.

⁷ Taxation department.

4.3.2 Assurances given by the Departments/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, those accepted by the Departments⁸ and the amount recovered are mentioned below:

(₹ in crore)

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases
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	0.38
2010-11	4	0.62	3	0.57	0.0092	0.39
2011-12	6	2.59	5	2.49	0.58	0.97
Total	71	28.49	42	14.63	0.97	

From the above table it is seen that the Departments had accepted 59 *per cent* of the paras. In monetary terms, the paras accepted were 51 *per cent*. However, recovery against accepted paras is very poor. Against ₹ 14.63 crore accepted by the Departments, recovery was only ₹ 0.97 crore, which is a mere 7 *per cent*. As can be seen, recovery in one 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 finalizing the PAs for the Audit Reports.

The following paragraphs discuss the issues highlighted in the PAs on the Taxation Department as featured in the Audit Reports of the last 10 years, including the recommendations and action taken by the

⁸ Including Taxation, Transport, Revenue, Power, General Administration Department, Social Welfare, Home.

Department on the recommendations accepted by it, as well as by the Government.

Year of AR	Name of the review	No. of recommendations	Details of the recommendations accepted
2003-04	Review on Sales Tax including Internal Control System prevalent in the Department	5	Department's reply on the implementation of the recommendations 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 16 units of Taxation, Revenue and Transport Departments conducted during the year 2012-13 revealed underassessment/short levy/loss of revenue/non realization of outstanding revenue aggregating to ₹ 60.93 crore in 19 cases.

4.4.2 This Report

This report contains six paragraphs having financial impact of ₹ 2.21 crore. The replies to all but two paragraphs have not been received (January 2013). These are discussed in succeeding paragraphs.

AUDIT OF TRANSACTIONS

ELECTRICITY DEPARTMENT

4.5 Loss to the Government

Short billing of energy charges of six bulk consumers resulted in loss to the Government to the tune of ₹ 22.59 lakh

As per tariff approved by the Joint Electricity Regulatory Commission (JERC), power charges consist of Fixed/Demand charges and Energy charges, for which different slabs are prescribed for different categories of consumers. The slab for Bulk Consumers was fixed at the rate of ₹ 100 per kilowatt (kw) per month and Energy charges at the rate of ₹ 3.20 per kw per hour (kwh) with effect from 21 March 2011.

Test check of records (November and December 2012) of the Executive Engineer, Imphal Electrical Division No-II of the Electricity Department revealed that the amount of Energy charges levied from six bulk consumers was less than the prescribed rate specified in the tariff during the period October 2011 to September 2012. Energy charges were levied at rates ranging from ₹ 1.92 per kwh to ₹ 2.19 per kwh, instead of ₹ 3.20 per kwh as specified in the tariff. No reason was furnished for levying Energy charges at rates lesser than the tariff rates. The amount of Energy charges leviabale as per tariff, amount actually levied and short billing are as shown in the following table:

(in ₹)

Sl. No.	Consumer No. (Name of Consumer)	Connected Load (kw)	Consumption of energy per month ⁹ (kw) ¹⁰	Energy charge per month		Short levy for one year
				Amount leviable ¹¹	Amount levied	
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)-(6)x12
1	Bulk -1 (CRPF Langjing)	1000	1,20,000 (1000x0.5x30x8)	3,84,000	2,49,600	16,12,800
2	Bulk-4 (Chief Manager, Power Grid Ltd.)	141	16,920 (141x0.5x30x8)	54,144	35,195	2,27,388
3	Bulk-7 (Principal JNV Khumbong)	62	7440 (62x0.5x30x8)	23,808	15,475	99,996
4	Bulk-8 (Assam Rifles)	118	14,160 (118x0.5x30x8)	45,312	27,187	2,17,500
5	Bulk-9 (1064 GREF)	15	1800 (15x0.5x30x8)	5760	3936	21,888
6	Bulk-10 (Baitung Khullen Mega Watt Station)	51	6120 (51x0.5x30x8)	19,584	12,963	79,452
Total						22,59,024

CRPF-Central Reserve Police Force; JNV – Jawaharlal Nehru Navodaya Vidyalaya, and GREF – General Reserve Engineering Force.

Thus, short billing of energy charges from the bulk consumers resulted in loss to the Government to the tune of ₹ 22.59 lakh between October 2011 to September 2012. The amount was yet to be recovered from the concerned consumers.

The matter was referred (May 2013) to the Government; no reply been furnished (December 2013).

⁹ Calculation made as per formula adopted by the Department as follows:-
Energy consumed per month = L×F×D×H, where
L = Connected load in kw (as shown in Column (3)),
F = Connected load factor (which is 0.5, as adopted by the Department);
D = Number of days in a month (30 days); and
H = Average number of hours per day power is available to the feeder (8 hours, as adopted by the Department).
¹⁰ Calculated on the same basis as adopted by the Department.
¹¹ Column (4) multiplied by ₹ 3.20 per kw.

TAXATION DEPARTMENT

4.6 Short levy of Central Sales Tax

Payment of Central Sales Tax (CST) at concessional rate despite failure to submit the requisite Form 'C' in violation of extant rules resulted in short levy of CST amounting to ₹ 12.40 lakh. As on October 2013, ₹ 2.53 lakh has been recovered, leaving a balance of ₹ 9.87 lakh

As per Section 8 of the Central Sales Tax (CST) Act, 1956 and Rule 12 of the CST (Registration and Turn Over) Rules, 1957, a dealer claiming concessional rate of tax on inter State sales is required to produce a declaration in Form 'C'. The form shall be furnished to the Assessing Authority within three months from the end of the relevant quarter. In the event of failure, tax is leviable at the rate applicable to sales/purchases of goods under the relevant Taxation Act¹² of the State.

On test check (January and February, 2013) of assessment records maintained by the Superintendent of Taxes, Zone III it was noticed that the Tax Authority finalised (April 2012 to February 2013¹³) the assessment of one dealer¹⁴ on a taxable turnover of ₹ 1.08 crore¹⁵. The turnover was related to inter State sales for the quarters ranging from December 2011 to September 2012. Tax Authority allowed the dealer to pay tax of ₹ 2.16 lakh at a concessional rate of 2 per cent without requisite Form 'C'. Further scrutiny of the assessment records, however, disclosed that though the assessing authority allowed the dealer to pay at the concessional rate the dealer failed to submit the requisite Form 'C' even after expiry of prescribed period of three months/extended period for submission of the declaration forms falling between March 2012 and February 2013. No further time was allowed by the tax authority to the dealer for the submission of requisite forms. Hence, the dealer is liable to pay CST amounting to ₹ 14.56 lakh at the prescribed rate (13.5 per cent) for plywood.

¹² Manipur Value Added Tax Act, 2004, in the present case.

¹³ The dealer was allowed a further period of three months up to February 2013 in respect of quarter ending September 2012.

¹⁴ Trade Name: M/s Mangalam Wood Industries Pvt. Ltd. (TIN: 14110059126) who deals in plywood business.

¹⁵ (Amount in ₹)

Quarter	Taxable turnover	Tax paid at the concessional rate of 2%
December 2011	3,34,520	6,690
March 2012	16,79,523	33,590
June 2012	53,44,105	1,06,882
September 2012	34,23,660	68,473
Total	1,07,81,808	2,15,635

Therefore, grant of concessional rate by the tax authority to the dealer despite the latter's failure to submit the requisite forms in violation of mandatory provisions provided in the Act and Rules *ibid* resulted in short levy of CST amounting to ₹ 12.40 lakh¹⁶.

The Department stated (December 2013) that the dealer was served (September 2013) Demand Notice to submit the Forms in respect of inter state sales of goods for the aforesaid quarters, allowing him a additional time till 8 October 2013. Finally, the dealer was re-assessed (October 2013) at ₹ 2.53 lakh, which was recovered.

The reply is not acceptable as the assessment of the dealer was already finalized for the aforesaid quarters during April 2012 and February 2013 allowing him concessional rate of CST of 2 *per cent* without the Form 'C'. No sufficient cause¹⁷ was also submitted by the dealer for non-submission of the Forms. The dealer was, therefore, liable to pay the balance amount of CST of ₹ 9.87 lakh (₹ 12.40 lakh - ₹ 2.53 lakh).

4.7 Evasion of tax by suppression of purchase turnover

Suppression of purchase turnover resulted in evasion of tax and attracted penalty to the tune of ₹ 21.21 lakh, out of which ₹ 6.01 lakh has been recovered as on December 2013

As per Section 39(1) of the Manipur Value Added Tax Act, 2004, if the whole or part of the turnover of a dealer of any period has escaped assessment or has been under assessed; amount of tax due may be assessed/re-assessed by the Tax Authority. Under Section 36(7), penalty equal to twice the amount of additional tax assessed is leviable in the event of furnishing incorrect and incomplete returns on the part of the dealer.

On scrutiny of records (January and February 2013) maintained in Taxation Zones II and III, it was noticed that the Assessing Authorities (AA) concerned finalized (March 2010-December 2011) the assessments of two dealers¹⁸ under section 34 (3) of the Act for the periods ending March 2010 to June 2010 and December 2011 respectively taking into account the turnover of purchases of taxable goods made from outside the State amounting to ₹ 23.45 lakh¹⁹ as returns submitted by the dealers. Cross verification of records like daily movement of goods registers maintained at taxation check post Henbung, Senapati District and

¹⁶ ₹ 14,55,544 {(13.5 *per cent* of ₹ 1,07,81,808) - ₹ 2,15,638 } = ₹ 12,39,906.

¹⁷ Such as an Affidavit showing justification for delay in submission of Forms.

¹⁸ i) M/s Manipur Agency (TIN: 14340044127) Zone-II, a dealer in tyres and tubes *etc.*

ii) M/s Golden Globe Enterprise (TIN: 14310232164) Zone-III, a dealer in edible oil, glycerine *etc.*

¹⁹ M/s Manipur Agencies : ₹ 1,82,201

M/s Golden Globe Enterprise : ₹ 21,62,884

purchase invoices, however, disclosed that the dealers made purchases of taxable goods worth ₹ 92.13 lakh from outside the State during the above periods. (Details vide **Appendices 4.1 and 4.2**). Hence, depicting purchase turnover of ₹ 23.45 lakh as against the actual purchase of ₹ 92.13 lakh tantamounts to suppression of purchase turnover to the tune of ₹ 68.68 lakh²⁰ having a tax effect of ₹ 7.07 lakh²¹. Penalty of ₹ 14.14 lakh was also leviable on the above tax, as per Section 36(7) of the Act *ibid*.

While admitting the audit observation, the Department stated (December 2013) that tax amounting to ₹ 6.01 lakh²² had since been realised (September-December 2013).

4.8 Non-levy of penalty

Recovery at the instance of audit for penalty of ₹ 6.20 lakh for non compliance with the provision of taxation Act

Section 58 of the Manipur Value Added Tax Act, 2004 (the Act) read with Departmental notification dated 13 September 2010 provides *inter alia* that if the gross turnover of a dealer in any year exceeds ₹ 60 lakh (₹ 2 crore in case of works contract dealer) he shall get his account so audited by a Chartered Accountant or a person appointed to act as an auditor of the company within six months from the end of the assessment year. In the event of failure, the Tax authority shall impose on the defaulter, a penalty of 0.1 *per cent* of the turnover.

On scrutiny of records (January and February 2013) of the Taxation Zones III, IV, V and IX, it was noticed that nine dealers whose turnover exceeded ₹ 60 lakh each during 2011-12 and one works contract dealer whose turnover exceeded ₹ 2 crore, were assessed (July 2011 to November 2012) on taxable turnover of ₹ 71.65 crore during 2011-12. As per the Act, the dealers were required to get their accounts audited by a Chartered Accountant and submit the audit reports to the Tax Authorities within the stipulated dates *i.e.* October 2012. However, the dealers did not comply with the mandatory provisions of getting their accounts audited by a Chartered Accountant even after expiry of five months (upto March 2013) from the prescribed period. Further, the Tax Authorities did not levy penalty of ₹ 7.17 lakh (*i.e.* 0.1 *per cent* of taxable turnover of ₹ 71.65 crore) as required under provisions of the

²⁰	M/s Manipur Agencies	:	₹ 48,47,033
	M/s Golden Globe Enterprise	:	₹ 20,20,516
²¹	M/s Manipur Agencies	:	₹ 6,05,879 (13.5 <i>per cent</i> of ₹ 48,47,033)
	M/s Golden Globe Enterprise	:	₹ 1,01,026 (5 <i>per cent</i> of ₹ 20,20,516)
²²			

Name of dealer	Amount realised (₹ in lakh)
M/s Manipur Agency	5.00
M/s Golden Enterprises	1.01

Act. (Details are given in **Appendix 4.3**). Reasons for non levy of penalty were not recorded.

While partly admitting the audit observation, the Department stated (December 2013) that penalty amounting to ₹ 6.20 lakh from eight defaulting dealers has been realised. In case of one dealer²³ the justification for delay in submission of the accounts was accepted by the Tax authority and penalty was waived.

The reply of the Department (December 2013) is not acceptable as exemption of penalty was not accorded by the competent authority viz. the Commissioner of Taxes.

TOURISM DEPARTMENT

4.9 Loss to the Government

Short deduction of VAT and Agency Charges at source in violation of the order of the Finance Department resulted in loss to the Government to the tune of ₹ 1.47 crore

As per an order²⁴ of the Finance Department, Government of Manipur, Value Added Tax (VAT) @ 5.6 *per cent* and Agency Charges at applicable rate for construction agencies are required to be deducted at source by the concerned Department while depositing fund to the Work Agencies. In the case of Manipur Development Society (MDS) and Manipur Tribal Development Corporation Limited (MTDC), the applicable Agency Charges are 11.75 *per cent* and 4 *per cent* respectively.

Scrutiny of records (March 2012) revealed that the Directorate of Tourism drew an amount of ₹ 14.46 crore (MDS - ₹ 2.86 crore and MTDC - ₹ 11.60 crore) during 2009-10 for various construction works. The Directorate should have deducted a sum of ₹ 1.61 crore²⁵ being VAT and Agency Charges; while depositing the amount to these Agencies as per the State Finance Department's order *ibid*. However, the Directorate without any reason on record deducted only ₹ 14.39 lakh²⁶ as VAT and Agency Charges; and deposited ₹ 14.32 crore to these Work Agencies (MDS - ₹ 2.82 crore and MTDC - ₹ 11.50 crore). Thus,

²³ M/s Gujarat Milk Co-op Milk Marketing Federation Ltd.

²⁴ No. 5/6/2005-FC dated 13-07-2007.

²⁵ VAT: - ₹ 80.98 lakh (₹ 16.04 lakh in respect of MDS and ₹ 64.94 lakh in respect of MTDC) and Agency Charge: - ₹ 80.04 lakh (₹ 33.66 lakh in respect of MDS and ₹ 46.38 lakh in respect of MTDC).

²⁶ VAT: - ₹ 7.29 lakh (₹ 1.37 lakh in respect of MDS and ₹ 5.92 lakh in respect of MTDC) and Agency Charge: - ₹ 7.10 lakh (₹ 2.87 lakh in respect of MDS and ₹ 4.23 lakh in respect of MTDC).

the Directorate paid ₹ 1.47 crore²⁷ in excess to these Agencies. This resulted in loss to the Government to the tune of ₹ 1.47 crore.

The matter was referred (September 2013) to the Government; reply has not been received (December 2013).

TRANSPORT DEPARTMENT

4.10 Non realisation of taxes on vehicles

Non-compliance of extant provisions of Motor Vehicle Taxation Acts resulted in non-realization of annual taxes on vehicles including penalty to the extent of ₹ 12.04 lakh

As per the Manipur Passengers and Goods Taxation Act, 1977 and the Rules framed thereunder, read with Government Notification dated 9 March 2010, a lumpsum annual tax at specified rates is fixed in lieu of tax chargeable on Fare and Freight on return basis in respect of various types of commercial vehicles. Further, as per clause “C” of the notification *ibid*, a lumpsum tax on vehicles carrying goods is chargeable at the rates between ₹ 1800 to ₹ 4800 per annum in respect of vehicles between 4 and 15 tonnes. Non-payment of tax would attract penalty of an amount not exceeding ₹ 1000 per annum.

Also, as per Section 3 of the Manipur Motor Vehicles Taxation Act, 1998, there shall be levied and collected on all motor vehicles used or kept for use in the State, a tax at the appropriate rate specified in the first Schedule to the Act, and such tax shall be payable annually. Part-B of the Schedule prescribes an annual tax in respect of motor vehicles (local) with laden weight between 4 and 15 tones plying for hire or reward ranging from ₹ 1560 to ₹ 5080 which were revised at rates ranging from ₹ 3760 to ₹ 10,160 under the Manipur Motor Vehicles Taxation (Amendment) Act, 2011 w.e.f. 1 April 2011.

On test check (January, 2013) of records like Combined registers, Payment registers *etc.* maintained by the District Transport Officer (DTO), Imphal West, it was noticed that the owners of 61 goods vehicles (local) between four and fifteen tonnes had not paid annual tax for the period ranging from one to twelve quarters (July 2010 to March 2013). The registration certificates of the said vehicles were not found surrendered to the Transport department, and hence, the vehicles were evidently on the road. The DTO, however did not initiate any action like

²⁷ VAT: - ₹ 73.69 lakh (₹ 14.67 lakh in respect of MDS and ₹ 59.02 lakh in respect of MTDC) and Agency Charge: - ₹ 72.94 lakh (₹ 30.79 lakh in respect of MDS and ₹ 42.15 lakh in respect of MTDC).

issuance of demand notices to the defaulters to realise the leviable taxes. Thus, the inadequate internal control of the DTO resulted in non realisation of taxes to the tune of ₹ 12.04 lakh including a penalty of ₹ 0.61 lakh leviable under the provisions *ibid*.

While admitting the audit observation, the Department stated (January 2014) that it had realised tax of ₹ 5.44 lakh from 16 vehicle owners. Demand notices were issued to 43 defaulting vehicle owners to clear outstanding taxes.