

CHAPTER IV : REVENUE RECEIPTS

GENERAL

4.1. *Trend of revenue receipts*

4.1.1. The tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are tabulated below.

Table: 4.1¹

(Rupees in crore)

Sl. No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
I.	Revenue raised by the State Government					
	• Tax revenue	50.11	62.09	78.24	98.09	136.22
	• Non-tax revenue	170.20	202.36	297.17	656.92	772.60
	Total	220.31	264.45	375.41	755.01	908.82
II.	Receipts from Government of India					
	• State's share of divisible Union tax	191.95	272.15	347.14	437.87	462.09
	• Grants-in-aid	1,089.58	1,312.81	1,869.62	1,810.13	2,485.64
	Total	1,281.53	1,584.96	2,216.76	2,248.00	2,947.73
III.	Total Receipts (I + II)	1,501.84	1,849.41	2,592.17	3,003.01	3,856.55
IV.	Percentage of (I to III)	15	14	14	25	24

The above table indicates that during the year 2008-09, the revenue raised by the State Government was only 24 *per cent* of the total revenue receipts (Rs. 3,856.55 crore). The balance 76 *per cent* of receipts was from the Government of India.

4.1.2. The non-plan grants received by the State from the Government of India during 2004-05 to 2008-09 are mentioned below.

Table: 4.2

(Rupees in crore)

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Non-plan grants	299.64	388.50	387.54	380.30	457.97

Thus, non-plan grants received by the State during 2008-09 had increased by 52.84 *per cent* over the level in 2004-05.

4.1.3. The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09.

¹ All the figures pertaining to the year 2008-09 are provisional.

Table: 4.3

(Rupees in crore)

Sl. No.	Head of Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Variations in percentage in 2008-09 over 2007-08
1.	Sales tax/VAT	28.25	47.69	61.64	77.06	105.67	(+) 37.13
2.	State excise	17.79	9.51	10.98	11.60	16.60	(+) 43.10
3.	Stamp and registration fees	0.46	0.41	0.55	0.86	1.25	(+) 45.35
4.	Taxes on vehicles	2.21	2.99	2.93	6.42	7.76	(+) 20.87
5.	Land revenue	0.76	1.11	2.10	2.12	4.90	(+) 131.13
6.	Others	0.64	0.38	0.04	0.03	0.04	(+) 33.33
Total		50.11	62.09	78.24	98.09	136.22	(+) 38.87

The concerned departments did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.4. The following table presents the details of the major non-tax revenue raised during the period from 2004-05 to 2008-09.

Table: 4.4

(Rupees in crore)

Sl. No.	Head of Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Variations in percentage in 2008-09 over 2007-08
1.	Interest receipts	5.07	6.98	13.54	29.10	34.80	(+) 19.59
2.	Dairy development	0.03	0.03	0.03	0.03	0.03	-
3.	Other non-tax receipts	29.08	27.19	84.05	62.01	42.75	(-) 31.06
4.	Forestry and wildlife	10.53	13.71	9.03	8.57	12.50	(+) 45.86
5.	Non-ferrous mining and metallurgical industries	28.26	24.94	47.60	45.82	42.95	(-) 6.26
6.	Miscellaneous general services (including lottery)	8.61	5.57	15.85	45.56	20.26	(-) 55.53
7.	Power	83.65	88.77	119.05	458.06	609.74	(+) 33.11
8.	Medical and public health	0.18	0.17	0.19	0.37	0.28	(-) 24.32
9.	Co-operation	0.10	0.11	0.11	0.40	1.02	(+) 155.00
10.	Public works	2.35	3.23	2.22	1.59	3.17	(+) 99.37
11.	Police	0.83	1.51	2.03	1.22	1.97	(+) 61.48
12.	Other administrative services	1.51	30.15	3.41	4.19	3.13	(-) 25.30
Total		170.20	202.36	297.11	656.92	772.60	(+) 17.61

The concerned departments did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.5. Variations between the budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenues are mentioned below:

Table: 4.5

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimate	Actual	Variation excess (+)/shortfall (-)	Percentage of variation
1.	Sales tax/VAT	76.00	105.67	(+) 29.67	(+) 39.04
2.	State excise	12.00	16.60	(+) 4.60	(+) 38.33
3.	Non-ferrous mining and metallurgical industries	22.00	42.95	(+) 20.95	(+) 95.23

The concerned departments gave the following reasons for the variations:

Non-ferrous mining and metallurgical industries: The variation was due to impossibility of anticipating the quantity of collection of royalty on minor minerals.

State excise: The increase was attributable to the overall performance of the local bottling plant unit and efforts made by the department to achieve the revenue targets.

The Sales Tax Department did not inform (November 2009) the reasons for variations despite being requested (May 2009).

4.1.6. Cost of collection

The gross collection under the principal revenue heads, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2006-07 to 2008-09 along with the all India average percentage of expenditure on collection for 2008-09 were as under.

Table: 4.6

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue ¹	Percentage of expenditure on collection	All India average percentage for 2007-08
1.	Sales tax/VAT	2006-07	61.64	2.50	4.06	0.83
		2007-08	77.06	2.89	3.75	
		2008-09	105.67	3.99	3.78	
2.	State Excise	2006-07	10.98	1.82	16.58	3.30
		2007-08	11.60	3.33	28.71	
		2008-09	16.60	3.99	24.04	

Thus, the percentages of expenditure on collection in respect of sales tax and state excise heads were higher than the all India average percentage of expenditure for the year 2007-08. The Excise Department did not inform (November 2009) the reasons

² Figures as furnished by the department.

for 806.81 *per cent* increase in the expenditure during 2008-09 over 2007-08 though requested.

4.1.7. Arrears in assessment

The details of cases pending assessment at the beginning of 2008-09, cases due for assessment during the year, cases disposed off during the year and number of cases pending at the end of the year as furnished by the department are given below.

Table: 4.7

Name of tax	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/ central sales tax/VAT/ motor spirits	967 ³	1,034	2,001	595	1,406	29.74

Thus, during 2008-09 the percentage of final assessments was only 29.74 *per cent* of the total assessments. The Government has not fixed any norm quantifying the number of assessments to be completed by each assessing officer during a particular period.

4.1.8. Arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 65.49 crore out of which Rs. 14.16 crore was outstanding for more than five years as mentioned below.

Table: 4.8

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than 5 years as on 31 March 2009
1.	Land revenue	50.45	14.16
2.	Lottery receipts	7.00	-
3.	Transport	0.14	-
4.	Geology and mining	3.00	-
5.	Taxation	4.90	-
Total		65.49	14.16

4.1.9. Failure to enforce accountability and protect interest of the Government

The Accountant General, Arunachal Pradesh, Itanagar conducts periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per Acts, rules and procedures prescribed by

³ The opening balance furnished by the department did not tally with the closing balance reported last year.

the Government/departments from time to time. These inspections are followed by inspection reports (IR) issued to the heads of offices inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the departments, by the office of the Accountant General, Arunachal Pradesh. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned departments to facilitate monitoring and settlement of the audit objections raised in these IRs through intervention of the Government.

Inspection Reports issued upto March 2009 pertaining to offices under sales tax, state excise, land revenue, motor vehicle taxes and forest receipts disclosed that 586 observations relating to 272 IRs involving money value of Rs. 182.42 crore remained outstanding at the end of October 2009. Of these, 120 IRs containing 337 observations involving money value of Rs. 98.37 crore are outstanding for more than five years.

In respect of observations relating to 16 IRs involving money value of Rs. 38.62 crore issued up to March 2009, even first reply from the departments/Government had not been received (November 2009). It is recommended that the Government prescribe a time schedule for submission of reply to the IRs/paragraphs for their expeditious settlement.

4.1.10. Recovery of revenue of accepted cases

During the years 2003-04 to 2007-08, the Government/departments accepted audit observations involving Rs. 66.93 crore of which only Rs. 7 lakh had been recovered till October 2009 as mentioned below.

Table: 4.9

(Rupees in crore)

<i>Year of Audit Report</i>	<i>Total money value</i>	<i>Accepted money value</i>	<i>Recovery made</i>
2003-04	23.05	0.27	0.01
2004-05	5.43	1.90	-
2005-06	8.69	6.91	0.06
2006-07	31.53	6.60	-
2007-08	112.38	51.25	-
Total	181.08	66.93	0.07

Thus, the total amount recovered during the period 2003-04 to 2007-08, was not even one *per cent* of the accepted amount. Recovery of such meagre amount reflects apathy on the part of the departments/Government in taking prompt action for recovery of the Government dues.

The Government may consider prescribing more stringent measures, including fixing of responsibility, for recovery of dues in the accepted cases in the interest of the revenue.

4.1.11. Audit committee meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, departmental audit committee is constituted by the Government. These committees are chaired by the secretaries and attended by the officers of the department concerned and Accountant General Office.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2008-09, no audit committee meetings were held, despite being requested. Thus, the concerned departments failed to take advantage of the audit committee meeting set up.

4.1.12. Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments had not been received is invariably indicated at the end of each paragraph included in the Audit Report.

Twenty one draft paragraphs proposed for inclusion in this Report were forwarded to the Secretaries of the respective departments during June 2009 and October 2009. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs for inclusion of the views/comments of the Government in the Audit Report. Despite these efforts, no response was received on these draft paragraphs and consequently these had to be included in this Report without the response of the Government.

4.1.13. Follow up on Audit Report – summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt within various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, recommended (March 1993), *inter alia*, that the concerned departments of the State Government should without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and submit the action taken notes (ATN) in respect of the recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months whichever is earlier.

While accepting the recommendation (1996), the Government specified the time frame of three months for submission of *suo motu* replies by the concerned departments. The PAC specified the time frame for submission of ATN on their recommendations as one month upto 49th Report.

Reviews of the outstanding explanatory notes on the paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1988-89 to 2007-08 revealed that the concerned administrative departments were not complying

with these instructions. As of November 2009, *suo motu* explanatory notes on 57 paragraphs of these audit reports were outstanding from the various departments.

Review of five reports of the PAC containing recommendations on 19 paragraphs in respect of Forest, Finance and Excise Departments presented to the Legislature between September 2001 and March 2006 revealed that the concerned departments had failed to submit ATN on the recommendations made by the PAC as mentioned below.

Table: 4.10

Year of the Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC report on which recommendations were made	Date of presentation of the report of the PAC to the State Legislature
1986-87	6.4, 6.6, 6.7 and 6.8	49 th Report	3 March 2003
1991-92	6.4, 6.5 and 6.6	44 th Report	21 September 2001
1994-95	6.4	44 th Report	21 September 2001
1995-96	6.4, 6.5 and 6.6	46 th Report	19 March 2002
	6.7, 6.8 and 6.10	48 th Report	-do-
1996-97	6.7	46 th Report	-do-
1997-98	6.3, 6.5 (i), (ii)	51 st Report	21 March 2006
1998-99	6.3.6 (a) and 6.5	51 st Report	-do-

Thus, due to the failure of the departments to comply with the instructions of the PAC, the objective of ensuring accountability remained unfulfilled.

The Government may consider taking effective steps against the defaulting departments including fixing responsibility to ensure accountability of the executive.

4.1.14. Results of audit

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, forest and other receipts conducted during 2008-09 revealed under assessments, non/short levy, loss of revenue etc., of Rs. 39.81 crore in 74 cases. This chapter contains 21 paragraphs involving Rs. 31.87 crore. Reply in all the cases had not been received (November 2009). These are discussed in the succeeding paragraphs 4.2 to 4.22

STATE EXCISE DEPARTMENT

4.2. Non-realisation of establishment charges

Establishment charges of Rs. 15.52 lakh in respect of excise officials posted in different bonded warehouses were not realised

Rule 74 of the Arunachal Pradesh Excise Rules, 1994, lays down that the Collector shall employ such officers and establishment as the Excise Commissioner may direct, to the charge of a private warehouse. The licensee of the warehouse shall pay to the Government, in advance, a fee in cash equivalent to the establishment cost of such officers for three months as the Excise Commissioner may fix, and a monthly fee in

cash equivalent to the monthly cost which the Excise Commissioner may fix, within seven days after the expiry of the month to which the fee relates. The cost of the establishment shall include the pay and allowances as well as the leave salary and pension contributions.

Test check of the records of the Excise Commissioner (July 2009) indicated that five excise officials were posted in the different warehouses at Naharlagun. The establishment charges for these officials for the period from March 2007 to June 2009 were Rs. 15.52 lakh. However, the department had neither worked out the establishment charges nor submitted any demand which resulted in non-realisation of the establishment charges of Rs. 15.52 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.3. Non-realisation of renewal fee and penalty

Failure of the department to initiate action led to non-realisation of renewal fee of Rs. 4.45 lakh including penalty

Under Rule 22 of the Arunachal Pradesh Excise Rule, 1994, a licence granted to a retail vendor shall expire after one year from the date of its issue. Further, the Excise Department has instructed (March 1996) that if any retail vendor fails to renew licence on payment of the renewal fee of Rs. 40,000 within the stipulated date, he shall be liable to pay, in addition to the renewal fee, a penalty of Rs. 50 per day for the period of default.

Test check of the records of the Superintendent of Excise, Bomdila in November 2007 indicated that six retail licences were to be renewed on due dates falling between August 2005 and November 2007. The licensees did not renew their licences. The Department also did not take any action to realise the renewal fee of Rs. 4 lakh and levy penalty of Rs. 45,000 for non-payment of the renewal fee. This resulted in non-realisation of the renewal fees and penalty of Rs. 4.45 lakh.

The cases had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.4. Loss of revenue

Failure of the department to realise licence fee and penalty before cancellation of two licences led to loss of revenue of Rs. 4.18 lakh

Under the Arunachal Pradesh Excise Act, 1993 and Rules made thereunder, licence granted for dealing in India made foreign liquor (IMFL) shall remain valid for one year from the date of issue. On expiry of its validity period, the licensee shall either return the licence or get it renewed on payment of the prescribed annual fee in advance. If he fails to get the licence renewed before the expiry of the validity period of licence, he shall be liable to pay penalty in addition to the fee, at the rate of Rs. 75 per day, for the period of default in payment of the fee.

Test check of the records of the Commissioner of Excise, Itanagar (May 2008) indicated that the licences of two wholesale vendors of IMFL were valid upto July 2005 and March 2006 respectively. On expiry of the validity periods of the licences, the proprietors neither got their licences renewed nor returned the same to the issuing authority. The department did not initiate any action either to realise the prescribed fee and penalty for delay in renewal of the licence or to take over the stock of IMFL for recovery of the dues. Both the licences were, however, cancelled in February 2007 without realising the revenue and only forfeiting the security deposit of Rs. 50,000 in each case. This resulted in loss of revenue of Rs. 4.18 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

GEOLOGY AND MINING DEPARTMENT

4.5. Short realisation of royalty

Undue financial benefit extended to a lessee by incorporating lower rate of royalty in the agreement resulted in short realisation of royalty of Rs. 14.28 crore

The Government of India (GOI) periodically determines the royalty payable on minerals which is collected and appropriated by the State Government. Accordingly, an agreement is to be executed between the lessee and the State Government stipulating, that the lessee shall pay to the State Government royalty at the rate prescribed by the GOI from time to time in terms of the provisions of the Petroleum and Natural Gas (PNG) Rules. The rates of the royalty prescribed by the GOI during the period April 2007 to March 2008 varied between Rs. 2,599 and Rs. 4,042 per ton.

Test check of the records of the Director of Geology and Mining (DGM), Itanagar (June 2008) revealed that a mining lease agreement was executed on 21 October 1997 between a lessee and the State Government fixing royalty at Rs. 528 per ton of crude oil for a period of 20 years effective from 16 June 1995 without any reference to the prevalent rates of the royalty. The lessee extracted 53,872.6622 tons of crude oil between April 2007 and March 2008 and paid royalty of Rs 2.84 crore at the rate of Rs. 528 per tonne against Rs. 17.12 crore leviable at the rates prescribed by the GOI from time to time during the aforesaid period. Thus, incorporation of a fixed rate of the royalty instead of the prevalent rates from time to time in the agreement as was done in case of the agreement entered into with M/s Oil India Limited, a public sector undertaking, resulted in short realisation of revenue of Rs. 14.28 crore besides extending undue financial benefit to the lessee.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.6. *Non-levy of additional royalty*

For delayed payment of royalty, additional royalty of Rs. 1.48 crore though leviable was not levied.

Rule 23(1) of the PNG Rules, envisages that if any royalty is not paid by the lessee to the State Government within the time specified for such payment, the amount of such royalty shall be increased by an additional 10 *per cent* for each month or portion thereof during which such royalty remains unpaid.

Test check of the records of the DGM, Itanagar in June 2008 revealed that the State Government executed a lease agreement in September 1997 with a lessee for extraction of the crude oil. The agreement, inter-alia, stipulated that the lessee should pay royalty to the State Government within 30 days of the month to which the operation/extraction relates. Accordingly, the lessee extracted 44,684.193 tons of crude oil between March 2007 and February 2008 for which royalty of Rs. 13.69 crore was paid between May 2007 and April 2008 after delay ranging between one and two months. For the delay in payment of the royalty, additional royalty of Rs. 1.48 crore though leviable was not levied and recovered by the department.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

LAND MANAGEMENT DEPARTMENT

4.7. *Short realisation of lease rent*

Against lease rent of Rs. 3.21 crore, an amount of Rs. 17 lakh only was realised resulting in short realisation of lease rent of Rs. 3.04 crore; besides, interest of Rs. 45.25 lakh was additionally leviable.

Under the Arunachal Pradesh Allotment of Government Land Rules, 1988, every allottee/lessee shall pay the lease rent annually to the Government at the rate fixed by the Government from time to time. Further, if any lessee fails to pay full amount of the annual lease rent, he shall be liable to pay interest at the rate of 10 *per cent* and 15 *per cent* per annum on the unpaid amount of lease rent payable for the land allotted for the residential and commercial purposes respectively.

Test check of the records of the Director of Land Management, Itanagar in May-June 2008 revealed that 132.36 lakh square meter and 6.13 lakh square meter of land were under occupation of different allottees for the residential and commercial purposes respectively in three districts⁴ from April 2006 to March 2008. The annual lease rent payable by the allottees during the aforesaid period worked out to Rs. 3.21 crore

⁴ East Kameng, Lower Dibang Valley and Tirap District.

against which Rs. 17 lakh only was realised by the concerned Deputy Commissioners. This resulted in short realisation of the lease rent of Rs. 3.04 crore. Besides, interest of Rs. 45.25 lakh for non-payment of the balance lease rent was leviable but was not levied.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.8. Short-realisation of land revenue

Erroneous fixation of rate on allotment of 60,705 square meters of land to the NHPC led to short realisation of land revenue of Rs. 33.39 lakh.

The Government of Arunachal Pradesh, Land Management Department instructed (July 1994) all the Deputy Commissioners (DC) to realise value of land allotted to the Central Government Department at Rs. 10 per square metre as one time payment with effect from April 1994. However, if any land in any district is allotted to an organisation other than the Central Government Department for industrial purpose, the land revenue should be realised as a premium (one time payment) at the rate of Rs. 5 per square metre plus annual lease rent at Rs. 2 per square metre with effect from April 1994.

Test check of the records of the DC, Land Revenue, Pasighat in February 2008 indicated that the land measuring 60,705 square metres at Pasighat was allotted to the National Hydroelectric Power Corporation Limited (NHPC) in July 2001 for a lease period of 30 years. The NHPC, not being a Central Government Department, was liable to pay premium including total annual lease rent of Rs. 39.46 lakh on the allotted land for the aforesaid period. But the DC, Pasighat treated the NHPC as a Central Government department and collected (July 2003) land revenue of Rs. 6.07 lakh only as one time payment for price of the aforesaid land. This resulted in short realisation of land revenue of Rs. 33.39 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

STATE LOTTERY DEPARTMENT

4.9. Non-forfeiture of unclaimed prize money

Unclaimed prize money of Rs. 9.23 crore remained out of Government account due to inaction by the department.

Under the Arunachal Pradesh State Lottery Rules, 2001, all unclaimed prize money shall be the property of the State Government. The Government of Arunachal Pradesh executed agreements with three distributors between December 2005 and March 2006 for organising a paper lottery. Clause 9 of the agreement stipulates that all unclaimed prize money shall be deposited with the Government by the distributor upon the

settlement of the account which shall be submitted by the distributor to the Government for each draw on or before the 60th day from the date of holding of the respective draws. Audit however, noticed that no penal/deterrent clause was included in the agreement for default in depositing the unclaimed prize money to the Government.

Test check of the records of the Commissioner, State Lottery Department, AP in August 2009 revealed that in respect of 433 draws conducted by three distributors between 19 June 2006 and 27 March 2009, prize money totalling Rs. 9.23 crore remained unclaimed., The unclaimed prize money was neither deposited by the distributors nor was any action taken by the department to recover and forfeit the unclaimed amount even after expiry of the stipulated period of 60 days from the date of holding the draws. The department allowed the distributors to continue with draws despite non-deposit of unclaimed prize money of the earlier draws. This resulted in non-realisation of revenue of Rs. 9.23 crore as well as undue financial benefit to distributors.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

The Government may consider prescribing penal measures for default in the payment of the unclaimed prize money and insert it in the agreement in the interest of the revenue.

4.10. Loss of revenue due to acceptance of time barred claim

Irregular payment of prize money of Rs. 6.40 lakh after a lapse of seven months from the date of draw led to loss of revenue.

Rule 12 (6) of the Arunachal Pradesh State Lottery Rules stipulates that all prizes of each draw shall be claimed by the prize winners within 45 days from the date of draw. However, the State Government may allow disbursing the prize even if the claim is received after 45 days but the maximum period of the same shall, in no way exceed 120 days from the date of draw. Further, all unclaimed prizes shall be the property of the Government and shall be deposited into the Government accounts.

Test check of the records of the Secretary, State Lottery Department in December 2007 revealed that a claim of Rs. 6.40 lakh being winner of second prize of a fortnightly draw held on 3 October 2006 was preferred on 11 May 2007, after a lapse of seven months from the date of draw. The State Government instead of treating the prize money as unclaimed, condoned the belated submission of claim and ordered payment of prize money. Since State Government cannot condone belated submission of claim beyond 120 days from the date of draw as per aforesaid Rules, the payment made was irregular and resulted in loss of revenue of Rs. 6.40 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

TAXATION DEPARTMENT

4.11. *Non-realisation of entry tax*

Failure to collect entry tax from 51 vehicles before registration resulted in non-realisation of entry tax of Rs. 62.49 lakh.

Under the provisions of the Arunachal Pradesh Goods Tax (APGT) Act, 2005, entry tax at the rate of 12.5 *per cent* shall be paid on the import of a motor vehicle which is not registered in Arunachal Pradesh, at the time of registration of the motor vehicle. In October 2005, the Commissioner of Taxes, Arunachal Pradesh requested all the Deputy Commissioner (DC) of respective districts to ensure payment of the entry tax prior to the registration of the vehicles.

Test check of the records of the District Transport Officer (DTO), Papumpare District, Naharlagun in January 2009 indicated that 51 new motor vehicles valued at Rs. 5 crore imported from outside the State were registered between January 2007 and February 2008, but the entry tax was not collected on these motor vehicles by the DTO. This resulted in non-realisation of the entry tax of Rs. 62.49 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.12. *Short levy of interest*

Non-inclusion of interest in the requisition sent to the recovery officer resulted in short levy of interest of Rs. 46.80 lakh.

Under the provisions of the APGT Act, where the amount of tax, interest, penalty, composition money or other sum payable remains unpaid, it may be recovered as an arrear of the land revenue.

Test check of the records of the Superintendent of Taxes (ST), Tezu in February 2009 indicated that a dealer was assessed in December 2007 and was levied tax, interest and penalty of Rs. 3.25 crore for the years 2005-06 and 2006-07. The dealer, however, did not pay the above amount although demand notices were served by the assessing officer. Since the dealer failed to pay the amount of tax, interest and penalty despite repeated notices, the case was referred to the recovery officer in February 2009 for recovering Rs. 3.25 crore as arrear of the land revenue. The interest of Rs. 46.80 lakh leviable upto 3 May 2009 i.e. the date of sending the case to the recovery officer from the date of assessment was, however, not levied and included in the requisition sent by the AO. This resulted in short levy of the interest of Rs. 46.80 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.13. Loss of revenue

Seven un-registered dealers irregularly procured ‘C’ forms and imported goods valued at Rs. 4.04 crore resulting in loss of revenue of Rs. 43.10 lakh.

Under section 7 of the Central Sales Tax (CST) Act, 1956, any dealer liable to pay tax under the taxation laws of the appropriate State shall possess a certificate of registration granted by the competent authority. Further, the CST (Return and Turnover) Rules, 1957 states that the form ‘C’ shall be obtained by the purchasing dealer in the State in which he is registered. The Commissioner of Tax is responsible for proper custody and accounting of the declaration form.

Cross verification of the records of the ST, Guwahati with those of the ST, Zone II, Itanagar, Tezu and Roing between February and March 2009 revealed that seven dealers based in Arunachal Pradesh imported taxable goods of Rs. 4.04 crore at concessional rate by utilising nine declaration forms ‘C’ from dealers of Assam between August 2003 and October 2006 in course of inter-state trade. It was noticed in audit that the dealers were neither registered nor were the ‘C’ forms issued by the Commissioner of Tax to them. Thus, failure of the Commissioner of Tax to ensure proper custody and accounting of ‘C’ form not only led to fraudulent use of declaration forms causing loss of revenue to the selling State i.e. Assam but also loss of revenue of Rs. 43.10 lakh to the State of Arunachal Pradesh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.14. Loss of revenue due to non-registration of Government department

Non-registration of a forest division resulted in non-realisation of revenue of Rs. 32.13 lakh on sale of timber.

Under the APGT Act, a dealer means a person who buys, sells, supplies or distributes goods for cash or deferred payment and includes all department if it sells, supplies or distributes goods in the course of specified activities. Further, under Section 19(i) of the Act, every dealer liable to pay tax is required to be registered under the Act. In Arunachal Pradesh, timber is taxable at the rate of 12.5 *per cent*.

Cross check of the records of the Divisional Forest Officer (DFO), Namsai with those of the ST, Tezu in February 2009 indicated that the forest division sold 6,119.9233 cubic meter of timber valued as Rs. 2.57 crore. The DFO neither applied for registration nor paid any tax on the aforesaid sale of timber. The AO also did not initiate any action to get the division registered and to collect the tax. This resulted in non-realisation of revenue of Rs. 32.13 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.15. Non-levy of tax and penalty for misuse of 'C' form

Two dealers purchased cement of Rs. 80.51 lakh and evaded tax of Rs. 10.06 lakh. Besides, penalty of Rs. 15.10 lakh was also leviable for misuse of 'C' form.

Under the CST Act, a registered dealer may purchase goods from a registered dealer of another State at a concessional rate by furnishing prescribed declaration in form 'C'. If a person being a registered dealer, falsely represents when purchasing any class of goods, that goods of such class are covered by his certificate of registration, he is liable to pay penalty not exceeding one and half times the amount of tax which would have been levied in lieu of the prosecution.

Test check of the records of the Superintendent of Taxes, Zone II, Itanagar in June 2008 revealed that the two dealers dealing in hardware, glasses and electrical goods, imported cement valued at Rs. 80.51 lakh between April 2006 and March 2007 which was not included in their certificate of registration. The dealers neither submitted any return nor paid due tax for the aforesaid period. Thus, the dealers concealed turnover of atleast Rs. 80.51 lakh and evaded tax of Rs. 10.06 lakh. The dealers were also liable to pay penalty of Rs. 15.10 lakh (maximum) for the same.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.16. Evasion of tax by unregistered dealers

Non-registration of five dealers by the assessing officers led to evasion of tax of Rs. 18.09 lakh.

Under section 10 (I) of the Arunachal Pradesh Sales Tax Act, 2002, no dealer liable to pay tax shall carry on business as a dealer unless he is registered and possesses a certificate of registration. The Act empowers the assessing officers to register a dealer if he fails to apply for registration. The Act further provides that the tax payable by a dealer in respect of any sale or supply of goods to a department of the Government shall be deducted at source in the prescribed manner at the specified rate.

Further under section 19 of the APGT Act, a dealer who is liable to pay tax shall not carry on business unless he has been registered and possesses a certificate of registration. The Act, however, did not provide deduction of tax at source in respect of any sale or supply of goods to a department of the Government till March 2007.

4.16.1. Cross verification of the records of the ST, Zone I, Naharlagun; Zone II, Itanagar and Pasighat with those of two⁵ departments of State Government between June 2008 and March 2009 revealed that five unregistered dealers sold taxable goods valued at Rs. 2.88 crore in March 2005. The dealers did not apply for registration nor

⁵ Director of Social Welfare, Women and Child Development and Executive Engineer, PWD Pasighat.

were they registered by the assessing officers as required under the Act. The amount of tax was also not deducted by the purchasing Government departments. Thus, non-registration of the dealers by the AOs coupled with non-deduction of tax by the purchasing Government departments resulted in evasion of Rs. 18.09 lakh (tax).

4.16.2. Cross check of the records of the ST, Zone II, Itanagar with those of the Director of Social Welfare, Women and Child Development and the Director of Health Services, Arunachal Pradesh in June 2008 revealed that three unregistered dealers supplied taxable goods valued at Rs. 75.29 lakh between February and March 2006. The dealers neither applied for registration nor were they registered by the assessing officer. The amount of tax was also not deducted as the Act did not contain the provision of deduction of tax at the source during the aforesaid period. This resulted in loss of revenue of Rs. 9.41 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.17. Concealment of purchase

Failure of the assessing officer to detect import of taxable goods of Rs. 31.18 lakh led to evasion of tax of Rs. 2.77 lakh; besides, interest of Rs. 1.27 lakh and penalty of Rs. 2.77 lakh was additionally leviable.

Under the APGT Act, if a dealer has evaded in any way the liability to pay tax, he is liable to pay penalty of a sum of Rs. 1 lakh or the amount of tax evaded, whichever is greater, in addition to the tax payable by him.

Test check of the records of the ST, Tezu in February 2009 revealed that a registered dealer disclosed taxable purchase of Rs. 9.02 lakh between April 2006 and January 2007 in course of the inter-State trade. Cross verification of the assessment records of a dealer registered in Guwahati (Assam), however, revealed that the dealer purchased cement valued at Rs. 31.18 lakh during the aforesaid period. Thus, the dealer concealed taxable purchase of Rs. 22.16 lakh and evaded the liability to pay tax of Rs. 2.77 lakh. Besides, interest of Rs. 1.27 lakh and penalty of Rs. 2.77 lakh was also leviable.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.18. Non-realisation of tax

Delay in completion of assessment led to non-realisation of tax of Rs. 6.33 lakh.

Under APST Act, every registered dealer is required to submit a return along with the proof of payment of the admitted tax. If a dealer fails to submit the returns or after submission of returns fails to produce the books of accounts despite notices, the assessing officer shall complete the assessment on best judgment basis.

Scrutiny of the records of the ST, Zone I, Naharlagun in June 2008 revealed that a dealer submitted returns upto September 2002 and was assessed accordingly in October 2002. Thereafter the dealer neither submitted any return nor paid any tax. However, cross verification of the records of the Director, Social Welfare, Women & Child Development, Naharlagun (June 2008) revealed that the dealer sold taxable goods valued at Rs. 55.92 lakh to the department during March 2005 for which tax of Rs. 6.33 lakh was neither deducted at source nor paid by the dealer. The AO also did not initiate any action either to issue notice for submission of the returns or to assess the dealer on the best judgment basis. Thus, failure of the AO to assess the dealer on the best judgment basis had resulted in non-realisation of tax of Rs. 6.33 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.19. Non-levy of penalty

Penalty of Rs. 3.90 lakh was not levied and realised from 22 dealers who did not furnish returns within due date

Under the APGT Act, if a registered dealer fails to furnish any return by the due date, he is liable to pay penalty of Rs. 100 per day of default subject to a maximum of Rs. 10,000.

Scrutiny of the records of the ST, Zone II, Itanagar in June 2008 revealed that 22 dealers did not furnish their returns for periods falling between April 2005 and March 2008. For non-submission of the returns, the dealers were liable to pay the penalty of Rs. 3.90 lakh. But the assessing officer did not take any action to levy and realise the penalty. This resulted in non-levy of the penalty of Rs. 3.90 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

TRANSPORT DEPARTMENT

4.20. Unauthorised use of motor vehicles without payment of tax

Non-realisation of motor vehicles tax of Rs. 19.56 lakh from the owners of 123 commercial vehicles led to unauthorised use of vehicles without payment of tax.

The Arunachal Pradesh Motor Vehicles Taxation Act, 1984, provides that the road tax at the prescribed rate shall be levied and collected annually/quarterly/ monthly, as the case may be, on all the motor vehicles used or kept for use in the State unless an owner of such vehicle is exempted from the tax based on his application to the effect that the vehicle would not be used in any public place and the registration certificate is surrendered. The Act, further provides that in the event of failure to pay the tax due by any owner, the taxation officer shall, in addition to the tax due, levy and collect

penalty of one fourth of the annual tax and proceed to recover the same as arrears of land revenue.

Test check of the records of the District Transport Officer (DTO), Pasighat and Naharlagun in March 2008 and January 2009 indicated that 123 owners of commercial vehicles neither paid the road tax of Rs. 19.56 lakh for different periods falling between March 2000 and December 2008 nor obtained any exemption by surrendering their registration certificates. No action was initiated at the level of these DTOs to issue demand notices for collection of the tax from the defaulting vehicle owners. For default in payment of the aforesaid tax, maximum penalty of Rs. 4.89 lakh leviable in these cases was also not demanded. Thus, failure on the part of the authorities to initiate appropriate and timely action resulted in unauthorised use of these vehicles without payment of tax of Rs. 19.56 lakh and penalty of Rs. 4.89 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.21. Short realisation of tax

Short realisation of one time tax of Rs. 8.01 lakh on 273 personalised vehicles.

The Government of Arunachal Pradesh in December 2006 notified that all new personalised two, three and four wheeler vehicles shall pay one time tax for a period of 15 years at the prescribed rate with effect from 6 December 2006.

Test check of the records of the DTOs, Pasighat and Naharlagun between February 2008 and January 2009 indicated that one time tax in respect of 16 four wheeler personalised vehicles and 257 two wheelers had not been realised at revised notified rates from vehicles newly registered between the period 6 December 2006 and 2 February 2007. This resulted in short realisation of one time tax of Rs. 8.01 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).

4.22. Non-levy of fine

Failure to initiate action against 137 owners of transport vehicles plying without permits led to non-levy of minimum fine of Rs. 2.74 lakh.

Under Section 192 A of the Motor Vehicles Act, 1988 (as amended in 1994), no owner of a motor vehicle shall use or permit the use of the vehicle as transport vehicle in any public place unless a permit is granted or countersigned by the prescribed authority. Whoever drives or causes or allows a motor vehicle to be used as public carrier without a permit shall be punishable for the first and subsequent offences with a minimum fine of Rs. 2,000 and Rs. 5,000 respectively. Further, under Section 15 of the Arunachal Pradesh Motor Vehicles Taxation Act, the owner of a motor vehicle may apply to the taxation officer by surrendering his registration certificate to the effect that his vehicle shall not be used as transport vehicle in any public place for a particular period.

Test check of the records of the DTO, Naharlagun in January 2009 indicated that the validity period of 137 permits granted to the owners of 137 transport vehicles expired on different dates between November 2004 and December 2008. These owners neither renewed the permits before expiry of their validity periods nor submitted any application to the taxation officer to the effect that their vehicles would not be used after expiry of the validity periods of permits. No action was initiated by the DTO to issue demand notices for collection of the penalty from the defaulting vehicle owners. Thus, failure on the part of DTO to initiate appropriate and timely action resulted in non-levy of fine to the tune of Rs. 2.74 lakh.

The case had been reported to the department/Government in October 2009; their replies were not received (November 2009).