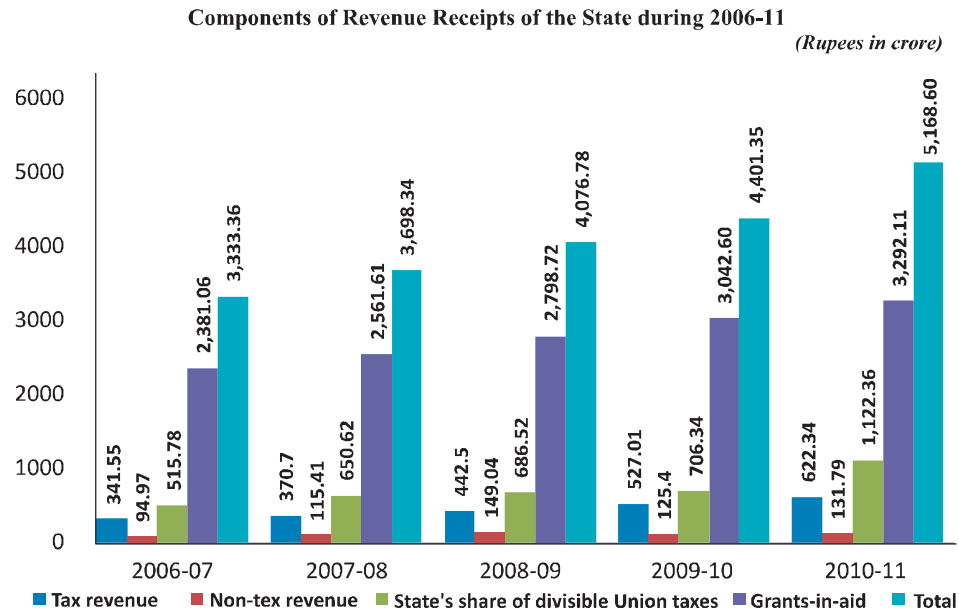


CHAPTER IV: REVENUE RECEIPTS

4.1 General

4.1.1 Trend of revenue receipts

The components of revenue receipts of the Government of Tripura during 2006-11 are depicted in the graph below:



The tax and non-tax revenue raised by the Government of Tripura, its share of divisible Union taxes and grants-in-aid from the Government of India during 2010-11 and the corresponding figures for the preceding four years are mentioned below:

Table No.4.1

(Rupees in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
I. Revenue raised by the State Government					
Tax revenue	341.55	370.70	442.50	527.01	622.34
Non-tax revenue	94.97	115.41	149.04	125.40	131.79
Total (I)	436.52	486.11	591.54	652.41	754.13
II. Receipts from the Government of India					
State's share of net proceeds of divisible Union taxes	515.78	650.62	686.52	706.34	1122.36
Grants-in-aid	2,381.06	2,561.61	2798.72	3042.60	3292.11
Total (II)	2,896.84	3,212.23	3485.24	3748.94	4414.47
III. Total receipts of the State Government (I+II)	3,333.36	3,698.34	4076.78	4401.35	5168.60
Percentage of I to III	13	13	15	15	15

Source: Finance Accounts 2010-11.

The above table indicates that during the year 2010-11, the revenue raised by the State Government was 15 per cent of the total revenue receipts (₹ 5168.60 crore). The

percentage of own receipts to total receipts during the current year was the same as compared to the previous year. The balance 85 *per cent* of the receipts during 2010-11 was from the Government of India.

4.1.1.1 The tax revenue during 2010-11 increased by 18 *per cent* to ₹ 622.34 crore from ₹ 527.01 crore in 2009-10. The improvement in the collection was mainly under the heads of major taxes, *viz.* Sales Tax/VAT (18 *per cent*), State Excise (40 *per cent*), Stamps and Registration Fees (33 *per cent*) and Land Revenue (174 *per cent*) as shown in the following table:

Table No. 4.2

Heads of revenue						(Rupees in crore)
	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage increase (+) or decrease (-) in 2010-11 over 2009-10
Sales Tax/VAT	233.45	264.98	314.79	374.93	444.93	(+) 18
State Excise	38.41	38.50	48.28	61.09	85.85	(+) 40
Other Taxes on Income and Expenditure	22.19	23.73	25.97	29.16	29.22	(+) 0.20
Stamps and Registration Fees	16.61	14.98	17.03	18.15	24.23	(+) 33
Taxes on Vehicles	22.51	23.20	29.82	37.14	21.92	(-) 41
Other Taxes and Duties on Commodities and Services	5.11	2.17	0.84	0.95	0.91	(+) 4
Land Revenue	3.03	2.97	5.55	5.55	15.25	(+) 174
Taxes on Agricultural Income	0.15	0.11	0.18	0.01	0.01	-
Taxes and Duties on Electricity	0.01	0.01	0.02	0.02	0.02	-
Others	0.08	0.05	0.02	0.01	-	-
Total	341.55	370.70	442.50	527.01	622.34	(+) 18

Source: Finance Accounts 2010-11.

The Departments did not inform (October 2011) the reasons for the variations in the receipts in 2010-11 over 2009-10 despite being requested (July 2011).

4.1.1.2 The non-tax revenue during 2010-11 increased by 5 *per cent* to ₹ 131.79 crore from ₹ 125.40 crore in 2009-10 mainly due to increase under the heads Industries (by 158 *per cent*) and Police (by 47 *per cent*). There was substantial decrease under the heads Village and Small Industries (by 97 *per cent*) and Other Administrative Services (by 67 *per cent*) as shown in the following table:

Table No. 4.3

Heads of revenue						(Rupees in crore)
	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage increase (+) or decrease (-) in 2010-11 over 2009-10
Forestry and Wildlife	6.24	5.52	5.57	6.29	7.64	(+) 21
Education, Sports, Art and Culture	0.73	1.00	1.55	1.50	1.27	(-) 15
Crop Husbandry	1.56	1.53	1.70	1.52	1.85	(+) 22
Other Administrative Services	3.18	3.55	2.33	11.76	3.91	(-) 67
Miscellaneous General Services	25.43	0.52	22.28	22.29	11.29	(-) 49
Water Supply and Sanitation	0.68	0.62	1.23	1.13	1.21	(+) 7
Police	6.88	14.22	19.86	16.88	24.73	(+) 47
Interest Receipts	26.23	58.93	62.93	27.88	23.24	(-) 17
Stationery and Printing	2.47	1.86	1.75	1.26	1.51	(+) 20
Animal Husbandry	1.54	1.54	1.56	1.45	1.57	(+) 8

(Rupees in crore)

Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage increase (+) or decrease (-) in 2010-11 over 2009-10
Industries	9.25	9.30	9.38	11.87	30.63	(+) 158
Public Works	3.62	3.98	6.17	7.71	7.83	(+) 2
Village and Small Industries	0.06	0.07	0.02	1.46	0.04	(-) 97
Fisheries	0.64	1.27	1.89	0.68	0.55	(-) 19
Other Rural Development Programmes	0.09	0.07	0.03	0.03	0.08	(+) 167
Others	6.31	10.94	10.79	11.69	14.44	(+) 24
Total	94.91	114.92	149.04	125.40	131.79	(+) 5

Source: Finance Accounts 2010-11.

The Departments did not inform (October 2011) the reasons for variation in the receipts of 2010-11 over 2009-10 despite being requested (July 2011).

4.1.2 Initiative for mobilisation of resources

In the budget for 2010-11, the Government proposed revenue collection of ₹ 667.05 crore under tax receipts. The actual collection of ₹ 622.34 crore during the year was less than the budget estimates by ₹ 44.71 crore (7 per cent).

4.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and the actual receipts for the year 2010-11 in respect of some important heads of tax and non-tax revenue are mentioned in the following table:

Table No. 4.4

(Rupees in crore)

TAX REVENUE				
Heads of revenue	Budget estimates	Actuals	Variation: increase (+)/ decrease (-)	Percentage variation over budget estimates
Sales Tax	475.00	444.93	(-) 30.07	(-) 6.33
State Excise	70.00	85.85	(+) 15.85	22.64
Stamps and Registration Fees	28.00	24.23	(-) 3.77	(-) 13.46
Taxes on Vehicles	45.00	21.92	(-) 23.08	(-) 51.29
Land Revenue	15.00	15.25	(+) 0.25	1.67
Taxes on Agricultural Income	-	0.01	-	-
Taxes and Duties on Electricity	0.05	0.02	(-) 0.03	(-) 60.00
Other Taxes on Income and Expenditure	32.00	29.22	(-) 2.78	(-) 8.69
Other Taxes and Duties on Commodities and Services	2.00	0.91	(-) 1.09	(-) 54.50
NON-TAX REVENUE				
Forestry and Wildlife	7.00	7.64	(+) 0.64	9.14
Other Administrative Services	18.60	3.91	(-) 14.69	(-) 78.98
Miscellaneous General Services	44.50	11.29	(-) 33.21	(-) 74.63
Interest Receipts	25.00	23.24	(-) 1.76	(-) 7.04
Stationery and Printing	3.05	1.51	(-) 1.54	(-) 50.49
Public Works	9.00	7.83	(-) 1.17	(-) 13.00
Animal Husbandry	3.00	1.57	(-) 1.43	(-) 47.67
Fisheries	3.50	0.55	(-) 2.95	(-) 84.29
Other Rural Development Programmes	0.03	0.08	(+) 0.05	166.67
Industries	14.00	30.63	(+) 16.63	118.79
Water Supply and Sanitation	3.00	1.21	(-) 1.79	(-) 59.67
Education, Sports, Art and Culture	2.00	1.27	(-) 0.73	(-) 36.50
Police	25.00	24.73	(-) 0.27	(-) 1.08

(Rupees in crore)

NON-TAX REVENUE				
Village and Small Industries	0.10	0.04	(-) 0.06	(-) 60
Crop Husbandry	2.50	1.85	(-) 0.65	(-) 26
Others	29.92	14.44	(-) 15.48	(-) 51.74

The large variations between the budget estimates and actuals in all major heads indicate that the budget estimates for collection of tax and non-tax revenue were not prepared on realistic basis. The reasons for variations of actuals over budget estimates during 2010-11 as intimated by the respective Departments are as follows:

The decrease in collection of **Sales Tax/VAT** (6.33 per cent) was due to less collection, whereas the increase in **State Excise** (22.64 per cent) was due to higher consumption of the liquor.

The decrease in **Other Taxes on Income and Expenditure** (8.69 per cent) was due to non-implementation of revised/ enhanced rates of Professional Tax.

As per Budget Estimates, there was decrease in **Police** receipts (1.08 per cent) but as per Revised Estimates there was increase (40 per cent) due to better collection of outstanding deployment cost of security personnel engaged in agencies like ONGC, Bank, GAIL, etc.

The decrease in **Fisheries** receipts (84.29 per cent) was due to non-realisation of some bills towards cost of fish from the Government and transfer of administrative control and collection of royalty of Dumbur Reservoir which was the main source of income of the Department to Tripura Tribal Areas Autonomous District Council (TTAADC).

The decrease in **Stationery and Printing** receipts (50.49 per cent) was due to less collection towards the cost of General Forms, Special Forms, Tripura Gazette and Printed materials etc.

4.1.4 Analysis of collection

Break-up of the total collection at the pre-assessment stage and after regular assessment of Sales Tax for the year 2010-11 and the corresponding figures for the preceding two years as furnished by the Commissioner of Taxes is mentioned below:

Table No. 4.5

(Rupees in lakh)

Heads of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection of Taxes ¹	Percentage of collection of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
Sales tax/ VAT	2008-09	31,324.60	153.66	0.76	-	31,479.02	99.51
	2009-10	37,310.59	160.52	22.26	-	37,493.37	99.51
	2010-11	46,798.28	166.03	-	-	46,964.31	99.65

¹ The figures furnished by the Department are at variance within the Finance Accounts. The Department has not yet reconciled the figures with the Accountant General (October 2011).

The collection of Sales Tax at pre-assessment stage ranged between 99.51 and 99.65 per cent during 2008-09 to 2010-11 indicating that tax audit was minimal.

4.1.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the year 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for 2009-10 are mentioned in the following table:

Table No. 4.6

<i>(Rupees in crore)</i>					
Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2009-10
Sales tax/ VAT	2008-09	314.79	3.59	1.14	0.96
	2009-10	374.93	5.19	1.38	
	2010-11	444.93	5.74	1.29	
State Excise	2008-09	48.28	1.09	2.26	3.64
	2009-10	61.09	1.62	2.65	
	2010-11	85.85	1.44	1.68	
Stamps and Registration Fees	2008-09	17.03	1.68	9.86	2.47
	2009-10	18.15	1.80	9.92	
	2010-11	24.23	1.32	5.45	
Taxes on Vehicles	2008-09	29.82	1.05	3.52	3.07
	2009-10	37.14	1.60	4.31	
	2010-11	21.92	1.55	7.07	

The above table indicates that the percentage of expenditure on collection in respect of Sales Tax/VAT, Stamp Duty and Registration Fees, and Taxes on Vehicles was higher than the all India average cost of collection and in respect of State Excise it was lower than the all India average cost of collection.

4.1.6 Arrears of revenue

As per information furnished by the Department, the arrears of revenue as of 31 March 2011 relating to Sales Tax amounted to ₹ 23.23 crore as detailed in the table below:

Table No. 4.7

<i>(Rupees in crore)</i>				
Year	Opening balance of arrears	Additions during the year	Collection by the end of the year	Balance arrears
2006-07	2.84 (0.51)	1.81 (Nil)	0.35 (0.01)	4.30 (0.50)
2007-08	4.30 (0.50)	6.80 (3.76)	0.28 (0.04)	10.82 (4.22)
2008-09	10.82 (4.22)	9.49 (2.14)	1.15 (0.01)	19.16 (6.35)
2009-10	19.16 (6.35)	5.69 (0.10)	2.10 (0.03)	22.75 (6.42)
2010-11	22.75 (6.42)	0.89 (Nil)	0.41 (0.01)	23.23 (6.41)

Figures in bracket indicate amount relating to Revenue Recovery Certificate Cases.

4.1.7 Arrears in assessment

The details of assessments relating to Sales Tax and Taxes on Agricultural Income pending at the beginning of the year, additional cases becoming due for assessment during the year, cases disposed of during the year and cases pending at the end of each year, during the period 2006-07 to 2010-11 as furnished by the Department are mentioned in the following table:

Table No. 4.8

Year	Opening balance	Cases which become due for assessment	Total	Cases disposed of during the year	Cases pending at the end of the year
2006-07	18,992	39	19,031	8,645	10,386
2007-08	10,386	39	10,425	7,682	2,743
2008-09	2,743	39	2,782	2,067	715
2009-10	715	39	754	286	468
2010-11	468	39	507	13	494

4.1.8 Evasion of tax

The details of cases of evasion of tax detected by the Department, cases finalised and the demands for additional tax raised as reported by the Department are given below:

Table No. 4.9

Name of tax/ duty	Cases pending as on 31 March 2010	Cases detected as on 31 March 2011	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised	No. of cases pending finalisation as on 31 March 2011
Sales Tax	-	2284	2284	1677 ₹ 1.04 crore	607

4.1.9 Results of audit

Test check of the records of Sales Tax, Land Revenue, State Excise, Motor Vehicles, Stamps and Registration Fees, Other tax receipts, Forest receipts conducted during the year 2010-11 revealed under assessment/short levy/loss of revenue amounting to ₹ 48.04 crore in 113 cases. These were pointed out in the Inspection Reports issued to the Departments.

This Chapter contains one review and four paragraphs pointing out loss/non-realisation of Tax and Non-Tax revenue of ₹ 3.73 crore (Review : ₹ 31.66 lakh; Paragraphs: ₹ 3.41 crore).

4.1.10 Departmental Audit Committee meetings

During 2010-11, four audit committee meetings were held in which 139 paragraphs contained in 33 Inspection Reports were discussed and 91 paragraphs and 10 IRs were settled.

4.1.11 Failure to enforce accountability and protect the interest of the Government

The Accountant General (Audit), Tripura arranges to conduct periodical inspection of the various offices of the Government Departments to test check the transactions of tax and non-tax revenue receipts and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during 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 Offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance through initial reply to the Accountant General within thirty days from the dates of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

As of March 2011, 1499 paragraphs contained in 452 Inspection Reports (IRs) issued upto September 2010 and involving ₹ 143.80 crore remained outstanding. Of these, 140 IRs containing 478 paragraphs involving ₹ 18.53 crore had not been settled for more than 10 years by the Finance Department (Sales Tax, Electricity Duty, etc.) and the Forest Department (Forest Receipts). Even the first replies required to be received from the Head of Office within 30 days from the date of receipt of the IR were not received in respect of 660 paragraphs of 164 IRs, issued between March 1994 and March 2011.

The Department-wise breakup of IRs and audit observations outstanding as of June 2011 is mentioned below:

Table No. 4.10

Department	Position of IRs issued upto September 2010 but not settled at the end of March 2011			Position of IRs and paragraphs not settled for more than 10 years			Position of IRs in respect of which even first reply has not been received from March 1994 to March 2011		
	No. of IRs	No. of paragraphs	Money value (rupees in crore)	No. of IRs	No. of paragraphs	Money value (rupees in crore)	No. of IRs	No. of paragraphs	Money value (rupees in crore)
Finance (Excise and Taxation)									
Sales Tax	104	331	17.72	48	140	8.43	11	33	1.97
Professional	06	06	0.09	-	-	-	04	05	0.09
Stamp Duty and Registration Fees	08	12	0.45	-	-	-	03	05	0.20
Electricity Duty	182	713	27.06	34	133	0.93	65	298	4.30
Agricultural Income Tax	02	03	-	04	02	-	02	03	-
Amusement Tax	06	13	0.28	02	04	0.01	01	04	0.16
State Excise	15	40	3.58	02	03	0.11	06	35	3.60
Forest									
Forest Receipts	88	275	18.19	43	165	3.48	36	162	7.17
Revenue (Land Records and Settlement)									
Land Revenue	18	25	0.62	-	-	-	18	25	0.61
Transport									
Motor Vehicles	23	81	75.81	07	31	5.57	18	90	44.22
Total	452	1,499	143.80	140	478	18.53	164	660	62.32

The above position indicates the failure of the Departments concerned to initiate action in respect of the defects, omissions and irregularities pointed out in the IRs. The Principal Secretaries/Secretaries of the departments are informed of the position on 1st June each year through annual statement of outstanding IRs and paragraphs.

4.1.12 Response of the departments to draft audit paragraphs

Four paragraphs contained in this report were forwarded during July 2011 to the Secretary of the administrative departments concerned demi-officially seeking confirmation of facts and figures as well as their comments within six weeks. Replies of the Government to paragraphs have not been received (October 2011).

4.1.13 Internal Audit

Finance (Excise and Taxation) Department had not established an internal audit wing for auditing the revenue receipts of the State Government (September 2011). Since internal audit is an effective tool in the hands of the management of an organisation to assure it that the organisation is functioning in an efficient manner and in terms of its stated objectives, the Government may consider establishing the system of internal audit.

4.1.14 Follow up on Audit Reports – summarised position

13 reviews and 131 audit paragraphs had featured in Audit Reports 1988-89 to 2009-10. 10 out of 13 reviews and 93 out of 131 audit paragraphs had been discussed by PAC as of September 2011. Out of the balance 3 reviews and 38 audit paragraphs, one review and 20 audit paragraphs pertaining to Audit Reports 1988-89 to 2006-07 have been referred to the State Government in March 2011 for settlement at their end. Four ATNs on the recommendations of the PAC were awaited (October 2011).

4.1.15 Compliance with the earlier Audit Reports

During the years 2005-06 to 2009-10, the Departments/Government accepted the audit observations involving ₹ 23.60 crore, out of which an amount of ₹ 15.74 lakh had been recovered till October 2011. The details are mentioned in the following table:

Table No. 4.11

Sl. No.	Year of the Audit Report	Total money value of the paragraphs of Receipt Audit	Money value accepted by the State Government	(Rupees in lakh)
				Recovery made
1.	2005-06	82.15	65.71	Nil
2.	2006-07	127.96	103.78	Nil
3.	2007-08	667.00	420.00	9.14
4.	2008-09	1964.00	1771.00	6.60
5.	2009-10	178.00	-	-
Total		3019.11	2360.49	15.74

FINANCE (EXCISE AND TAXATION) DEPARTMENT

4.2 Review on 'Cross verification of declaration forms used in Inter-State Trade'

The Central Sales Tax (CST) Act, 1956 and the rules framed there under provide for concessional rate of tax in respect of Inter-State sales of goods and exemption from tax in respect of branch transfers and export sales. These concessions/exemptions are subject to furnishing of declaration in the prescribed Form 'C'. Failure to furnish the declarations or submission of defective or incomplete declaration forms will make the transactions liable to tax as applicable to sale in the appropriate State.

We conducted cross verification of Declaration Forms used in Inter-State Trade to check the genuineness of these declarations. All the information collected was verified with the Commercial/Sales Tax Departments of other States and we found irregularities as mentioned below:

Highlights

The Department had not installed a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website.

(Paragraph 4.2.10.2)

No provision was made in the TVAT Act to set up Inter-State Investigation Wing to assist Commissioner of Taxes. Further, there was no system to blacklist the dealers utilising invalid / fake declaration forms.

(Paragraph 4.2.10.3)

We came across suppression of actual value of goods purchased on 'C' Forms having implication of short levy of tax of ₹ 30.82 lakh, which needs to be investigated by the Department.

(Paragraph 4.2.10.4)

4.2.1 Introduction

Under the Central Sales Tax Act, 1956 (CST Act) registered dealers are eligible to certain concessions and exemptions of tax on Inter-State transactions on submission of prescribed declarations in Forms 'C'. The State Government grants these incentives to dealers for furtherance of trade and commerce, on production of these declaration forms. It is the responsibility of the Tax Department to ensure proper account of declaration forms and to take adequate safeguards against misutilisation of declaration forms/certificates on which tax relief is allowed involving large amount of revenue to the State exchequer.

4.2.2 Salient features of CST Act

Under the provisions of the CST Act, every dealer, who in the course of Inter-State Trade or commerce, sells to a registered dealer, goods of the classes, specified in the

certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* (two *per cent* w.e.f. 01.06.2008) of such turnover provided such sales are supported by declarations in Forms 'C'.

4.2.3 Maintenance of accounts of receipts and use of declaration forms

- The forms are obtained by the Commissioner of Taxes (CT) from M/S Saraswati Press Ltd, Kolkata (a Government of West Bengal Enterprise) and issued to the Superintendent of Charges.
- Declaration forms are issued to the registered dealers by the Charge officers to enable them to issue it to another registered dealer for purposes specified in their registration certificates in order to avail exemption from levy of tax or pay tax at concessional rate. Dealers have to submit periodical utilisation certificate to the Charge office concerned for the declaration forms received and utilised by them, and the same is to be properly recorded by the Assessing Officer. No declaration form is to be issued by the charge office to the dealers till accounts of the utilisation of forms issued earlier to the dealer is submitted by him.

4.2.4 Receipt and issue

- The receipt and issue of the aforesaid declaration forms are accounted for in separate stock registers of the office of the Commissioner of Taxes and Charge offices indicating receipt and issue of declaration forms. When forms are issued to the dealer, the signature of the dealer as token of receipt is to be obtained in the register.
- Every registered dealer to whom any declaration form is issued by the appropriate authority shall maintain complete account of every such form. The dealer has to furnish utilisation certificate to the competent authority showing the name of dealer to whom the form is issued, bill number and date and description of goods with value.
- Section 10(b) read with Section 10-A of Central Sales Tax Act, 1956 stipulates that, if any registered dealer, falsely represents when purchasing any class of goods which are covered by his certificate of registration ; or not being a registered dealer, falsely represents when purchasing goods in the course of Inter-State Trade or commerce that he is a registered dealer ; and after purchasing any goods for any of the purposes without reasonable excuse, to make use of the goods for any such purpose shall be punishable with simple imprisonment which may extend to six months, or with fine, or with both, and when the offence is a continuing offence, with a daily fine which may extend to fifty rupees for every day during which the offence continues and further,

the authority may also impose penalty of a sum not exceeding one and a half times of the tax evaded.

- Tax Information Exchange System (TINXSYS) is a centralised exchange of all Inter-State dealers spread across the various States and Union territories of India. TINXSYS is an exchange authored by the Empowered Committee of State Finance Ministers (EC) as a repository of Inter-State transactions taking place among various States and Union Territories. The website was designed to help the Commercial Tax Departments of various States and Union Territories to effectively monitor the Inter-State Trade. TINXSYS can be used by any dealer to verify the counter party Inter-State dealer in any other State. Apart from dealer verification, Commercial Tax Department officials use TINXSYS for verification of Central statutory forms issued by other State Commercial Tax Department and submitted to them by the dealers in support of claim for concessions. TINXSYS also provides MIS and Business Intelligence Reports to the Commercial Tax Departments to monitor Inter-State Trade movements and enables the EC to monitor the trends in Inter-State Trade.
- It is essential for every State to send the information to the Finance Ministry for uploading in the website of TINXSYS for easy verification of forms by any user. The Department is neither uploading on the TINXSYS nor sending relevant information to the Finance Ministry.

4.2.5 Organisational set up

The Commercial Tax Department is under the overall administrative control of the Principal Secretary (Finance). The Commissioner is head of the Department and he is assisted by two Deputy Commissioner of Taxes (DCT) and three Assistant Commissioner of Taxes (ACT). There are eight Charges at Agartala, each headed by a Superintendent of Taxes (ST). Besides, two STs look after vigilance and another two STs are in charge of the Public Relation Cell. In addition, there are seven Charges in other districts/sub-division headquarters headed by Superintendent of Taxes. There is a check post at Chaurabari (Assam border) headed by the two STs.

Under the Tripura Value Added Tax Act (TVAT Act), 2004, the Superintendents of the respective charges are entrusted with the registration, assessment, collection of tax and receipts of returns in respect of registered dealers.

4.2.6 Audit objectives

The review was aimed to ascertain whether

- a foolproof system existed for custody and issue of the declaration forms;
- exemption/concession of tax granted by the assessing authorities was supported by the original declarations forms;

- a system was in existence for ascertaining genuineness of the forms for preventing evasion of tax;
- system of uploading the particulars in the TINXSYS website was in existence and the data available there is utilised for verifying the correctness of the forms;
- appropriate steps were taken on receipt and detection of fake, invalid and defective (without proper or insufficient details) forms; and
- an effective and adequate internal control mechanism existed.

4.2.7 Scope and methodology of audit

The review was conducted between November 2010 and January 2011 in the office of the Commissioner of Taxes and 9² out of 15 Charge offices dealing with assessments. The selection of the charge offices was made on the basis of units due for audit during November 2010 to January 2011. The audit scrutinised the assessments completed during the period of 2007-08 to 2009-10 by all these offices. The information collected from the Department, replies to questionnaires and the audit memos issued during inspection and cross check with other States formed the basis of audit evidence and findings.

4.2.8 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation extended by the Principal Secretary, Finance Department and the departmental officials during the course of the review. An entry conference was held on 11th November 2010 with the Principal Secretary to the Government of Tripura, Finance Department in which the audit objectives, scope and methodology were explained. The findings of the review were forwarded to the Department/Government on 13th October 2011 and discussed in an exit conference held on 3rd November 2011. The responses of the Department received during the discussion and at other points of time, have been incorporated in the report at appropriate places.

4.2.9 Trend of revenue under CST

Separate budget estimates was not prepared for Central Sales Tax. The CST collection for five years was as under:

Year	Collection (Rupees in crore)	Percentage of increase/decrease compared to previous year
2006-07	2.45	-
2007-08	2.28	(-)6.94
2008-09	1.82	(-)20.18
2009-10	2.45	34.62
2010-11	3.51	43.27

² Agartala Charge-I, II, III & IV, Ambassa, Belonia, Dharmanagar, Kailasahar and Udaipur.

It may be seen from the above table that percentage of excess collection during 2009-10 and 2010-11 was 35 and 43 respectively compared to previous year and the reason for such increase was increase in market price of raw rubber sheet. The raw rubber sheet is the main item of outside sale from Tripura.

As regards 2007-08 and 2008-09, less realisation was due to reduction in CST rates from four *per cent* to three *per cent* and three *per cent* to two *per cent* respectively.

Audit findings

4.2.10 System deficiencies

Section 8 of the Central Sales Tax Act, 1956 read with rule 8 of the Central Sales Tax (Central) Rules, 1957 and Rule 12 of the Central Sales Tax (R&T) Rules, 1957 stipulates the process of custody, utilisation and maintenance of forms.

Scrutiny of the records revealed the following:

4.2.10.1 Issue and accounting of declaration forms

- The Department did not maintain any record/database to show the year-wise position of sales against 'C' forms to ascertain the revenue forgone on account of concessions/exemptions.

4.2.10.2 Uploading and utilisation of Declaration forms

- The Department had not made mandatory in the TVAT Act for the dealers to furnish declaration forms while submitting the returns;
- there was no system of picking up a sample of declaration forms and taking them up for further verification with the concerned States;
- there was no system of uploading the details of 'C' forms issued by dealers of Tripura in State / TINXSYS website;
- there was no system of uploading the details of utilisation of declaration forms in the TINXSYS website ; and
- The Department had not installed a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax. The reason stated by the Department was shortage of manpower. The computers and internet facility was also not provided to all the Charges.

In the exit conference (November 2011), the Government/Department clarified that these observations should be viewed in the light of the fact that Tripura VAT Act was based on the model Central VAT Act which followed the philosophy of self assessment and self regulation. Hence, there is no need to have separate provision in the TVAT Act, 2004, for furnishing declaration

forms along with returns. Further, the Department stated that updating the TINXSYS website through a system set up with TCS was in operation which had since been closed down. The monitoring system during the transition period was not there. It was also stated that they would make it mandatory to use TINXSYS where electronic data base is available and also undertake to check significant cases of the major States through manual means to prevent such mis- declaration.

4.2.10.3 Enforcement measures

- No provision was made in the TVAT Act for blacklisting the dealers if any dealer is found utilising invalid/fake declaration forms; therefore, no monitoring and alerting other States was done regarding blacklisted dealers;
- no data bank on forms declared invalid or dealers found to be fictitious or whose registration certificates were cancelled within and outside the State was maintained by the Department;
- the Department did not keep a sample of the colour, design and format of the forms prevailing in different States for comparison in order to identify the fake or forged declaration forms ; and
- no provision was made in the TVAT Act to set-up Inter-State Investigation Wing to assist Commissioner of Taxes.

In the exit conference (November 2011), the Government/Department clarified that the issue of black listing would be dealt once the Mission Mode Project is implemented. As regards the Inter-State Investigating Wing, the Department stated that it would be done through the initiative of the Government of India.

4.2.10.4 Variation between the figures of the forms as disclosed by the issuing dealer and those disclosed by the utilising dealer

- The cross-verification of 'C' Forms with other States revealed that 18 dealers had short accounted for purchases by ₹ 2.90 crore in 54 'C' Forms. If these short declarations of purchases are taken as suppression of actual value of purchases, it would result in a short levy of tax of ₹ 30.82 lakh (**Appendix 4.1**). The difference of declaration of purchase and sale figures of the 'C' forms needs to be investigated by the Department and actual short levy of tax may be ascertained.

In the exit conference (November 2011), the Government/Department stated that it would investigate all the cases mentioned in the Report and take necessary action in this regard. Further, to avoid misuse of Form 'C' by the dealers, the Department has issued instructions (October 2011) so that only filled forms are issued in place of blank forms.

4.2.10.5 Miscellaneous observations

- It was observed that printing cost of each 'C' Form during 2006-07 to 2009-10 was in the range of ₹ 2.44 to 2.90 against the issue price of ₹ 2 each resulting into avoidable expenditure of ₹ 0.84 lakh by the Department. On being pointed out by audit (May 2011), the Department has revised the issue price of C forms to ₹ 3 each.

4.2.10.6 Computerisation

- There was no system of on-line issue of statutory forms; therefore, e-return was not yet made mandatory.

In the exit conference (November 2011), the Government/Department stated that Mission Mode Project had been taken up by the States and e-registration had already commenced. The system of on-line issuance of forms, e-returns and e-payments would be commenced and all modules would be completed by 31st March 2012.

4.2.11 Conclusion

Even after six years of introduction of TVAT Act 2004, the Department failed to utilise TINXSYS website which is designed to help the Commercial Tax Department of various States and Union Territories to effectively monitor the Inter-State Trade. As a result, there were variations between the value declared by the issuing dealers and the utilising dealers in the 'C' forms utilised for Inter-State Trade resulting into probable short levy of tax. On-line issue of statutory forms and e-filing of returns has not yet been introduced.

4.2.12 Recommendations

The Government may consider the following in the interest of revenue of the State:

- On-line issue of statutory forms may be introduced immediately.
- TINXSYS website may be used to effectively monitor the Inter-State Trade.
- Provision may be made in the TVAT Act for setting up of an Inter-State Investigation Wing.
- Particulars of statutory forms issued and dealers' details may be promptly uploaded in the TINXSYS website.
- Provision of system of picking up a sample of declaration forms and taking them up for further verification with the concerned States may be made in the TVAT Act.

FINANCE (EXCISE & TAXATION) DEPARTMENT (SALES TAX /VALUE ADDED TAX)

4.3 Short levy of tax due to erroneous computation and other irregularities

Erroneous computation together with incorrect application of rates by the assessing authorities resulted in short levy of tax of ₹ 49.32 lakh.

Section 31 of Tripura Value Added Tax Act, 2004, provides that where the Commissioner is not satisfied with the correctness of any return filed under section 24, or bona fides of any claim of exemption, deduction, concession, input tax credit or genuineness of any declaration, evidence furnished by a registered dealer in support thereof, the Commissioner may serve on such dealer a notice to produce the books of account and all evidences on which the dealer relies in support of his returns including tax invoice. The Commissioner shall, after giving reasonable opportunity of being heard, direct the dealer to pay, in addition to the tax and interest payable by him, a penalty not exceeding one and a half times the tax due (but it shall not be less than 10 *per cent* of that amount). Further, the Tripura Additional Sales Tax Act, 1990 provides that the tax payable under the Tripura Sales Tax (TST) Act, 1976 shall be increased in the case of dealers whose taxable turnover for a year exceeds ₹ 10 lakh by an additional rate of tax of 0.50 *per cent* of the taxable turnover.

On test check of records (February 2010 to January 2011) of nine Superintendent of Taxes³ we noticed that in 53 assessment cases relating to 25 dealers for the period between 2005-06 to 2009-10 finalised between June 2009 to October 2010, there were cases of erroneous computation of sales/ purchase/ opening stock and incorrect application of rates by the assessing authorities. This resulted in short levy/non levy of tax of ₹ 49.44 lakh (Sales tax/VAT: ₹ 49.32 lakh, Additional sales tax: ₹ 0.12 lakh). Besides, interest and penalty of ₹ 94.87 lakh (Interest: ₹ 33.73 lakh and Penalty: ₹ 61.14 lakh) were also leviable. Details are given in **Appendix 4.2**.

The Commissioner of Taxes & Excise stated (September 2011) that in case of seven dealers (Sl. No. 4, 5, 6, 8, 9, 10 and 14 of **Appendix 4.1**) ₹ 3.27 lakh had been recovered, in case of three dealers (Sl. No. 1, 2 and 3 of **Appendix 4.2**) demand notices for ₹ 8.32 lakh had been issued and re-assessment notices for the remaining 15 dealers had been issued. Further development was awaited (October 2011).

We reported the matter to the Government in July 2011; their reply had not been received (October 2011).

³ (1) Superintendent of Taxes, Charge-II, Agartala; (2) Superintendent of Taxes, Charge-VI, Agartala; (3) Superintendent of Taxes, Charge-VII, Agartala; (4) Superintendent of Taxes, Charge-VIII, Agartala; (5) Superintendent of Taxes, Bishalgarh; (6) Superintendent of Taxes, Teliamura; (7) Superintendent of Taxes, Belonia; (8) Superintendent of Taxes, Dharmanagar; and (9) Superintendent of Taxes, Kailashahar.

4.4 Short levy of tax due to concealment of turnover by the dealers

Concealment of turnover by the dealers which escaped notice of the assessing authorities resulted in short levy of tax of ₹ 60.95 lakh.

According to Section 25(3) of the Tripura Value Added Tax Act, 2004 read with Section 13 of the Tripura Sales Tax Act, 1976, if the Commissioner is satisfied that the return furnished by a dealer in respect of any year is correct and complete, he shall by order in writing assess the dealer. If the Commissioner in the course of any proceedings is satisfied that any dealer has concealed particulars of his turnover he may direct that such dealer shall pay by way of penalty in addition to the tax payable by him, a sum not exceeding one and a half times that amount (but it shall not be less than 10 *per cent* of that amount). Further, the Tripura Additional Sales Tax Act, 1990 provides that the tax payable under the Tripura Sales Tax (TST) Act, 1976 shall be increased in the case of dealers whose taxable turnover for a year exceeds ₹ 10 lakh by an additional rate of tax of 0.50 *per cent* of the taxable turnover.

On test check of records (April 2010 to December 2010) of three Superintendent of Taxes⁴ we noticed that in 27 assessment cases relating to eight dealers for the period from 1996-97 to 2008-09 finalised during financial year 2008-09 and 2009-10, there were concealment of turnover by the dealers which escaped notice of the assessing authorities. This resulted in short levy/non levy of tax of ₹ 60.95 lakh (Sales tax/VAT: ₹ 60.34 lakh, Additional sales tax: ₹ 0.61 lakh) and leviable interest of ₹ 44.62 lakh and Penalty of ₹ 30.23 lakh, as detailed in **Appendix 4.3**.

The Commissioner of Taxes & Excise stated (September 2011) that in case of three dealers (Sl. No. 3, 4 and 6 of **Appendix 4.3**) ₹ 1.24 lakh had been recovered and re-assessment notices for the remaining five dealers had been issued. Further development was awaited (October 2011).

We reported the matter to the Government in July 2011; their reply had not been received (October 2011).

⁴ (1) Superintendent of Taxes, Charge-I, Agartala; (2) Superintendent of Taxes, Charge-VII, Agartala; and (3) Superintendent of Taxes, Charge-VIII, Agartala;

REVENUE DEPARTMENT

4.5 Misappropriation of Government revenues

Non-enforcement of financial rules/orders regarding handling of Government money and lack of proper monitoring and supervision on the maintenance of Cash Book by the Sub-Registrar, Udaipur led to misappropriation of Government revenues amounting ₹ 21.45 lakh.

All financial transactions in the State Government Departments are subject to the provisions contained in the General Financial Rules (GFR) and the Central Treasury Rules (CTR).

Rule 3 of GFR provides that all moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise should be brought into Government account in full and without delay. Again, Rule 77 of CTR provides that all monetary transactions should be entered in the Cash Book as soon as they occur, and attested as a token of check; the Cash Book should be closed regularly after verifying the total at the end of each month and a certificate recorded to satisfy that money paid into treasury/ bank are actually credited through checking of treasury/ bank receipts.

On scrutiny (May-June 2011) of records of the Sub-Registrar, Udaipur (the DDO), we noticed that out of ₹ 23.05 lakh⁵ collected during 3 January 2011 to 31 May 2011 on account of registration fee, searching fee, copying fee and sale of pasting paper, ₹ 17.79 lakh only was entered in the Cash Book during 3 January 2011 to 27 April 2011 and there was no remittance into Bank/ Treasury during the period. The Cash Book for the month of May 2011 had not at all been written till the date of audit (3 June 2011). The balance amount of ₹ 5.26 lakh⁶ thus remained out of Government account.

At the instance and presence of the audit team, a physical verification of cash was conducted by the Sub-Registrar on 1 June 2011 in which only ₹ 1.60 lakh was physically found in the Cash Chest as against the Cash Book balance of ₹ 17.79 lakh. Thus, there was misappropriation of Government revenues amounting ₹ 21.45 lakh⁷.

On scrutiny, we noticed that the misappropriation occurred due to non-enforcement of the financial rules/ orders regarding handling of Government money by the DDO and lack of his proper monitoring and supervision on the maintenance of Cash Book. A few lapses directly linked with the occurrence were:

⁵ Registration fee, searching fee and copying fee: ₹ 22.94 lakh and Sale of pasting paper: ₹ 0.11 lakh.

⁶ Registration fee, searching fee and copying fee collected in May 2011: ₹ 5.15 lakh and Sale of pasting paper collected during 30 January 2011 to 18 May 2011: ₹ 0.11 lakh.

⁷ ₹ 23.05 lakh – ₹ 1.60 lakh = ₹ 21.45 lakh

- Cash Book was not written/ closed regularly.
- Entries in the Cash Book were not thoroughly checked by the DDO.
- Physical verification of Cash balance was not conducted regularly.
- Regular and prompt remittances of the revenues, collected from time to time, into Bank/ Treasury were not ensured through vigilance/ reconciliation.

The Sub-Registrar stated (June 2011) that he had signed the Cash Book upto April 2011 on good faith and would, however, make all efforts to get the money deposited by the cashier into the Government account. The Sub-Registrar further stated (July 2011) that an FIR had been lodged against the Cashier and Sub-Registrar; both of them had been removed; and police had seized (10 June 2011) the Cash Book and the Bill Register for investigation.

We reported the matter to the Government in July 2011; their reply had not been received (October 2011).

TRANSPORT DEPARTMENT (TAXES ON VEHICLES)

4.6 Lack of infrastructure including weighing bridge and non-recovery of revenue

Churaibari MV Check Post in the Tripura-Assam border area did not maintain records on the actual quantity of goods carried by the overloaded vehicles due to lack of infrastructure including weighing bridge. There was also short levy of fine at the rate of ₹ 1,000 instead of the prescribed minimum rate of ₹ 2,000 from 20,966 vehicles, carrying load in excess of permissible limit resulting in loss of revenue of ₹ 2.10 crore.

According to Section 194 of the Motor Vehicles (MV) Act, 1988 and notification issued by Government of Tripura in November 1999, carriage of goods by motor vehicles beyond the permissible limit⁸ shall be punishable with a minimum fine of ₹ 2,000 and an additional fine of ₹ 1,000 per tonne of excess load together with the charges for offloading the excess load.

On scrutiny (November 2010) of records of Churaibari MV Check Post in the Tripura-Assam border area under the jurisdiction of the Deputy Transport Commissioner (DTO), North Tripura, Kailashahar, we noticed that out of 3,63,434 vehicles that crossed the Check Post and were checked by the Check Post Authority during the period from April 2006 to October 2010, 2,56,941 vehicles were identified as overloaded for carrying goods beyond the permissible limit. However, the records regarding the actual quantity of goods carried by the overloaded vehicles were not available with the Check Post Authority.

We noticed that out of 2,56,941 overloaded vehicles 20,966 vehicles were charged at the rate of ₹ 1,000 per vehicle instead of ₹ 2,000 per vehicle. This resulted in short levy of fine and consequential non-recovery of ₹ 2.10 crore⁹.

As regards realisation of additional fine based on excess weight carried we could not verify the correctness of the amount so realised due to non-availability of records regarding the actual quantity of goods carried, as stated above. Thus, possibility of Government dues on this account remaining unrealised could not be ruled out.

The DTO accepted (May 2011) that a large number of goods carrying vehicles could not be weighed mainly due to lack of infrastructure in the Department viz. (i) Weighing bridge of its own, which had to be shared with the Sales Tax Department and available only when it was not used by the latter, (ii) Godown or suitable space for storing excess goods after unloading and (iii) Deployment of adequate security force was needed to enforce the vehicles at fault to stop and pay fines. He further

⁸ Government of Tripura by notification dated 1 September 1991 restricted plying of any public carrier goods vehicle within the State, the laden weight of which exceeded 15.5 tonnes.

⁹ ₹ (2,000- 1000) x 20,966 = ₹ 2,09,66,000.

stated that during the period covered in audit the weight of the goods carried had often been assessed on the basis of challans produced by the drivers as also the permit issued by Sales Tax/ Forest Department, based on which excess carrying of coal/ boulders etc. was determined and fines imposed whenever they were in violation of provisions of the MV Act. The DTO also pointed out that despite all these constraints there was remarkable increase in the revenue collection by Churaibari MV Check Post during 2006-10.

Thus, the assessment of additional fine was not based on weighment, and the Department had further short recovered revenue of ₹ 2.10 crore on collection of fine at the rate of ₹ 1,000 instead of the prescribed minimum rate of ₹ 2,000.

The reasons for levying fine on 20,966 vehicles at a lesser rate though called for (May 2011) are awaited (October 2011).

We reported the matter to the Government in July 2011; their reply had not been received (October 2011).