

CHAPTER - IV

REVENUE SECTOR

4.1 General

4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2011-12, the State's share of net proceeds of divisible Union taxes and grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table No.4.1.1

(₹ in crore)

| Sl. No. | Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---------|---|----------------|----------------|----------------|----------------|----------------|
| I | Revenue raised by the State Government | | | | | |
| | • Tax revenue | 131.37 | 156.02 | 180.51 | 227.32 | 303.88 |
| | • Non-tax revenue | 119.48 | 180.55 | 126.35 | 183.14 | 232.95 |
| | Total I | 250.85 | 336.57 | 306.86 | 410.46 | 536.83 |
| II | Receipt from the Government of India | | | | | |
| | • States share of net proceeds of divisible Union taxes | 399.77 | 421.84 | 434.03 | 689.46 | 803.20 |
| | • Grants-in-aid | 2345.40 | 2642.48 | 2978.87 | 3900.07 | 4246.35 |
| | Total II | 2745.17 | 3064.32 | 3412.90 | 4589.53 | 5049.55 |
| III | Total receipts of the State Government (I+II) | 2996.02 | 3400.89 | 3719.76 | 4999.99 | 5586.38 |
| | Percentage of I to III | 8 | 10 | 8 | 8 | 10 |

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 536.83 crore) was ten per cent of the total revenue receipts against eight per cent in the preceding year. The balance ninety per cent of receipts during 2011-12 was from the Government of India.

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

Table No.4.1.2

(₹ in crore)

| Sl No. | Head of revenue | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11 |
|--------|--|---------------|---------------|---------------|---------------|---------------|--|
| 1 | Sales Tax/VAT | 94.79 | 114.70 | 132.22 | 167.22 | 231.12 | (+)38 |
| 2 | State Excise | 2.83 | 3.34 | 3.13 | 3.00 | 3.36 | (+)12 |
| 3 | Stamps and Registration Fees | 1.02 | 1.01 | 1.19 | 1.35 | 1.85 | (+)37 |
| 4 | Taxes and duties on Electricity | 0.02 | 0.03 | 0.11 | 0.05 | 0.04 | (-)20 |
| 5 | Taxes on vehicle | 12.30 | 14.14 | 16.73 | 23.92 | 34.58 | (+)45 |
| 6 | Taxes on Goods and Passengers | 2.19 | 2.34 | 3.96 | 6.62 | 4.85 | (-)27 |
| 7 | Other taxes on Income and expenditure | 17.72 | 19.86 | 22.54 | 24.57 | 27.03 | (+)10 |
| 8 | Other taxes and duties on Commodities and Services | 0.00 | 0.00 | 0.00 | 0.00 | 0.37 | (+) 100 |
| 9 | Land Revenue | 0.50 | 0.60 | 0.63 | 0.59 | 0.68 | (+)15 |
| | Total | 131.37 | 156.02 | 180.51 | 227.32 | 303.88 | (+)34 |

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

Taxes on Vehicles: Mainly due to increase under other receipts.

Taxes on Goods and Passengers: Due to less collection under other receipts.

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

Table No.4.1.3

(₹ in crore)

| Sl, No. | Head of revenue | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11 |
|---------|-----------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| 1 | Interest Receipts | 5.66 | 11.57 | 10.02 | 14.35 | 9.62 | (-)33 |
| 2 | Housing | 2.11 | 2.97 | 3.43 | 3.63 | 4.38 | (+) 21 |
| 3 | Water Supply & Sanitation | 1.07 | 0.98 | 0.94 | 1.29 | 1.62 | (+) 26 |
| 4 | Forestry and Wildlife | 4.81 | 4.78 | 7.70 | 10.18 | 8.87 | (-) 13 |
| 5 | Education, Sports Art and Culture | 0.48 | 0.55 | 0.43 | 8.74 | 12.16 | (+)39 |
| 6 | Miscellaneous General Services | 19.44 | 28.05 | 7.04 | 12.43 | 29.01 | (+) 133 |
| 7 | Power | 69.47 | 111.49 | 75.17 | 74.01 | 94.28 | (+) 27 |
| 8 | Medical & Public Health | 0.16 | 0.17 | 0.09 | 0.09 | 0.21 | (+)133 |
| 9 | Co-operation | 0.17 | 0.79 | 3.15 | 0.34 | 3.54 | (+) 941 |
| 10 | Public Works | 0.10 | 0.10 | 0.54 | 0.72 | 0.69 | (-) 4 |
| 11 | Police | 2.73 | 0.61 | 0.44 | 34.21 | 30.65 | (-) 10 |
| 12 | Other Administrative Services | 1.93 | 1.21 | 1.42 | 2.90 | 2.38 | (-) 18 |
| 13 | Crop Husbandry | 0.12 | 0.11 | 0.13 | 0.16 | 0.20 | (+) 25 |
| 14 | Others | 11.23 | 17.17 | 15.85 | 20.09 | 35.34 | (+) 76 |
| | Total | 119.48 | 180.55 | 126.35 | 183.14 | 232.95 | |

The reasons for variation were not stated by the Departments.

4.1.4 Variation between the budget estimates and actuals

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

Table No.4.1.4

| Sl. No. | Head of revenue | Budget Estimates (₹ in crore) | Actuals Receipts (₹ in crore) | Variation Increase (+) Decrease (-) | Percentage Of variation |
|------------------------|------------------------------------|----------------------------------|----------------------------------|--|-------------------------|
| Tax Revenue | | | | | |
| 1 | Sales Tax/VAT | 185.50 | 231.12 | (+) 45.62 | 25 |
| 2 | State Excise | 3.91 | 3.36 | (-) 0.55 | (-)14 |
| 3 | Stamps and Registration fees | 1.26 | 1.85 | (+) 0.59 | 47 |
| 4 | Taxes on vehicles | 27.86 | 34.58 | (+) 6.72 | 24 |
| 5 | Taxes on Goods and Passengers | 2.74 | 4.85 | (+) 2.11 | 77 |
| 6 | Land revenue | 0.87 | 0.68 | (-)0.19 | (-)22 |
| Non-Tax Revenue | | | | | |
| 7 | Interest Receipts | 12.02 | 9.62 | (-) 2.40 | (-)20 |
| 8 | Other Administrative Service | 4.43 | 2.38 | (-) 2.05 | (-)46 |
| 9 | Medical & Public Health | 0.22 | 0.21 | (-) 0.01 | (-)5 |
| 10 | Public Works | 0.68 | 0.69 | (+) 0.01 | 1 |
| 11 | Forestry & Wildlife | 10.80 | 8.87 | (-) 1.93 | (-)18 |
| 12 | Education, sports, art and culture | 0.35 | 12.16 | (+) 11.81 | 3374 |
| 13 | Power | 110.00 | 94.28 | (-) 15.72 | (-)14 |

Source: Receipt Budget and Finance Account for the year 2011-12.

4.1.5 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period from 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection for the year 2009-10 are as mentioned in the following table.

Table No.4.1.5

| Sl. No | Head of revenue | Year | Collection (₹ in crore) | Expenditure on collection of revenue (₹ in crore) | Percentage of Expenditure on collection of revenue | All India average percentage for the previous year |
|--------|------------------------------|---------|-------------------------|---|--|--|
| 1 | Sales Tax/VAT | 2009-10 | 132.22 | 4.18 | 3.16 | 0.88 |
| | | 2010-11 | 167.22 | 5.59 | 3.34 | 0.96 |
| | | 2011-12 | 231.12 | 6.10 | 2.64 | 0.75 |
| 2 | Taxes on Vehicles | 2009-10 | 16.73 | 2.24 | 13.39 | 2.93 |
| | | 2010-11 | 23.92 | 3.20 | 13.38 | 3.07 |
| | | 2011-12 | 34.58 | 3.70 | 10.70 | 3.71 |
| 3 | Stamps and Registration Fees | 2009-10 | 1.19 | 0.16 | 13.45 | 2.77 |
| | | 2010-11 | 1.35 | 0.25 | 18.52 | 2.47 |
| | | 2011-12 | 1.85 | 0.25 | 13.51 | 1.60 |

Source: Finance Accounts

4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of principal Heads of Revenue as reported by the Departments was ₹ 21.72 crore of which ₹7.47 crore (34.39 per cent) were outstanding for more than five years as per details mentioned in the following table:

Table No.4.1.6

(₹ in crore)

| Sl. No | Head of Revenue | Amount outstanding as on 31 March 2012 | Amount outstanding for more than for five years | Remarks |
|--------|---------------------------------------|--|---|---------|
| 1 | Taxes/ VAT on Sales, Trades etc. | 21.72 | 7.47 | - |
| 2 | Taxes on vehicle | Information awaited | | |
| 3 | Taxes on Goods and Passengers | | | |
| 4 | Other Taxes on income and Expenditure | NIL | NIL | NIL |

4.1.7 Arrears in assessment

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

Table No.4.1.7

| Head of Revenue | Opening Balance as on 31 st March 2011 | New cases due for assessment during 2011-12 | Total assessment due | Cases disposed of during 2011-12 | Balance at the end of the 31 st March 2012 | Percentage of disposed to the total assessment |
|----------------------------------|---|---|----------------------|----------------------------------|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 (5 to 4) |
| Taxes /VAT on Sales, Trades etc. | 1206 | 2086 | 3292 | 2611 | 681 | 79.31 |

4.1.8 Evasion of Taxes

The details of cases of evasion of tax detected, cases finalised and demands for additional tax raised in 2011-12 in respect of Taxation Department was reported as nil. However, the information in respect of taxes on Vehicles and taxes on Goods and Passengers was not furnished by the Transport and Communication Department.

4.1.9 Response of the Departments/Government towards audit

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

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

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

Inspection Reports issued upto December 2011 disclosed that 300 paragraphs involving ₹ 51.78 crore relating to 85 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding two years.

Table No.4.1.8

| | June 2010 | June 2011 | June 2012 |
|--|------------------|------------------|------------------|
| Number of outstanding IRs | 82 | 80 | 81 |
| Number of outstanding audit observations | 317 | 306 | 295 |
| Amount involved (₹ in crore) | 52.18 | 51.93 | 51.78 |

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

Table No.4.1.9

| Sl. No. | Name of Department | Name of Receipts | No. of outstanding IRs | No. of Outstanding Audit Observations | Money Value Indicated (₹ in crore) |
|----------------|---------------------------|--|-------------------------------|--|---|
| 1 | Finance | Taxes / VAT on Sales, Trade etc | 23 | 125 | 32.25 |
| 2 | Finance | Miscellaneous General Services/Lottery | 2 | 9 | 0.34 |
| 3 | Transport | Taxes on Vehicles /Taxes on Goods & Passengers | 26 | 73 | 13.04 |
| 4 | Forest & Environment | Forest & Wildlife | 30 | 88 | 6.15 |
| Total | | | 81 | 295 | 51.78 |

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

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

4.1.11 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These Committees are chaired by the Secretaries of the concerned Administrative Department and attended by the concerned officers of the State Government and

officers of the Accountant General (AG). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. During 2011-12, no audit committee meeting was convened to clear the outstanding audit observations.

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

4.1.12 Response of the Departments to the draft audit paragraphs

One draft paragraph proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ending March 2012 was forwarded (October 2012) to the Secretary/Commissioner of the Department through demi-official letter. The Administrative Secretary/Commissioner furnished replies (November 2012) in respect of the draft paragraph.

4.1.13 Follow up on Audit reports – summarised position

As per the recommendations made by the High Powered Committee (HPC) which were also accepted by the State Government in October 1993, *suo moto explanatory* notes on corrective remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments duly vetted by Accountant General to PAC in three months from the date of placing of Audit Reports in the Legislature.

However, *suo moto* explanatory notes were not received either from the Departments or through the Nagaland Legislative Assembly Secretariat in respect of paragraphs/reviews appeared in the Audit Reports.

4.1.14 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2010-11, cases of under assessments, evasion / non/short levy of taxes / penalty, loss of revenue, failure to raise demands etc., involving ₹ 17.23 crore were reported. As of March 2012, the Departments concerned have accepted observations of ₹ 6.26 crore and recovered ₹ 0.66 crore. Audit Report wise details of cases accepted and recovered are given in the following table:

Table No.4.1.10

(₹ in crore)

| Year of Audit Report | Total Money Value | Accepted money value | Recovery made |
|----------------------|-------------------|----------------------|---|
| 2010-11 | 0.43 | 0.43 | No intimation on recovery received from the Department. |
| 2009-10 | 0.97 | 0.16 | 0.16 |
| 2008-09 | 0.22 | 0 | 0 |
| 2007-08 | 3.59 | 0 | 0 |
| 2006-07 | 1.56 | 0.81 | 0.37 |
| 2005-06 | 0.47 | 0.47 | 0.12 |
| 2004-05 | 1.47 | 1.10 | 0 |
| 2003-04 | 2.78 | 0.43 | 0.01 |
| 2002-03 | 1.12 | 1.12 | 0 |
| 2001-02 | 4.62 | 1.74 | 0 |
| Total | 17.23 | 6.26 | 0.66 |

4.1.15 Analysis of mechanism for dealing with the issues raised by Audit

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

The succeeding paragraphs 4.3.1 to 4.3.2.2 discuss the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

4.1.16 Position of Inspection Reports

A summarised position of Inspection Reports issued during the last 10 years, paragraphs included in these Reports and their status as on 30th June 2012 are given in the following table.

Table No.4.1.11

| Year | Opening Balance | | | Addition during the year | | | Clearance during the year | | | Closing Balance during the year | | |
|----------------|-----------------|-------|--------------------------|--------------------------|-------|--------------------------|---------------------------|-------|--------------------------|---------------------------------|-------|--------------------------|
| | IRs | Paras | Money Value (₹ in crore) | I Rs | Paras | Money Value (₹ in crore) | IRs | Paras | Money Value (₹ in crore) | IRs | Paras | Money Value (₹ in crore) |
| 2003-04 | 10 | 25 | 10.66 | 6 | 20 | 1.75 | - | - | - | 16 | 45 | 12.41 |
| 2004-05 | 16 | 45 | 12.41 | 6 | 27 | 2.37 | - | - | - | 22 | 72 | 14.78 |
| 2005-06 | 22 | 72 | 14.78 | 3 | 33 | 8.02 | 1 | 10 | 0.09 | 24 | 95 | 22.71 |
| 2006-07 | 24 | 95 | 22.71 | 4 | 31 | 1.65 | 0 | 3 | 0 | 28 | 123 | 24.36 |
| 2007-08 | 28 | 123 | 24.36 | 5 | 43 | 0.25 | 0 | 0 | 0 | 33 | 166 | 24.61 |
| 2008-09 | 33 | 166 | 24.61 | 2 | 27 | 13.73 | 0 | 4 | 0.03 | 35 | 189 | 38.31 |
| 2009-10 | 35 | 189 | 38.31 | 0 | 0 | 0 | 1 | 2 | 0.06 | 34 | 187 | 38.25 |
| 2010-11 | 34 | 187 | 38.25 | 1 | 2 | 0 | 3 | 14 | 0.62 | 32 | 175 | 37.63 |
| 2011-12 | 32 | 175 | 37.63 | 1 | 1 | 0 | 0 | 0 | 0 | 33 | 176 | 37.63 |
| Upto June 2012 | 33 | 176 | 37.63 | 1 | 2 | 0.03 | 0 | 10 | 0.22 | 34 | 168 | 37.44 |

We reminded the Department periodically to furnish the replies to the outstanding audit observations.

4.1.17 Assurances given by the Departments/Government on the issues highlighted in the Audit Reports

4.1.17.1 Recovery of accepted cases

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

Table No.4.1.12

| Year of Audit Report | No. of paragraphs included | Money value of the paragraphs (₹ in crore) | No. of paragraphs accepted | Money value of accepted paragraphs (₹ in crore) | Amount recovered during the year (₹ in crore) | Cumulative position of recovery of accepted cases |
|----------------------|----------------------------|--|----------------------------|---|---|---|
| 2001-02 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2002-03 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2003-04 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2004-05 | 2 | 0.28 | 2 | 0.28 | 0 | 0 |
| 2005-06 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2006-07 | 1 | 0.59 | 0 | 0 | 0 | 0 |
| 2007-08 | 2 | 0.44 | 0 | 0 | 0 | 0 |
| 2008-09 | 1 | 0.03 | 0 | 0 | 0 | 0 |
| 2009-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 6 | 1.34 | 2 | 0.28 | 0 | 0 |

From the above table it is seen that during the last ten years out of the accepted amount of ₹ 0.28 crore, zero *per cent* has been recovered by the Department by the end of this year.

The Department needs to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

4.1.18 Action taken on the recommendations accepted by the Departments/Government

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

The following table shows the number of recommendations in the review on the Taxation Department featured in the last 10 Audit Reports and action taken by the department on the recommendations accepted by it as well as the Government.

Table No.4.1.13

| Year of Audit Report | Name of the review | No. of recommendations | Details of the recommendations accepted |
|-----------------------------|---|-------------------------------|--|
| 2001-02 | - | - | - |
| 2002-03 | - | - | - |
| 2003-04 | - | - | - |
| 2004-05 | - | - | - |
| 2005-06 | - | - | - |
| 2006-07 | - | - | - |
| 2007-08 | - | - | - |
| 2008-09 | Transition from Sales Tax to Value Added Tax | 7 | - |
| 2009-10 | - | - | - |
| 2010-11 | Performance Audit on 'Utilisation of declaration forms in interstate trade' | 5 | - |

4.1.19 Results of audit

4.1.19.1 Position of local audit conducted during the year

Test check of the records of 17 units of Transport, Forest and Finance (Taxes) Departments conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 37.54 crore in 129 cases. Of these the Departments recovered ₹ 0.08 crore in one case.

4.1.19.2 This Report

This Report contains one paragraph (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) involving financial effect of ₹ 0.28 crore. The Departments/Government have accepted audit observation, out of which ₹ 0.08 crore has been recovered.

TAXATION DEPARTMENT

4.2 Evasion of Tax

Assessing Authority did not take into account records of utilisation of Form 'C' while passing Assessment Order which resulted in probable evasion of tax to the tune of ₹ 10.90 lakh and non-levy of interest on tax amounting to ₹ 9.32 lakh

As per subsection (1) of Section 9 of Nagaland Value Added Tax (NVAT) Act, 2005 tax shall be levied on a dealer based on his taxable turnover of sales. Further as per Section 29 of the Act *ibid*, interest at 2 *per cent* per month is payable from the date the tax payable had become due to the date of its payment or to the date of order of assessment, whichever is earlier.

During audit (March 2011) of utilisation of Form ‘C’ by dealers as maintained by Assistant Commissioner of Taxes (ACT), Dimapur it was seen that dealer A¹ purchased goods amounting to ₹ 17608243 during 2005-08. Against this, only ₹ 4914761 was shown as total purchases for the same period in the Trading Account of the dealer based on which the Assessing Authority (AA) passed Assessment Order (AO) which resulted in concealment of Taxable Turn Over (TTO) amounting to ₹ 12693482 and resultant evasion of tax to the tune of ₹ 1586685. Further, an amount of ₹ 1220510 was also leviable as interest @ 2 per cent of the tax amount payable, per month from the last date for filing the return², till the date of the passing the AO, as per provisions contained in section 29 of the NVAT Act as indicated in the table below:

Table No.4.2.1

(Amount in ₹)

| Year | Date of assessment | Purchases as per utilization of Form ‘C’ | Purchases as per Trading Account | TTO escaped assessment | Tax leviable on TTO escaped assessment (@12.5 %) | Number of months for which interest is payable | Interest leviable on the tax amount @ 2 % per month |
|--------------|--------------------|--|----------------------------------|------------------------|--|--|---|
| 2005-06 | 30/11/2010 | 4345179 | 1047554 | 3297625 | 412203 | 55 (05/06 to 11/2010) | 453423 |
| 2006-07 | 30/11/2010 | 2544516 | 1247554 | 1296962 | 162120 | 43 (05/07 to 11/2010) | 139423 |
| 2007-08 | 30/11/2010 | 10718548 | 2619653 | 8098895 | 1012362 | 43 (05/07 to 11/2010) | 627664 |
| Total | | 17608243 | 4914761 | 12693482 | 1586685 | | 1220510 |

On being pointed out (October 2012) that the dealer had evaded payment of tax to the tune of ₹ 15.87 lakh and interest of ₹ 12.21 lakh due to inaction of the AA to consider all material information available about the transactions of the dealer, the Department stated (October 2012) that the AA conducted further verification of the relevant documents and found that goods valued at ₹ 87.75 lakh were purchased by the dealer by utilising four ‘C’ forms during 2003-04 and 2004-05 and 10 ‘C’ forms were utilised during 2005-06 to 2007-08 for purchase of goods valued at ₹ 88.34 lakh . For the years 2005-06 and 2006-07, the dealer was reassessed (October 2012) by the AA and additional amount of ₹ 3.41 lakh and ₹ 4.45 lakh respectively was levied and deposited to Government account in the same month. However, the claim of the department that the dealer had purchased goods valued at ₹ 87.75 lakh by utilising four ‘C’ forms during 2003-04 and 2004-05 were not supported by documentary evidence.

To ascertain the veracity of the claim that four ‘C’ forms were utilised during 2003-04 and 2004-05, records such as Trading Account, Assessment order for 2003-04 and 2004-05, Re-assessment order for the year 2005-06 to 2007-08, copy of the “C” forms and relevant records were called for (February 2013).

¹ M/s Dimapur Diesels, Dimapur.

² 30th April of the succeeding year

The Department while furnishing the Re-assessment orders for the years 2005-06 and 2006-07 stated (February 2013) that assessment orders and trading account for the years 2003-04 and 2004-05 had been misplaced during shifting of the office in 2007 and therefore could not be traced.

The reply of the Department that the records were misplaced and could not be traced is not acceptable and devoid of truth as the Department in their earlier reply (October 2012) had stated that further verification of documents relating to utilisation of four 'C' forms were conducted by the AA in October 2012.

The fact however, remains that the Department failed to provide documentary proof in respect of four 'C' forms worth ₹ 87.75 lakh stated to have been utilised during the years 2003-04 and 2004-05, which resulted in probable evasion of tax to the tune of ₹ 10.90³ lakh and interest of ₹ 9.32⁴ lakh.

³ Amount of tax leviable on escaped turnover ₹ 15.87 lakh-Tax amount recovered by AA ₹ 4.97 lakh

⁴ Interest ₹ 12.21 lakh-2.89 lakh (charged during reassessment)= ₹ 9.32 lakh