

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 Tripura during the year 2012-13, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table No. 4.1.1

(₹ in crore)

		2008-09	2009-10	2010-11	2011-12	2012-13
I.	Revenue raised by the State Government					
	• Tax revenue	442.50	527.01	622.34	858.02	1004.65
	• Non-tax revenue	149.04	125.40	131.79	214.22	178.75
	Total:	591.54	652.41	754.13	1072.24	1183.40
	Percentage of increase over previous year	21.69	10.29	15.59	42.18	10.37
II.	Receipts from the Government of India					
	• State's share of net proceeds of divisible Union taxes	686.52	706.34	1122.36	1307.56	1493.18
	• Grants-in-aid	2798.72	3042.60	3292.11	4097.10	4373.72
	Total:	3485.24	3748.94	4414.47	5404.66	5866.90
III.	Total receipts of State Government (I+II)	4076.78	4401.35	5168.60	6476.90	7050.30
IV.	Percentage of I to III	15	15	15	17	17

Thus, growth of revenue during 2012-13 over previous year was at 10.37 per cent against 42.18 per cent in the year 2011-12. Further, during the year 2012-13, the revenue raised by the State Government (₹ 1,183.40 crore) was 17 per cent of the total revenue receipts (₹ 7,050.30 crore). The percentage of own receipts to total receipts during the current year was same (17 per cent) as compared to the previous year. The balance 83 per cent of receipts during 2012-13 was from the Government of India.

4.1.1 (a) Tax Revenue: The following table presents the details of tax revenue raised during the period 2008-09 to 2012-13:

Table No. 4.1.2

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1.	Sales Tax/VAT	314.79	374.93	444.93	666.32	763.07	(+ 15)
2.	State Excise	48.28	61.09	85.85	94.68	114.00	(+ 20)
3.	Other Taxes on Income and Expenditure	25.97	29.16	29.22	30.27	32.16	(+ 6)
4.	Stamps and Registration Fees	17.03	18.15	24.23	30.73	36.71	(+ 19)

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
5.	Taxes on Vehicles	29.82	37.14	21.92	25.18	30.73	(+) 22
6.	Other Taxes and Duties on Commodities and Services	0.84	0.95	0.91	1.42	1.36	(-) 4
7.	Land Revenue	5.55	5.55	15.25	9.33	26.44	(+) 183
8.	Taxes on Agricultural Income	0.18	0.01	0.01	0.04	0.10	(+) 150
9.	Taxes and Duties on Electricity	0.02	0.02	0.02	0.05	0.05	Nil
10.	Others	0.02	0.01	Nil	Nil	0.03	Nil
Total		442.50	527.01	622.34	858.02	1004.65	(+) 17

The Finance (Excise & Taxation) Department furnished the following reasons for increase in revenue in 2012-13 as compared to 2011-12:

Sales Tax:- The increase in collection of Sales Tax/VAT (15 per cent) was due to minimisation of evasion of tax, efficient tax collection and intensive checking, regular monitoring at Churaibari Checkpost and revision of VAT rates.

State Excise:- The increase in collection of State Excise (20 per cent) was due to higher consumption of 'Liquor' as compared to the previous year and hike in licence fees.

4.1.1 (b) Non-Tax Revenue: The following table presents the details of the non-tax revenue raised during the period 2008-09 to 2012-13.

Table No. 4.1.3

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Forestry and Wildlife	5.57	6.29	7.64	6.98	6.56	(-) 6
2.	Education, Sports, Art and Culture	1.55	1.50	1.27	2.06	0.68	(-) 67
3.	Crop Husbandry	1.70	1.52	1.85	1.93	1.97	(+) 2
4.	Other Administrative Services	2.33	11.76	3.91	5.45	5.36	(-) 2
5.	Miscellaneous General Services	22.28	22.29	11.29	11.60	0.80	(-) 93
6.	Water Supply and Sanitation	1.23	1.13	1.21	1.26	1.68	(+) 33
7.	Police	19.86	16.88	24.73	37.33	28.48	(-) 24
8.	Interest Receipts	62.93	27.88	23.24	50.66	67.88	(+) 34
9.	Stationery and Printing	1.75	1.26	1.51	1.40	1.28	(-) 9
10.	Animal Husbandry	1.56	1.45	1.57	1.32	1.49	(+) 13
11.	Industries	9.38	11.87	30.63	39.80	41.20	(+) 4
12.	Public Works	6.17	7.71	7.83	7.84	5.56	(-) 29
13.	Village and Small Industries	0.02	1.46	0.04	0.01	0.03	(+) 200
14.	Fisheries	1.89	0.68	0.55	0.67	0.60	(-) 10
15.	Other Rural Development Programmes	0.03	0.03	0.08	0.04	0.03	(-) 25
16.	Housing	1.13	1.34	1.35	1.73	1.71	(-) 1
17.	Minor Irrigation	0.71	0.06	0.08	0.08	0.16	(+) 100
18.	Medical and Public Health	4.52	4.87	4.06	5.14	6.95	(+) 35
19.	Co-operation	0.05	0.07	0.05	3.69	0.07	(-) 98
20.	Others	4.38	5.35	8.90	35.23	6.26	(-) 82
Total		149.04	125.40	131.79	214.22	178.75	(-) 17

The General Administration (Stationery and Printing) Department stated that the decrease in collection of Stationery and Printing (nine *per cent*) was due to lesser collection than previous year.

The reasons for variations in respect of other Heads are awaited from the concerned departments (January 2014).

4.1.2 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2012-13 are mentioned in the following table:

Table No. 4.1.4

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage of variation over Budget Estimate
Tax Revenue					
1.	Sales Tax/VAT	670.00	763.07	(+) 93.07	(+) 13.89
2.	State Excise	100.00	114.00	(+) 14.00	(+) 14.00
3.	Other Taxes on Income and Expenditure ¹	32.00	32.16	(+) 0.16	(+) 0.50
4.	Stamps and Registration Fees	30.00	36.71	(+) 6.71	(+) 22.37
5.	Taxes on Vehicles	40.00	30.73	(-) 9.27	(-) 23.18
6.	Other Taxes and Duties on Commodities and Services	1.37	1.36	(-) 0.01	(-) 0.73
7.	Land Revenue	20.00	26.44	(+) 6.44	(+) 32.20
8.	Taxes on Agricultural Income	0.01	0.10	(+) 0.09	(+) 900.00
9.	Taxes and Duties on Electricity	0.03	0.05	(+) 0.02	(+) 66.67
Non-Tax Revenue					
10.	Forestry and Wildlife	1.20	6.56	(+) 5.36	(+) 446.67
11.	Education, Sports, Art and Culture	2.00	0.68	(-) 1.32	(-) 66.00
12.	Crop Husbandry	2.70	1.97	(-) 0.73	(-) 27.04
13.	Other Administrative Services	22.35	5.36	(-) 16.99	(-) 76.02
14.	Miscellaneous General Services	11.93	0.80	(-) 11.13	(-) 93.29
15.	Water Supply and Sanitation	2.15	1.68	(-) 0.47	(-) 21.86
16.	Police	20.00	28.48	(+) 8.48	(+) 42.40
17.	Interest Receipts	30.00	67.88	(+) 37.88	(+) 126.27
18.	Stationery and Printing	1.75	1.28	(-) 0.47	(-) 26.86
19.	Animal Husbandry	2.15	1.49	(-) 0.66	(-) 30.70
20.	Industries	35.00	41.20	(+) 6.20	(+) 17.71
21.	Public Works	15.00	5.56	(-) 9.44	(-) 62.94
22.	Village and Small Industries	0.10	0.03	(-) 0.07	(-) 70.00
23.	Fisheries	2.86	0.60	(-) 2.26	(-) 79.02
24.	Other Rural Development Programmes	0.11	0.03	(-) 0.08	(-) 72.73
25.	Housing	2.15	1.71	(-) 0.44	(-) 20.47
26.	Minor Irrigation	2.15	0.16	(-) 1.99	(-) 92.56
27.	Medical and Public Health	8.00	6.95	(-) 1.05	(-) 13.13
28.	Co-operation	0.21	0.07	(-) 0.14	(-) 66.67
29.	Others	16.53	6.26	(-) 10.27	(-) 62.13

Source: Annual Financial Statement and Finance Account for the year 2012-13.

¹ Includes Taxes on Profession, Trades, Calling and Employment.

The Finance (Excise & Taxation) Department furnished the following reasons for increase in actuals over the Budget Estimates:

Sales Tax:- The increase in collection of Sales Tax/VAT (13.89 *per cent*) was due to increase of rate of VAT, minimisation of evasion of tax, efficient tax collection due to intensive checking, regular monitoring at Churaibari Checkpost and introduction of e-Services also.

State Excise:- The increase in collection of State Excise (14 *per cent*) was on account of increased consumption of liquor than the projections made in the budget and hike in licence fees.

4.1.3 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collections for 2011-12 are mentioned in the following table:

Table No. 4.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure on collection to gross collection	All India average percentage for the year 2011-12
1.	Sales Tax/ VAT	2010-11	444.93	5.74	1.29	0.83
		2011-12	666.32	7.84	1.18	
		2012-13	763.07	8.94	1.17	
2.	State Excise	2010-11	85.85	1.44	1.68	2.98
		2011-12	94.68	1.41	1.49	
		2012-13	114.00	1.35	1.18	
3.	Taxes on Vehicles	2010-11	21.92	1.55	7.07	2.96
		2011-12	25.18	1.37	5.44	
		2012-13	30.73	1.43	4.65	
4.	Stamp Duty and Registration Fees	2010-11	24.23	1.32	5.45	1.89
		2011-12	30.73	1.91	6.22	
		2012-13	36.71	2.08	5.67	

Source: Finance Accounts 2012-13.

The cost of collection in respect of Sales Tax/VAT, Taxes on Vehicles and Stamp Duty & Registration Fees were higher than the All India average during the year 2012-13 which needs to be looked into by the concerned Departments. The cost of collection in respect of State Excise during the year 2012-13 showed an encouraging trend as it was lower than the All India average.

4.1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of the principal Heads of Revenue as reported by the Departments was ₹ 34.31 crore of which ₹ 5.22 crore (15 *per cent*) was 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 2013	Amount outstanding for more than five years
1.	Taxes/VAT on Sales, Trades etc.	33.53	4.59
2.	Taxes on Vehicles	0.78	0.63
Total:		34.31	5.22

Source: State Departments.

4.1.5 Arrears in assessment

The details of Taxes on Agricultural income assessment cases pending at the beginning of the year 2012-13, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2012-13 as furnished by the Additional Commissioner of Taxes are mentioned below:

Table No. 4.1.7

Head of revenue	Opening balance as on 31 March 2012	New cases due for assessment during 2012-13	Total assessment due	Cases disposed of during 2012-13	Balance at the end of the year 2012-13	Percentage of disposals to the total assessments 5 to 4
1	2	3	4	5	6	7
Taxes on Agricultural Income	504	10	514	Nil	514	Nil

The arrear in assessment increased from 504 to 514 cases with the addition of another 10 cases which became due for assessment during the year 2012-13 and no cases have been disposed of during the year. Steps may be taken for timely and periodical assessment of cases.

4.1.6 Evasion of Tax

The details of cases of evasion of tax detected, cases finalised and demands for additional tax raised in 2012-13, as reported by the Departments concerned are mentioned in the following table:

Table No. 4.1.8

Name of tax/duty	Cases pending as on 31 March 2012	Cases detected during 2012-13	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	(₹ in lakh)	
Sales Tax/VAT	727	1273	2000	1139	210.22	861

Source: State Department.

727 cases of evasion of tax were outstanding as on 31 March 2012. 1,273 cases of evasion of tax had been detected and reported during 2012-13 taking the total of pending cases to 2,000. Of these pending cases, in 1,139 number (56.95 per cent) of

cases assessments/investigation were completed and additional demand including penalty etc., amounting to ₹ 2.10 crore was raised during the year 2012-13. Consequently, 861 cases were pending as on 31 March 2013.

4.1.7 Refunds

The information on refunds in case of Sales Tax/VAT during 2012-13 is mentioned in the following table:

Table No. 4.1.9

(₹ in lakh)

Sl. No.	Particulars	Sales Tax/VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	04	1.24
2.	Claims received during the year	Nil	Nil
3.	Refunds made during the year	Nil	Nil
4.	Balance outstanding at the end of the year	04	1.24

No claim for refund of Sales Tax/VAT was received during the year. The outstanding balance at the end of the year was four cases involving ₹ 1.24 lakh.

4.1.8 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 paragraphs 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.

4.1.8 (a) Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Tripura (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 June 2013 disclosed that 582 paragraphs involving ₹ 135.37 crore relating to 212 IRs remained outstanding as mentioned in the following table along with the corresponding figures for the preceding two years.

Table No. 4.1.10

	June 2011	June 2012	June 2013
Number of outstanding IRs	208	215	212
Number of outstanding audit observations	539	559	582
Amount involved (<i>₹ in crore</i>)	100.12	115.96	135.37

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned in the following table:

Table No. 4.1.11

Sl. No.	Name of Department	Nature of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved (<i>₹ in crore</i>)
1.	Finance	Taxes/VAT on Sales, Trade, etc	77	242	15.64
		Professional Tax	07	08	0.13
		Agricultural Income Tax	Nil	Nil	Nil
		Amusement Tax	03	09	0.23
		Luxury Tax	Nil	Nil	Nil
2.	Forest	Forest Receipts	25	80	6.02
3.	Industries and Commerce	Mines and Minerals	Nil	Nil	Nil
4.	Revenue	Land Revenue	36	52	1.01
		Stamp Duty and Registration Fees	20	34	1.06
5.	Excise	State Excise	17	58	9.64
6.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	27	99	101.64
Total:			212	582	135.37

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 147 IRs issued upto June 2013. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by 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 the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.1.8 (b) Departmental Audit Committee Meeting

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.

Seven Audit Committee Meetings (ACMs) were held during the year 2012-13. In these ACMs, 105 paras of 43 IRs were discussed out of which 51 paras of 13 IRs were settled.

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

4.1.8 (c) 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 ended March 2013 was forwarded (September 2013) to the Secretary of the Department through demi-official letter.

The administrative Secretary did not furnish replies in respect of the draft paragraph till date (January 2014).

4.1.8 (d) Follow up on Audit Reports – summarised position

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

However, as of September 2013, *suo moto* explanatory notes pertaining to 8 paragraphs/reviews for the Audit reports for the years 2001-02 to 2010-11 were not received within the stipulated period of three months either from the Departments or through the Tripura Legislative Assembly Secretariat.

4.1.8 (e) Compliance with the earlier Audit Reports

In the Audit Reports 2007-08 to 2011-12 cases of under-assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands etc. involving ₹ 101.26 crore were reported. Audit Report wise details of cases accepted and recovered are given in the following table:

Table No. 4.1.12

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2007-08	17.74	17.74	0.14
2008-09	68.43	7.95	0.66
2009-10	1.78	1.16	0.42
2010-11	5.43	3.35	0.36
2011-12	7.88	7.83	0.02
Total	101.26	38.03	1.60

As of March 2013, the Departments concerned have accepted audit observations of ₹ 38.03 crore and recovered ₹ 1.60 crore which was 4.21 *per cent* of the accepted money value. Steps may be taken to improve the rate of recovery of under-assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands etc., as pointed out in the Audit Reports.

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

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

The succeeding **Paragraphs 4.1.9 (a) to 4.1.9 (b)** discuss the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2008-09 to 2012-13.

4.1.9 (a) Position of Inspection Reports

The summarised position of Inspection Reports issued during the last five years, paragraphs included in these Reports and their status as on 30 June 2013 in respect of Sales Tax, State Excise are given in the following table:

Table No. 4.1.13

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
2008-09	33	101	4.42	06	18	1.73	Nil	04	0.18	39	115	5.97
2009-10	39	115	5.97	04	12	0.36	03	11	0.16	40	116	6.17
2010-11	40	116	6.17	19	78	7.85	Nil	22	1.63	59	172	12.39
2011-12	59	172	12.39	12	48	5.36	Nil	03	0.06	71	217	17.69
2012-13	71	217	17.69	12	51	4.17	Nil	01	0.07	83	267	21.79

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

4.1.9 (b) Assurances given by the Department/Government on the issues highlighted in the Audit Reports

4.1.9 (b) (i) Recovery of accepted cases

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

Table No. 4.1.14

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)	Status of recovery of accepted cases (₹ in crore)
2007-08	1	0.34	1	0.34	Nil	0.14
2008-09	3 ²	6.76	3	6.76	0.00*	0.11
2009-10	3	1.74	2	1.16	Nil	0.42
2010-11	3 ³	3.12	3	3.12	0.05	0.36
2011-12	1	0.87	1	0.87	0.02	0.02
Total	11	12.83	10	12.25	0.07	1.05

*Negligible figure amounting to ₹ 3,280

² Including one Review

³ Including one Review

From the above table it is seen that for the period from 2007-08 to 2011-12, 11 paragraphs involving ₹ 12.83 crore featured in the Audit Reports, of which 10 paragraphs involving ₹ 12.25 crore had been accepted by the State Government. Of the accepted amount, ₹ 1.05 crore had been recovered till date.

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

4.1.9 (b) (ii) Action taken on the recommendations accepted by the departments/ Government

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

During the period from 2002-03 to 2011-12, two Performance Audits in respect of Finance (Excise and Taxation) Department were featured in the Audit Report– 2008-09 and 2010-11. Details of the Performance Audits are given below:

Table No. 4.1.15

Year of Audit Report	Name of the review	No. of recommendations	Details of the recommendations accepted
2008-09	Review on 'Transition from Sales Tax to Value Added Tax'	Nine	Yet to be discussed in PAC.
2010-11	Review on 'Cross Verification of declaration forms used in Inter-State Trade'	Five	-do-

4.1.10 Results of audit

4.1.10 (a) Position of local audit conducted during the year

Test-check of the records of 20 units of Sales Tax, Excise, Registration, Agricultural Tax, Professional Tax, Land Revenue, Forest, Motor Vehicles and other Departments conducted during the year 2012-13 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 3.92 crore in 51 cases. Of these the Departments recovered ₹ 0.07 crore in one case.

4.1.10 (b) This Report

This Report contains one paragraph having financial effect of ₹ 1.51 crore. The replies of the paragraph have not been received (January 2014). The Audit findings are discussed in succeeding paragraphs.

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

4.2 Short-levy of tax

Concealment of turnover by the dealers, incorrect application of rates and non submission of audited balance sheet which escaped notice of the assessing authorities resulted in short levy of Sales Tax/VAT of ₹ 60.30 lakh, leviable interest of ₹ 51.16 lakh, penalty of ₹ 38.12 lakh and Additional Sales Tax of ₹ 1.80 lakh.

(A) 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 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 and interest as prescribed, a sum not exceeding one and a half times of the tax due but not less than 10 *per cent* of that amount. Moreover, 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 (May 2012 to April 2013) of permit registers, form-XXVI, C-form utilisation statements, assessment records, trading accounts, etc. of five Superintendent of Taxes⁴ it was noticed that during the period from 2004-05 to 2011-12 in 47 cases relating to 21 dealers, there was concealment of taxable turnover of ₹ 5.29 crore. The Assessing Officers, while completing the assessments between 2005-06 to 2012-13 accepted the turnover disclosed by the dealers and completed the assessment accordingly. Though the documents based on which cross verification was carried out by Audit were also accessible to the concerned Assessing Officers, yet the same were not co-related by them while completing the assessments. This resulted in non-detection of concealment of the turnover leading to short levy of tax/additional tax of ₹ 61.46 lakh on which interest of ₹ 50.46 lakh and minimum penalty of ₹ 36.45 lakh was leviable as shown in **Appendix 4.1(A)**.

(B) 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 bonafides 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

⁴ (1) Superintendent of Taxes, Charge-I, Agartala; (2) Superintendent of Taxes, Charge-IV, Agartala; (3) Superintendent of Taxes, Charge-VI, Agartala; (4) Superintendent of Taxes, Charge-VII, Agartala and (5) Superintendent of Taxes, Udaipur.

penalty not exceeding one and a half times the tax due (but it shall not be less than 10 *per cent* of that amount).

During test-check of records (May 2012 to April 2013) of two Superintendents of Taxes⁵ it was noticed that two dealers M/s Ramthakur Enterprise and M/s Bengal Sanitary Stores in their returns for 2005-06 paid tax at four *per cent* on turnover of ₹ 7.55 lakh. However, scrutiny of the returns revealed that the dealers dealt in cosmetics, plastic goods, bags, electronic toys, jewelery, yarn, sanitary goods, pipes, pipe fittings, etc. which were taxable at 12.5 *per cent*. The Assessing Officers failed to detect the wrong application of tax resulting in short levy of tax of ₹ 0.64 lakh, on which interest of ₹ 0.70 lakh and penalty of ₹ 0.05 lakh was additionally leviable as shown in **Appendix 4.1(B)**.

(C) Section 53 of Tripura Value Added Tax Act, 2004 provides that where in any particular year, the gross turnover of a dealer exceeds ₹ 40 lakh or such other amount as the Commissioner, may by notification in the official Gazette specify, then such dealer shall get his accounts audited by an accountant within six month from the end of that year. In case of non-compliance of the above the Commissioner shall, after giving the dealer a reasonable opportunity of being heard impose on him in addition to any tax payable, a sum by way of penalty equal to 0.1 *per cent* of the turnover as he may determine to the best of his judgement in his case in respect of the said period.

During test-check of records (May 2012 to April 2013) of two Superintendents of Taxes⁶ it was noticed that in 11 cases relating to two dealers⁷, the dealers did not submit the audited accounts along with the returns for the periods between 2005-06 and 2011-12. However, the Assessing Officers failed to detect non-submission of the returns and consequently did not levy applicable penalty. This resulted in irregular acceptance of returns without statutory documents coupled with non-levy of penalty of ₹ 1.62 lakh as shown in **Appendix 4.1(C)**.

Thus due to concealment of turnover by the dealers, incorrect application of rates and non submission of audited balance sheet which escaped notice of the assessing authorities resulted in short levy of Sales Tax/VAT of ₹ 60.30 lakh, leviable interest of ₹ 51.16 lakh, penalty of ₹ 38.12 lakh and Additional Sales Tax of ₹ 1.80 lakh.

The matters were reported to the Government in September 2013; reply had not been received (January 2014).

⁵ Superintendent of Taxes, Charge-I & IV, Agartala

⁶ Superintendent of Taxes, Charge-IV, Agartala and Udaipur

⁷ M/s Victor & Company and M/s Dutta Brothers