

CHAPTER IV: REVENUE SECTOR

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4.1 GENERAL

4.1.1 Trend of revenue receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2015-16, the net proceeds of State's Share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are mentioned in the following table:

Table No. 4.1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
I.	Revenue raised by the State Government					
	Tax Revenue	858.02	1,004.65	1,073.91	1,174.26	1,332.25
	Non-tax Revenue	214.22	178.75	246.52	195.64	262.60
	Total	1,072.24	1,183.40	1,320.43	1,369.90	1,594.85
	<i>Increase over previous year (%)</i>	<i>42.18</i>	<i>10.37</i>	<i>11.58</i>	<i>3.75</i>	<i>16.42</i>
II.	Receipts from the GoI					
	Net proceeds of State Share of Union Taxes and Duties	1,307.56	1,493.18	1,630.25	1,730.13	3,266.02
	Grants-in-aid	4,097.10	4,373.72	4,699.50	6,139.70	4,565.87
	Total	5,404.66	5,866.90	6,329.75	7,869.83	7,831.89
III.	Total Revenue Receipts of the State Government (I and II)	6,476.90	7,050.30	7,650.18	9,239.73	9,426.74
IV.	Percentage of I to III	17	17	17	15	17

Source: Finance Accounts,

The above table indicates that during the year 2015-16, the revenue raised by the State Government was ₹ 1,594.85 crore which was 17 per cent of the total Revenue Receipts. The balance 83 per cent of the receipts during 2015-16 was from the GoI. The growth of revenue raised by the State Government during 2015-16 was 16.42 per cent (₹ 224.95 crore) as compared to 3.75 per cent during 2014-15. Consequent upon the implementation of the XIV Finance Commission recommendations, Grants-in-aid from GoI decreased by 25.63 per cent and net proceeds of State's Share of Union Taxes and Duties increased by 88.77 per cent from ₹ 1,730.13 crore to ₹ 3,266.02 crore during 2015-16. Total Revenue Receipts from GoI decreased by ₹ 37.93 crore (0.48 per cent) from ₹ 7,869.83 crore to ₹ 7,831.90 crore. The total Revenue Receipts of the State Government increased by ₹ 187.02 crore (2 per cent) in 2015-16 as compared to 2014-15.

4.1.1(a) Tax Revenue: The details of the Tax Revenue raised during the period 2011-12 to 2015-16 are given in the following table:

Table No. 4.1.2: Details of Tax Revenue raised

(*₹ in crore*)

Sl. No.	Head of revenue	2011-12		2012-13		2013-14	
		BE	Actual	BE	Actual	BE	Actual
1	Sales Tax/Value Added Tax (VAT)	598.00	666.32	670.00	763.07	914.15	837.09
2	State Excise	82.50	94.68	100.00	114.00	128.70	115.18
3	Stamps and Registration Fees	19.97	30.73	30.00	36.71	37.00	39.24
4	Taxes on Vehicles	44.57	25.18	40.00	30.73	36.11	36.79
5	Other Taxes on Income and Expenditure ¹	31.50	30.27	32.00	32.16	34.00	35.03
6	Land Revenue	5.82	9.33	20.00	26.44	30.00	8.07
7	Other Taxes and Duties on Commodities and Services	1.09	1.42	1.37	1.36	3.82	1.64
8	Others	0.03	0.09	0.07	0.18	0.22	0.87
Total :		783.48	858.02	893.44	1,004.65	1,184.00	1,073.91

Table No. 4.1.2: Details of Tax Revenue raised (cont.)

(*₹ in crore*)

Sl. No	Head of revenue	2014-15		2015-16		Percentage of increase (+) or decrease (-) in 2015-16 over 2014-15	
		BE	Actual	BE	Actual	BE	Actual
1	Sales Tax/VAT	950.00	909.81	980.00	1058.48	(+) 3.16	(+) 16.34
2	State Excise	179.46	138.96	180.00	143.57	(+) 0.30	(+) 3.32
3	Stamps and Registration Fees	42.54	37.56	45.00	42.49	(+) 5.78	(+) 13.13
4	Taxes on Vehicles	40.00	36.09	45.00	37.62	(+) 12.50	(+) 4.24
5	Other Taxes on Income and Expenditure ¹	37.00	38.93	40.00	39.67	(+) 8.11	(+) 1.90
6	Land Revenue	24.87	10.76	25.00	5.97	(+) 0.52	(-) 44.52
7	Other Taxes and Duties on Commodities and Services	4.25	1.87	4.72	4.29	(+) 11.06	(+) 129.41
8	Others	0.25	0.28	0.28	0.16	(+) 12.00	(-) 42.86
Total:		1278.37	1174.26	1320.00	1332.25	(+) 3.26	(+)13.45

Source: Annual Financial Statement and Finance Accounts.

The Finance (Excise & Taxation) Department furnished the following reasons for increase in revenue in 2015-16 as compared to 2014-15.

Taxes on sales, trade, etc.: The increase in collection of Sales Tax/Value Added Tax (VAT) (16.34 *per cent*) was due to check in evasion of taxes, increase in vigilance activities, intensive checking at Churaibari Check-Post and regular monitoring of tax collection and efficient tax administration.

State Excise: The increase in collection of State Excise (3.32 *per cent*) was due to increase in sale and lifting of Indian Made Foreign Liquor (IMFL) & Beer in comparison to the year 2014-15.

The other departments (indicated in preceding table), despite being requested (July 2016), did not furnish the reasons for variations in Tax Receipts with respect to the previous year (October 2016).

4.1.1(b) Non-tax Revenue: The details of the Non-tax Revenue raised during the period 2011-12 to 2015-16 are indicated in the following table:

¹ Includes taxes on profession, trades, calling and employment.

Table No. 4.1.3: Details of Non-tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2011-12		2012-13		2013-14	
		BE	Actual	BE	Actual	BE	Actual
1	Interest Receipts	26.25	50.66	30.00	67.88	35.00	86.47
2	Industries	13.10	39.80	35.00	41.20	50.44	59.91
3	Police	20.00	37.33	20.00	28.48	48.00	33.95
4	Public Works	10.00	7.84	15.00	5.56	15.00	8.54
5	Forestry and Wildlife	6.91	6.98	1.20	6.56	10.05	7.70
6	Water Supply and Sanitation	1.00	1.26	2.15	1.68	1.52	7.32
7	Miscellaneous General Services	22.25	11.60	11.93	0.80	-	21.24
8	Other Administrative Services	15.65	5.45	22.35	5.36	8.00	4.52
9	Medical and Public Health	5.37	5.14	8.00	6.95	9.00	2.84
10	Crop Husbandry	1.68	1.93	2.70	1.97	2.66	2.48
11	Animal Husbandry	1.30	1.32	2.15	1.49	2.13	2.13
12	Housing	1.00	1.73	2.15	1.71	3.28	1.80
13	Education, Sports, Art and Culture	1.65	2.06	2.00	0.68	3.00	1.32
14	Stationery and Printing	1.50	1.40	1.75	1.28	1.80	1.29
15	Others	9.44	39.72	21.93	7.15	30.12	5.01
Total:		137.10	214.22	178.31	178.75	220.00	246.52

Table No. 4.1.3: Details of Non-tax Revenue raised (cont.)

(₹ in crore)

Sl No.	Head of revenue	2014-15		2015-16		Percentage of increase (+) or decrease (-) in 2015-16 over 2014-15	
		BE	Actual	BE	Actual	BE	Actual
1	Interest Receipts	80.00	46.02	84.00	55.24	(+) 5.00	(+) 20.03
2	Industries	85.00	65.01	90.00	96.41	(+) 5.88	(+) 48.30
3	Police	50.00	34.34	55.00	40.50	(+) 10.00	(+) 17.94
4	Public Works	25.00	8.92	25.00	8.15	-	(-) 8.63
5	Forest	8.00	9.83	9.00	11.86	(+) 12.50	(+) 20.65
6	Water Supply and Sanitation	1.07	1.92	1.21	1.76	(+) 13.08	(-) 8.33
7	Miscellaneous General Services	-	5.27	-	6.48	-	(+) 22.96
8	Other Administrative Services	5.56	6.28	6.28	6.84	(+) 12.95	(+) 8.92
9	Medical and Public Health	3.75	3.00	3.70	6.01	(-) 1.33	(+) 100.33
10	Crop Husbandry	2.50	2.79	2.80	3.61	(+) 12.00	(+) 29.39
11	Animal Husbandry	1.47	2.47	1.66	2.42	(+) 12.93	(-) 2.02
12	Housing	2.28	1.84	2.57	1.82	(+) 12.72	(-) 1.09
13	Education, Sports, Art and Culture	3.00	1.45	3.00	2.30	-	(+) 58.62
14	Stationery and Printing	1.50	1.83	1.50	1.16	-	(-) 36.61
15	Others	20.87	4.67	24.28	18.04	(+) 16.34	(+) 286.30
Total:		290.00	195.64	310.00	262.60	(+) 6.90	(+) 34.23

Source: Annual Financial Statement and Finance Accounts.

The respective departments attributed the following reasons for increase in revenue during 2015-16 as compared to 2014-15.

Crop Husbandry: The reasons attributed by the Agriculture Department for increase in collection of taxes in Crop Husbandry (29.39 per cent) were increase of Non-tax Revenue from cold storages, auction of wooden materials, Bricks, GCI sheets, etc. and selling of tender forms.

Education, Sports, Art & Culture: The reason for increase in collection of Non-tax Revenue (58.62 per cent) attributed by the Department was increase in booking of swimming pool for coaching and training to the swimmers in 2015-16 compared to previous year.

The other departments (indicated in preceding table), despite being requested (July 2016), did not furnish the reasons for variations in Non-tax Receipts with respect to the previous year (October 2016).

4.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 on some principal heads of revenue amounted to ₹ 65.06 crore of which ₹ 17.16 crore was outstanding for more than five years, as detailed in the following table:

Table No. 4.1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March		Amount outstanding for more than five years as on 31 March		Replies of department
		2015	2016	2015	2016	
1	Taxes/VAT.	67.12	64.47	14.16	17.16	-
2	Other Taxes on Income & Expenditure (Tax on profession, Trades, Callings & Employment)	-	0.48	-	-	-
3	Other Taxes & Duties on Commodities & Services	-	0.11	-	-	-
Total:		67.12	65.06	14.16	17.16	-

Source: Finance (Excise & Taxation) Department.

It would be seen from the above table that arrear of revenue decreased from ₹ 67.12 crore at the end of March 2015 to ₹ 64.47 crore at the end of March 2016, though the arrear of revenue outstanding for more than five years increased from ₹ 14.16 crore to ₹ 17.16 crore during the same period.

4.1.3 Arrears in assessments

The details of taxes on agricultural income assessment cases pending at the beginning of the year 2015-16, 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 2015-16 as furnished by the Joint Commissioner of Taxes & Excise are mentioned in the following table:

Table No. 4.1.5: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	Balance at the end of the year
1	2	3	4	5	6
Taxes on Agricultural income	534	10	544	-	544

Source: Finance (Excise & Taxation) Department

Arrears in assessment increased from 534 to 544 cases with the addition of another 10 cases which became due for assessment during the year 2015-16 and no cases have been disposed of during the year. Steps may be taken for timely and periodical assessment of cases.

Other departments did not furnish information relating to arrears in assessments, though called for.

4.1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department are given in the following table:

Table No. 4.1.6: Evasion of tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2016
					No. of cases	(₹ in crore)	
1	Sales tax/ VAT	1,071	465	1,536	486	1.84	1,050

Source: Finance (Excise & Taxation) Department

As on 31 March 2015, 1,071 cases of evasion of tax were outstanding. 465 cases of evasion of tax had been detected and reported during 2015-16 taking the total of pending cases to 1,536. Of these pending cases, 486 number (31.64 *per cent*) of cases assessments/investigation were completed and additional demand including penalty, etc., amounting to ₹ 1.84 crore was raised during the year 2015-16. Consequently, 1,050 cases were pending as on 31 March 2016.

It would be seen from the above table that the number of cases pending at the end of the year had slightly decreased over the cases pending at the start of the year.

4.1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 as reported by the Department is given in the following table:

Table No. 4.1.7: Details of pendency of refund cases

(₹incrore)

Sl. No.	Particulars	Sales tax / VAT	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	05	0.03
2	Claims received during the year	08	8.57
3	Refunds made during the year	04	0.14
4	Balance outstanding at the end of year	09	8.46

Source: Finance (Excise & Taxation) Department

Section 45 (1) of Tripura Value Added Tax (TVAT), Act 2004 provides for payment of simple interest, in addition to the refund at the rate of 5 *per cent* per annum for the period commencing after 90 days of the application claiming refund in pursuance to such order till the date on which the refund is granted.

Claims for refund of ₹ 8.57 crore involving eight cases have been reported during 2015-16, refund made during the year was ₹ 0.14 crore involving four cases and outstanding amount of ₹ 8.46 crore involving nine cases have not yet been settled (September 2016).

4.1.6 Response of the Government/ departments towards audit

The Accountant General (Audit) {AG (Audit)} Tripura 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 (Audit) 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.

IRs issued upto 31 March 2016 disclosed that 427 paragraphs involving ₹ 69 crore relating to 119 IRs remained outstanding at the end of June 2016 as mentioned in the following table, along with the corresponding figures for the preceding two years.

Table No. 4.1.8: Details of pending IRs

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	149	156	119
Number of outstanding audit observations	428	467	427
Amount of revenue involved (₹ in crore)	71.28	61.63	69.00

4.1.6.1 The department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in the following table:

Table No. 4.1.9: Department-wise details of IRs

(₹ in crore)

Sl. No.	Name of department	Nature of receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/VAT	58	247	15.80
		Professional Tax	07	09	0.08
		Agricultural Income Tax	-	-	-
		Amusement Tax	03	08	0.77
		Luxury Tax	-	-	-
2.	Industries and Commerce	Mines and Minerals	-	-	-
3.	Revenue	Stamp Duty and Registration Fees	19	34	0.74
4.	Excise	State Excise	18	56	18.36
5.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	14	73	33.25
Total:			119	427	69.00

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 119 IRs issued during 2015-16. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG (Audit) in the IRs.

It is recommended that the Government take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take 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.

4.1.6.2 Response of the departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India (CAG) are forwarded by the AG (Audit) to the Principal Secretaries/Secretaries of the concerned department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Two draft paragraphs and a draft Report on audit of “Collection of Revenue from Outsourced Activities in Motor Vehicle Tax” were sent to the Principal Secretaries/Secretaries of the respective departments by name (August & September 2016). The Government replies (October 2016) have been suitably incorporated in the Report.

4.1.6.3 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the CAG in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the *suo motu* reply thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the *suo motu* reply on audit paragraphs of the Reports were being delayed inordinately. 15 paragraphs (including four performance audit) included in the Reports of the CAG on the Revenue Sector, Government of Tripura for the year 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 were placed before the State Legislative Assembly between March 2012 and March 2016. The reply from the concerned departments on 11 paragraphs were received late with delay ranging from 2 to 30 months. The reply in respect of four paragraphs from two departments (Transport: 2, Revenue: 2) had not been received for the Audit Reports for the years ended 31 March 2010-11 to 2014-15 (September 2016).

The PAC discussed (17 April 2012) five² selected paragraphs during the year from 2011-12 to 2015-16 and made 25 recommendations³ on the five paragraphs which were incorporated in its 112th Report (September 2012). The Action Taken Notes (ATNs) on the 112th PAC Report have been discussed in the PAC in July 2013 in which the committee had made 22 recommendations⁴ which were incorporated in the 114th PAC Report (March 2014). However, ATNs on the 114th PAC Report have not yet been received (September 2016) from the department concerned as mentioned in the following table:

Table No. 4.1.10

Year	Name of department	Para No	No. of PAC recommendation	ATN received	ATN awaited
2007-08	Finance (Excise & Taxation) Department	6.15	9	Nil	9
2008-09		4.5	1	Nil	1
2009-10		4.4	12	Nil	12
Total:		3	22	Nil	22

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

To analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last ten years for one department is evaluated and included in this Audit Report.

The succeeding **Paragraphs No.4.1.7.1 & 4.1.7.2** discuss the performance of the Finance (Excise & Taxation) Department under Revenue Receipts heads (0043 & 0044) and cases detected in the course of local audit during the last ten years and also the cases included in the Audit Reports for the years 2006-07 to 2015-16.

4.1.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last ten years, paragraphs included in these reports and their status as on 30 June 2016 in respect of Finance (Excise & Taxation) Department are tabulated in the following table:

² Para 6.15 of AR 2007-08, Para 4.5 of AR 2008-09 and Paras 4.2, 4.3 and 4.4 of AR 2009-10.

³ Para 6.15 of AR 2007-08: 11, Para 4.5 of AR 2008-09: 1 and Para 4.2: Nil, Para 4.3: Nil and Para 4.4: 13 of AR 2009-10.

⁴ Para 6.15 of AR 2007-08: 9, Para 4.5 of AR 2008-09: 1 and Para 4.4 of AR 2009-10: 12.

Table No. 4.1.11: Position of IRs

(*₹ in crore*)

Years	Opening balance			Addition during the year			Clearance during the year			Closing balance as on June		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2006-07	17	50	1.47	07	16	1.03	-	03	0.12	24	63	2.38
2007-08	24	63	2.38	10	43	2.15	01	05	0.11	33	101	4.42
2008-09	33	101	4.42	06	18	1.73	-	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	-	22	1.63	59	172	12.39
2011-12	59	172	12.39	12	48	5.36	-	03	0.06	71	217	17.69
2012-13	71	217	17.69	12	51	4.17	-	01	0.07	83	267	21.79
2013-14	83	267	21.79	14	76	6.28	21	76	10.48	76	267	17.59
2014-15	76	267	17.59	15	89	13.96	11	66	3.62	80	290	27.93
2015-16	80	290	27.93	17	80	11.35	14	58	5.04	83	312	34.24

The Government arranges *ad-hoc* committee meetings between the department and AG (Audit) office to settle the old paragraphs. It would be evident from the above table that against 24 outstanding IRs with 63 paragraphs as at the end of June 2007, the number of outstanding IRs increased to 83 with 312 paragraphs at the end of June 2016. This is indicative of the fact that adequate steps were not taken by the department in this regard resulting in addition of the outstanding IRs and paragraphs.

4.1.7.2 Recovery of accepted cases

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

Table No. 4.1.12

(*₹ in crore*)

Year of Audit Report	Number of paras included	Money value of the paras	Number of paras accepted including money value	Money value of accepted paras	Amount recovered during the year	Position of recovery of accepted cases as of September 2016
2005-06	1	0.05	1	0.05	-	-
2006-07	1 ⁵	0.06	-	-	-	-
2007-08	1	0.34	1	0.34	-	0.22
2008-09	3 ⁶	6.76	3	6.76	0.00 ⁷	0.11
2009-10	3	1.74	2	1.16	Nil	0.60
2010-11	3 ⁸	3.12	3	3.12	0.05	0.36
2011-12	1	0.87	1	0.87	0.02	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 ⁹	11.17	3	6.06	Nil	0.04
2014-15	2	0.39	2	0.39	0.23	0.28
Total:	19	26.01	17	20.26	0.30	1.90

⁵ 1 Para (Para No. 6.15) has been referred to the State Government.

⁶ Including one Performance Audit.

⁷ Negligible figure amounting to ₹ 3,280 only.

⁸ Including one Performance Audit.

⁹ Including one Performance Audit.

It is evident from the above table that the progress of recovery even in accepted cases was very slow. During the last ten years, 19 paragraphs involving ₹ 26.01 crore featured in the Audit Reports, of which 17 paragraphs involving ₹ 20.26 crore had been accepted by the State Government, out of which ₹ 1.90 crore (7.30 per cent) had been recovered (September 2016). Thus, the recovery of accepted cases needs to be pursued as arrears and recovered from the concerned parties.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

4.1.8 Action taken on the recommendations accepted by the departments/Government

The draft performance audits conducted by the AG (Audit) are forwarded to the concerned department/Government for their information with a request to furnish their replies. These performance audits are also discussed in exit conference and the department's/Government's views are incorporated/considered while finalising the Audit Report.

The following performance audits on the Finance (Excise & Taxation) Department and Transport Department featured in the Reports of the last five years from 2010-11 to 2014-15. The number of recommendations and their status is given in the following table:

Table No. 4.1.13

Year of Report	Name of the performance audit	No. of recommendations	Status (as on September 2016)
2010-11	Performance Audit on 'Cross verification of declaration forms used in inter-State trade'.	5	Government reply had been received but did not address any of the recommendations. The Performance Audit is yet to be discussed by PAC.
2011-12	Computerisation of Transport Department in Tripura.	7	So far reply had not been received. The Performance Audit is yet to be discussed by PAC.
2013-14	Computerisation of Value Added Tax (VAT) Systems in Tripura.	4	So far reply had not been received. The Performance Audit is yet to be discussed by PAC.
2014-15	IT Audit on Computerisation of Land Records.	3	So far reply had not been received. The Performance Audit is yet to be discussed by PAC.

4.1.9 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration *i.e.* Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the taxation reforms committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years, etc.

During the year 2015-16, there were 33 auditable units, of which 20 units were planned and 21 units had been audited, which is 63.64 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, audit of “Collection of Revenue from Outsourced Activities in Motor Vehicle Tax” was taken up during 2016-17 for inclusion in Revenue Sector of the Report of CAG for the year 2015-16.

4.1.10 Results of audit

Position of local audit conducted during the year

Test-check of the records of 21 units of Sales Tax/VAT, State Excise, Registration, Motor Vehicles and other departmental offices conducted during the year 2015-16 showed under assessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating to ₹ 15.79 crore in 84 cases. During the year 2015-16, the departments concerned accepted underassessment and other deficiencies of ₹ 6.23 crore involved in 24 cases which were pointed out in audit. Of these, the departments recovered ₹ 0.90 crore involving five cases.

4.1.11 Coverage of this report

This Sector contains Audit Report on “Collection of Revenue from Outsourced Activities in Motor Vehicle Tax” and two Compliance Audit Paragraphs involving financial effect of ₹ 63.34 lakh in respect of which the departments/Government have accepted audit observations.

TRANSPORT DEPARTMENT

4.2 Collection of Revenue from Outsourced Activities in Motor Vehicle Tax

4.2.1 Introduction

In compliance with the direction of the Supreme Court of India to implement the Scheme of High Security Registration Plates (HSRPs) as envisaged under the Central Motor vehicle (1st Amendment) Rules, 2001, Transport Department, Government of Tripura resorted to outsourcing of services in the areas of “HSRP Project” for supply including affixation of HSRP on all motorised road vehicles and also for “Smart Card Project” for issue of Driving Licenses (DLs) and the vehicle Registration Certificates (RCs) in smart cards.

HSRP is a secure number plate carrying unique details aimed to establish a uniform pattern of displaying registration marks across the country to prevent incidence of vehicle thefts and related crimes and for maintaining database of all kinds of vehicles. The objective behind introducing smart cards (having information stored securely on a chip) for issue of RCs and the DLs was to enable inter-operability across the country, eliminating their fake re-productions and monitoring tax collection, etc. The HSRP Project was introduced in the State on 30th July 2012, while the Smart Card Project commenced from 1st April 2006.

Apart from significant revenue earnings of the Government, the area of services under these projects involved certain mandatory compliance of rules by the vehicle owners as well as the license seekers. There are apparent risks involved in outsourcing of these services e.g. illegal issue of RCs to unverified/non-entitled vehicles and also issue of DLs to ineligible/unauthorised persons, besides short-charge of Government revenue derivable from issue of RCs/DLs, etc. In view of this, an audit on “Collection of Revenue from Outsourced Activities in Motor Vehicle Tax” was taken up.

4.2.2 Audit objectives

Audit was undertaken to ascertain whether:

- the extant instructions governing the outsourced activities were adhered to by the vendors;
- the services envisaged under the projects were satisfactorily provided; and
- adequate safeguards were in place in the Department to control vendor’s activity and prevent leakage of revenue.

4.2.3 Organisational set up

The Department is headed by the Principal Secretary/Secretary, who is assisted by one Joint Transport Commissioner (JTC) at the State level and District Transport Officers (DTOs) in all the eight districts in the State. Senior Motor Vehicle Inspectors/Motor

Vehicle Inspectors (MVI) assists the DTOs in their day to day activities in the Districts.

4.2.4 Scope of audit and methodology

The audit was conducted between April-May 2016 in the Offices of JTC, Agartala and four¹⁰ DTOs (out of eight) covering the period from 1st April 2011 to March 2016. An entry conference was held with the Secretary, Transport Department on 8th April 2016. The draft report was issued to the State Government in July 2016. An exit conference was held with the Principal Secretary, Transport Department on 18th October 2016, where audit findings were discussed. The views expressed by the Government/department were suitably incorporated in the report.

4.2.5 Project on HSRPs

The Ministry of Road Transport and Highways mandated (August, 2001) that HSRP should be affixed in all categories of new and in-use motor vehicles. Accordingly, the State Government had made fixation of HSRP compulsory in the State with effect from 30th July 2012 in respect of all new vehicles registered on and after that day, whereas the existing vehicles had been given a timeframe of two years to comply. For this purpose, an agency namely “Ackruti Safeguard Systems Private Limited (ASSPL)” was engaged by the Department, through tender, for five years commencing from 1st April 2012. The agreement to supply including fitting/fixing of HSRP on motor vehicles was signed with ASSPL on 13th March 2012.

Scrutiny of the working of the vendor (ASSPL) for the period from 30th July 2012 to 31st March 2016, based on reports furnished by ASSPL in the test checked units, revealed a number of deficiencies, which are described in succeeding paragraphs.

4.2.5.1 Non-compliance of extant instructions and procedures

(i) Unauthorised issue and affixation of HSRP on vehicles

As per Para 4(xi) of the GoI order dated 22nd August 2001¹¹ and Clause 12 of the Agreement, Registration Plates shall be supplied to vehicle owners by the vendor only against proper authorisation in prescribed form issued by the Departmental officers. The HSRP was to be affixed in motor vehicles inside the DTO premises in front of an authorised Departmental officer. It was, however, seen that no authorisation was issued by the Department or obtained by the vendor before affixation of HSRP in vehicles. There was no record to substantiate that the affixation was done in front of any designated Departmental authority either. Thus, the lackadaisical approach of the Department towards implementation of HSRP project compromised the security aspect of the project leaving ample scope for irregularity on the part of the vendor in issuing HSRP to vehicles.

¹⁰ North Tripura, Unokoti, Gomati and Dhalai.

¹¹ Notifying the process required to be complied with by a manufacturer or vendor for manufacturing or supplying of new high security registration plates.

The Department while admitting the lapse stated (August 2016) that for streamlining Departmental monitoring mechanism, a designated officer has since been assigned. The fact remains that HSRP has been issued to vehicles without the mandatory check defeating the purpose of introduction of the scheme. The Government needs to ensure compliance to these mandatory requirements.

(ii) Lack of Departmental control over vendor's activity

Para 4 (xi) of the GoI order dated 22nd August, 2001 requires that a proper record of the Registration Plates issued by the vendor as well as authorised by the Government, should be maintained on a daily basis and tallied periodically with the records of the transport authority. It was, however, seen that the authority had neither maintained any such record nor was the daily report of the vendor, if any, called for scrutiny. As a result, activities of the vendor remained unverified.

Further, Clause 16 (ix and x) of the Agreement provides that the stock of laser coded HSRP blanks¹² and HSRP embossed¹³ prior to supply and affixation on vehicles are to be kept in secured storage. Any theft or pilferage of HSRP should be brought to the notice of the Government by the vendor within seven days for delisting¹⁴. It was, however, seen that the Department had never verified vendor's account of the receipts and issue of the stock of HSRPs. Apart from the above, the report on damage of 2,425 HSRPs in store (reported by the vendor to audit on specific query) had not been brought to the knowledge of the Department. Consequently, neither the reported damage was authenticated by the Department nor delisting of the damaged plates was notified by the Government leaving enough scope for unauthorised use of these plates.

The Department replied (October 2016) that the vendor would henceforth be subjected to furnish daily report for tallying with the office records. The reply also stated that a committee had been formed to verify status of damaged stock of HSRPs.

(iii) Submission of incomplete report/returns

Clause 2 (b) of Annexure-C of the Agreement provides that the vendor should furnish monthly statement along with a copy of the Report in respect of each registration number. However, no such monthly statements had been furnished by the vendor or insisted upon by the Department for scrutiny. The DTOs also did not maintain any record to keep track of actual achievement in case of old and new vehicles and other relevant information to monitor the activities of the vendor.

The Department while admitting the lapse stated (October 2016) that the vendor was asked to furnish complete reports/returns to enable the DTOs to tally with their office records.

¹² Standard laser coded numbered HSRPs without vehicle registration number embossed.

¹³ HSRPs after embossing vehicle registration numbers.

¹⁴ Removing the laser numbered stolen or damaged plates from the vendor's central database to ensure that such laser numbered plates are not used for embossing HSRP to any vehicle.

(iv) Permanent registration numbers and HSRPs to vehicles at dealer's point before delivery not assigned

Government (August 2012) directed the registering authority to ensure that no delivery of motor vehicle was to be made to a purchaser without permanent registration number and affixation of HSRP from dealers' point. Scrutiny of records, however, disclosed that such a system had not been introduced as of date (June 2016). Further, no special drive on non-compliance in this regard, by the traffic police was reported to the Department.

The Department stated (October 2016) that instruction had been issued to the dealers to ensure fitment of HSRP on new vehicles at the delivery point.

4.2.5.2 Project implementation

(i) Targets in HSRP affixation not achieved

The Department made (vide notification dated 19th July 2012) HSRP compulsory in the State *w.e.f* 30th July 2012 in respect of all new vehicles. In case of vehicles registered earlier, HSRPs were to be fixed within two years from the date of implementation of the scheme.

As of 31st March 2016, only 1,37,073 vehicles (39.49 *per cent*) of the total 3,47,073 vehicles registered in the State had been affixed with HSRP. There was no system in place in the Department to ascertain the number of vehicles actually turning up for HSRP fitment to tally with the vendor's report as the Department had to rely on the information sent by vendor relating to affixation of HSRP. Further, there was also no evidence to substantiate that the Department had taken adequate measures to bring erring vehicle owners to report for HSRP fitment.

(ii) Non-affixation of HSRP on new registered vehicles

Out of the total 26,596 new vehicles registered during the first year of HSRP implementation (July 2012 to June 2013), 13,547 vehicles (more than 50 *per cent*) had not reported for HSRP fittings (**Appendix-4.2.1**). Further, information on HSRP fittings from July 2013 onwards could not be furnished by either the registering authority or the vendor. Therefore, there was no way to ascertain whether all the new vehicles registered since July 2013 had affixed HSRP.

The Department while admitting the lapse stated (October 2016) that fitment of HSRP on new vehicles at the delivery point was being ensured.

(iii) Affixation of HSRP to old vehicles

In respect of old vehicles registered prior to 30th July 2012, State Government (11th March 2013) had set 31st May 2013 as the deadline for HSRP affixation. However, as of 31st March 2016, about 82 *per cent* (1,84,831 vehicles) of the total 2,25,436 registered vehicles in pre HSRP implementation period remained without HSRP. Reasons for non-compliance by the vehicle owners were neither ascertained nor any concrete action for compelling the owners contemplated by the Department.

The Department did not even insist on the Government vehicles to comply with the requirement. None of the Government vehicles registered prior to HSRP introduction period (30th July 2012) had been affixed with HSRP.

The Department while admitting the shortfall in affixation of HSRP to old vehicles stated (October 2016) that adequate steps were being initiated in consultation with the Government.

(iv) Discrepancy between activities in vendor's report and actual position at DTO level.

Cross verification of the position of HSRP fitment in test checked DTOs with that of the State report¹⁵ gathered from the vendor for the period from 30th July 2012 to 31st March 2016 revealed that there was a discrepancy of 1,566 vehicles in the four test checked districts, as shown in the following table:

Table No. 4.2.1

Test checked districts	Total HSRP fitment as per vendor's consolidated State Report	Total HSRP fitment noticed in the test checked districts	Shortfall in State Report
Dhalai	4,410	4,414	4
Gomati	8,405	8,421	16
North Tripura	12,303	12,412	109
Unakoti	6,908	8,345	1,437
Total	32,026	33,592	1,566

The discrepancy was noteworthy as all four districts have international border with Bangladesh. Thus, the possibility of fitment of HSRP in stolen/smuggled vehicles in these districts could not be ruled out, with consequences on national security.

The Department stated (October 2016) that necessary action would be taken against the vendor after verification. The verification as well as action taken report had not been furnished.

4.2.5.3 Position of revenue collection

Clause 10 of the Agreement provides that on receipt of authorisation for affixation of HSRP from the registering authority, the vendor shall levy and collect HSRP sale price from vehicle owners at rates¹⁶ fixed under agreement and pay Government royalty calculated @ 5 per cent of the HSRP sale price (excluding VAT and other local taxes). Clause 1 (l) further provides that an additional 5 per cent of the HSRP sale price shall also become payable to Government as user charge (space rent) for being accommodated in the DTO premises.

¹⁵ Consolidated monthly report of the entire State (District-wise) furnished to the Department by the vendor.

¹⁶ 2-Wheeler: ₹ 340.00; 3-Wheeler: ₹ 440.00 and 4-Wheeler Light/Medium/Heavy Motor Vehicle: ₹ 590.00 (excluding VAT and other local taxes).

Table No. 4.2.2

(₹ in lakh)

Year	Total HSRP sale price collected (excluding VAT)	Revenue deposited by the vendor			
		Royalty	User charge	VAT	Total
2012-13	38.01	1.90	1.23	4.14	7.27
2013-14	206.75	10.34	2.67	23.25	36.26
2014-15	143.17	7.16	3.24	16.74	27.14
2015-16	160.18	8.01	13.44*	18.73	40.18
Total	548.11	27.41	20.58	62.86	110.85

* includes ₹ 7.97 lakh being arrears of unpaid user charges pertaining to period from August 2012 to October 2015 paid at the instance of audit.

It was observed that vendor had made payment of ₹ 20.58 lakh only as user charge as against the payable amount of ₹ 27.41 lakh. Thus, there was a short payment of ₹ 6.83 lakh.

The Department stated (October 2016) that demand for the discrepant amount of revenue had been raised.

4.2.5.4 Internal audit

Para 4 (xiv) of GoI notification, dated 22nd August 2001, requires periodic audit to be carried out by the testing agency¹⁷ to ensure compliance of requirements of the HSRP affixation. However, no audit had ever been conducted by any testing agency since the beginning of the project.

The Department stated (October 2016) that the vendor was asked to arrange required audit at the earliest.

4.2.5.5 Inadequate monitoring and lack of compliance by the vendor

There was no mechanism in existence in the Department to ensure proper implementation of the project and to monitor and control the activities of the vendor. Although the extant instructions governing the outsourced activity were not adhered to by the vendor, requisite Departmental intervention was totally absent. Lack of Departmental initiatives resulted in more than 60 *per cent* of the existing vehicles remaining without HSRP. This status was prevailing despite the Supreme Court Judgment (February 2012) that all States “are mandated to fully implement the scheme of fixation of HSRP in their entire State¹⁸”.

4.2.6 Smart card project

With the objective to issue RCs and the DLs in smart card, the ‘Smart Card Project’ was introduced in the State by outsourcing the services to Webel Technology Limited (WTL), a Government of West Bengal undertakings, for five years commencing from 1st April 2006. The contract was renewed for another five years from 1st April 2011 with stipulation to pay 10 *per cent* of the gross collection of charges to the State

¹⁷ The agencies notified by the Central Government to test the manufactured HSRPs and give type approval certificate to vendor for being eligible to be engaged as service provider by the State Governments.

¹⁸ Maninderjit Singh Bitta Vs. Union of India & Ors., Writ Petition (Civil) No.510 of 2005, dated 7th February 2012.

Government on monthly basis as revenue share. Scrutiny of the working of the service provider (WTL) for the period from 1st April 2011 to 31st March 2016, based on information furnished by WTL through the JTC and the test checked DTOs¹⁹ revealed the following discrepancies:

4.2.6.1 Project implementation

(i) Targets for issue of smart cards not achieved

The State Government extended (April 2011) the 'Smart Card Project' to cover all old paper based RCs/DLs with the target to complete the process by 28th February 2012. As of 31st March 2016, there were 3,47,073 vehicles registered in Tripura. However, RCs in smart cards were issued to only 2,13,348 vehicles, thereby showing a huge shortfall in this regard. Further, audit could not ascertain the percentage of the old and new vehicles separately, which were issued smart cards because neither the Department nor the vendor had maintained such classification of records. The Department while admitting the lapse stated that the vendor would be asked to maintain suitable records with immediate effect.

The Department admitted (October 2016) shortfall in this area despite several unsuccessful initiatives being taken earlier. The Department also stated that further action was being contemplated in consultation with the Government.

(ii) Discrepancy between activities in vendor's report and actual position at DTO level.

Cross verification of the position of issue of smart cards for RC, DL and Learner License (LL) in test checked DTOs and reported activities by the vendor in its consolidated State report (April 2011 to March 2016) disclosed that the vendor had concealed report of printing of 123 DLs, 673 RCs and 19,802 LLs in the four tests checked districts, as shown in the following table:

Table No. 4.2.3

(Figures denote number of vehicles)

Name of the DTO Offices	Driving License			Registration Certificate			Learner License		
	State report ²⁰	District report ²¹	Difference	State report	District report	Difference	State report	District report	Difference
Dhalai	18,025	18,025	Nil	6,799	6,799	Nil	5047	11,334	6287
Gomati	40,658	40,658	Nil	33,107	33,108	1	19020	25094	6074
North Tripura	19922	19974	52	17213	17708	495	6845	14,293	7,448
Unakoti	21942	22,013	71	13993	14170	177	7,575	7,568	-7
Total	1,00,547	1,00,670	123	71,112	71,785	673	38,487	58,289	19,802

In the absence of any specific details, the discrepant issue of 673 RCs in smart cards for stolen/smuggled vehicles as well as 123 DLs for fake users in these districts could not be ruled out.

¹⁹ West Tripura, North Tripura, Dhalai, Unokoti and Gomati.

²⁰ Furnished by the vendor.

²¹ Furnished by the DTOs.

The Department stated (October 2016) that necessary action would be taken against the vendor after verification of the discrepancies. The verification as well as action taken report had not been received.

(iii) Hand Held Terminals/smart card readers not activated

Clause 16 of the agreement provides for supply of required number of Hand Held Terminals (HHTs) *i.e.* smart card readers by the vendor to the Department to keep on road surveillance on the user of DL/RC in smart cards. In order to operate the HHTs, compatible software duly certified by the National Informatics Centre (NIC) was to be developed and supplied by the agency. Scrutiny revealed that, as of June 2016, although 25 HHTs were supplied (2012-13) to the Department, the requisite software delivered by the vendor had not been approved by the NIC. As a result, the HHTs (hardware) remained idle and their warranty expired even before they were put to use.

The smart cards being issued for DL/RC were required to be electronically activated through the process of Key Management System (KMS) by the State transport authority so as to make the cards security proof. However, the smart cards in circulation in the State were without activation and thus, the cards did not have any security feature.

(iv) Training to Transport staff not imparted

Clause 6 of the Agreement provides that the vendor shall impart training to the staff of the Department engaged in the 'Smart Card Project' on a regular basis at no extra cost to build in-house technical competence. For this purpose separate set of hardware shall also be provided by the vendor for exclusive use in training.

It was, however, noticed that neither any training of staff was conducted by the vendor nor was hardware provided for training purposes even after a lapse of more than five years of signing the agreement. Thus, in the absence of training to the staff, the Department failed to put in place dedicated workforce to take over the project and continued to rely entirely on the outsourced agency.

The Department while admitting the lapse stated (October 2016) that the vendor was asked to provide necessary training to staff, failing which action would be initiated.

4.2.6.2 Position of revenue collection.

(i) Short payment of revenue share of the Government

Clause 11 and 12 of the agreement provide that the vendor shall collect charges at rates fixed for each service from the service recipients and pay to Government a revenue share calculated @ 10 *per cent* of the total charges so realised. The details of cash charges collected by the vendor and Government share are given in the following table:

Table No. 4.2.4

(₹ in lakh)

Year	Total amount of charges collected	Government share due @10 per cent of charges	Government share paid	Short payment
2011-12	168.98	16.90	16.09	0.81
2012-13	171.98	17.20	16.65	0.55
2013-14	211.54	21.15	21.12	0.03
2014-15	220.61	22.06	22.01	0.05
2015-16	255.35	25.54	25.41	0.13
Total	1,028.46	102.85	101.28	1.57

Scrutiny of cash receipts details of the vendor (WTL) revealed that the total collection of charges on smart card services for the five years (2011-16) was ₹ 1,028.46 lakh, of which Government was to be paid ₹ 102.85 lakh (10 per cent of ₹ 1,028.46 lakh). The agency, however, paid ₹ 101.28 lakh resulting in shortfall in payment of Government revenue to the extent of ₹ 1.57 lakh.

The Department stated (October 2016) that demand for the said amount of revenue has since been raised.

(ii) Printing of cards not proportionate to charges realised.

The vendor receives in advance prescribed fee for smart cards from applicants requiring DL before authorisation by the competent authority. If the applicants do not pass the eligibility test, DL is denied by the licensing authority. However, even in such cases where DL is not required to be printed and issued, the outsourced agency retained the money. During the audit period (April 2011 to March 2016), it was seen that the vendor had received cash for printing charges in respect of 5,250 DLs which were not actually issued. Thus, the vendor had neither refunded the collected amount of ₹ 5,25,000 (5,250 X ₹ 100) back to the payee nor credited the money to Government, although the required services were not provided. The position is given in the following table:

Table No. 4.2.5

(₹ in lakh)

Year	Cash received for number of DLs	Actual printing of number of DLs	Cash receipts excess (+) less (-) than actual number of printing
2011-12	38,569	37,071	(+) 1.50
2012-13	39,605	40,610	(-) 1.01
2013-14	45,542	44,864	(+) 0.68
2014-15	46,480	43,735	(+) 2.75
2015-16	56,923	55,589	(+) 1.33
Total	2,27,119	2,21,869	(+)5.25

Similarly, in the last five years, an excess of 6,013 RCs were printed and issued over the number for which fee was realised and paid to Government of its share. Reason for excess printing over the disclosed receipts of charges had not been stated.

The details of RCs printed in excess and corresponding short realisation of prescribed fee are given in the following table:

Table No. 4.2.6

(₹ in lakh)

Year	Cash receipts for number of RCs	Number of RCs printed and issued	Cash receipts excess (+) less (-) than actual number of printing
2011-12	33,804	34,992	(-)1.19
2012-13	34,409	37,689	(-) 3.28
2013-14	43,012	45,774	(-) 2.76
2014-15	44,914	45,100	(-) 0.18
2015-16	51,196	49,793	(+) 1.40
Total	2,07,335	2,13,348	(-)6.01

The Department stated (October 2016) that suitable action would be taken against the vendor after verification of the discrepancies.

(iii) Short accounting of Learner Licenses than actual issue leading to not paying of Government dues of ₹ 3.34 lakh.

Clause 11(a) of the agreement with the vendor provided that the vendor shall be entitled to charge and receive ₹ 20 each directly from the customers for printing of LL on good quality paper. As seen in the following Table, there was a difference of 1,67,116 numbers between actual issue of LLs and those claimed to be printed by the vendor. Issue of printed LL is made only on paper provided by the vendor upon realisation of due printing charges from the customer. Thus, there was no possibility of difference in figures of LLs actually issued and LLs shown to be issued by the vendor.

Table No. 4.2.7

(Figures denote number)

Year	LL issued as per Departmental records	LL issued as per vendor's records	Short disclosure of printing of LLs by the vendor
2011-12	41,469	18,227	23,242
2012-13	44,375	16,722	27,653
2013-14	57,953	23,531	34,422
2014-15	69,588	28,537	41,051
2015-16	72,934	32,186	40,748
Total	2,86,319	1,19,203	1,67,116

Thus, non-accounting of the printing of 1,67,116 LLs led to not paying of Government dues of ₹ 3.34 lakh (10 per cent of the total collection of charges of ₹ 33.42 lakh i.e. 1,67,116 LL x ₹ 20 per LL) by the vendor.

The Department stated (October 2016) that demand for the short paid amount of Government revenue had been raised against the vendor.

4.2.6.3 Monitoring and Control

The monitoring mechanism on 'Smart Card Project' was deficient in the Department in the following ways:

- The DTOs did not maintain any records of actual authorisation issued for printing of RCs/DLs to enable them to verify and tally the reports of actual printing done by the vendor.

- Neither the vendor nor the DTOs maintained any records on actual issue of RCs/DLs in smart cards for pre and post smart card periods.
- Against the target to complete the process of conversion of paper based RCs in smart cards by 28th February 2012, about 39 *per cent* (1,33,725 vehicles) of the total existing vehicles (3,47,073) remained outside smart card cover as of 31st March 2016.

4.2.7 Conclusion

The extant instructions governing the outsourced activities had not been adhered to by the vendor. Despite this, there was no mechanism in existence in the Department to monitor and control the activities of the vendor. Non-submission of daily activity report for scrutiny by the registering authority, affixation of HSRP by vendor without formal authorisation, absence of periodical verification of vendor's activity, etc. reflected lack of transparency in the whole exercise being carried out by the vendor without the required intervention of the Department. The fact that 82 *per cent* of the existing vehicles are without HSRP even after a lapse of three years of the conversion deadline indicated lack of intent of the Department in project implementation. Neither the vendor nor the DTOs maintained any records on actual issue of RCs/DLs in smart cards for pre and post smart card periods. As a result, the Department was not aware of the position of actual coverage of new vehicles on registration, conversion of paper based RCs of old vehicles, etc. Consequently, suitable action for ensuring compliance by the defaulting vehicles owners/licensees had also not been contemplated. There was short payment of ₹ 6.83 lakh, representing about 25 *per cent* of Government revenue derivable from space rent for HSRP project and also non-payment of ₹ 3.34 lakh due to less disclosure of LLs printed by the vendor. Thus, the Department seemed to have reduced its role to mere recipient of monthly revenue paid by the vendor without doing any related cross verification with its own records.

4.2.8 Recommendations

It is recommended that the Department should:

- Prepare a plan to implement the project in a transparent and time bound manner;
- Ensure that the vendors follow the extant rules governing the outsourcing activity and maintain and furnish all required reports/returns for Departmental scrutiny.
- The daily reports of vendors should be obtained and tallied with DTO's records to prevent any discrepancy in issuance of smart cards and safeguard the interest of Government revenue.
- DTOs should be vested with proper authority to exercise control over the activities of vendors and a dedicated cell headed by a responsible officer in all the DTOs should be established to maintain projects related records and to keep proper vigil over the activities of the vendor on a regular basis.

FINANCE (EXCISE & TAXATION) DEPARTMENT

4.3 Short levy of tax

Concealment of turnover by the dealers which escaped notice of the assessing authorities resulted in short levy of tax of ₹ 24.32 lakh, non levy of interest of ₹ 6.80 lakh and penalty of ₹ 3.48 lakh.

Section 31 of Tripura Value Added Tax (TVAT) Act, 2004 and rules framed thereunder provide that where the Commissioner is not satisfied with the correctness of any return filed under Section 24 or the 'bona fides' of any claim of exemption, deduction, concession, input tax credit or genuineness of any declaration, or 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 evidence on which the dealer relies in support of his returns including tax invoice. The Commissioner, after giving reasonable opportunity of being heard, shall assess to the best of his judgment the amount of tax due from such dealer.

Further, Section 25(1) of the TVAT Act, 2004 provides that such dealer shall also be liable to pay interest in respect of the amount of tax payable on such assessments at the rate of one and half *per cent* per month from the date the tax payable had become due.

Section 31(5) of the TVAT Act, 2004 also provides that if the Commissioner is satisfied that the dealer tried to evade or avoid payment of tax in any way, he shall, after giving the dealer a reasonable opportunity of being heard, direct him to pay in addition to tax and interest payable by him, a penalty not exceeding one and a half times of the tax due, which shall not be less than 10 *per cent* of that amount.

Audit of the records between January 2015 and December 2015 of six Superintendents of Taxes²² revealed that in 12 assessment cases pertaining to 11 dealers for the period 2009-10 to 2013-14 finalised during the financial years 2013-14 and 2014-15, there was concealment of turnover by the dealers which escaped notice of the assessing authorities and thus resulted in short levy of tax of ₹ 24.32 lakh (VAT) (**Appendix-4.3.1**), leviable interest of ₹ 6.80 lakh (**Appendix-4.3.2**) and penalty of ₹ 3.48 lakh (**Appendix-4.3.1**).

The Government stated (October 2016) that in cases of six²³ dealers the matters were listed for hearing, in three²⁴ cases the matters were disposed of in the court of the

²² (1) The Superintendent of Taxes, Charge IV, Agartala (2) The Superintendent of Taxes, Charge V, Agartala, (3) The Superintendent of Taxes, Charge VII, Agartala (4) The Superintendent of Taxes, Charge VIII, Agartala, (5) The Superintendent of Taxes, Bishalgarh (6) The Superintendent of Taxes, Belonia.

²³ M/s B.B. Electronic, Subhash Chandra Datta, M/s J.K. Motors, M/s Haralal Das, M/s Laxmimata Enterprise and M/s Shree Durga Agencies.

²⁴ M/s SML ISUZU, M/s Paritosh Debnath and M/s Dharampal Agarwal and Sons.

Revisonal Authority and in two²⁵ cases the matters were taken for review, and added that the result would be intimated in due course. In respect of three cases in which the matters were disposed of, the status of demands raised/action taken was not apprised by the Department.

4.4 Loss of revenue

Failure to impose penalty by the Assessing Authority on evaded tax resulted in loss of revenue of ₹ 10.99 lakh.

Section 31(5) of the Tripura Value Added Tax (TVAT) Act, 2004 provides that if the Commissioner is satisfied that the dealer in order to evade or avoid payment of tax has furnished incomplete and incorrect returns, availed himself of tax credit to which he is not entitled to or has followed such method of accounting which does not enable proper assessment of the tax due, he may, after giving the dealer reasonable opportunity of being heard, direct him to pay in addition to the due tax and interest payable by him, a penalty not exceeding one and half times of the tax due but which shall not be less than 10 *per cent* of that amount.

Accordingly, in order to ensure that uniform practices are followed throughout the State by different Assessing Authority (AA), the Commissioner of Taxes issued (December 1987) a memorandum prescribing guidelines for imposition of penalty on the concealed tax (between the wide ranging discretion of 10-150 *per cent* provided under the Act) based on percentage tax evasion and average delay.

Scrutiny (April 2015) of the assessment records²⁶ of a registered contractor²⁷, liable to pay VAT on goods transferred to works in execution of works contract for the assessment year 2009-10 revealed that the AA while rejecting the books of accounts and returns furnished by the dealer as being incomplete and unreal, assessed total taxable turnover at ₹ 6.40 crore against the dealer's returned turnover of ₹ 3.88 crore. The concealment of the taxable turnover of ₹ 2.52 crore (₹ 1.38 crore taxable @ 4 *per cent* and ₹ 1.14 crore taxable @ 12.5 *per cent*), as detected by the AA, comprised mainly of concealed value of materials actually transferred to works, non-disclosure of departmentally supplied materials to works, non-disclosure of profit on the value of taxable materials used or transferred to works and incommensurate adjustment of Input Tax Credit (ITC) with the domestic purchase made during the year.

The AA accordingly assessed the total tax liability of the dealer at ₹ 56.91 lakh against his actual payment of ₹ 38.60 lakh {Tax Deducted at Source (TDS) certificates: ₹ 36.28 lakh and ITC adjustment on locally purchased goods: ₹ 2.32 lakh} based on incorrect returns, leaving an amount of ₹ 18.31 lakh as tax evaded on concealed turnover. Thus, under the statutory provision *ibid*, the dealer was liable to be charged

²⁵ M/s Computer Link and M/s Shiv Rubber.

²⁶ Superintendent of Tax, Charge-V, Agartala.

²⁷ M/s Jaypee Projects Limited, assessed in March, 2015.

penalty as per direction of the Commissioner of Taxes issued in the context of the provision of the Act.

It was, however, seen that the AA though brought the amount of concealed turnover (₹ 2.52 crore) under assessment, but refrained from levying penalty under Section 31(5) of TVAT Act, 2004 stating that there was no evasion of tax as the dealer had not collected VAT and he had produced TDS certificates issued by the Drawing and Disbursing Officers against work contract tax. The contention of the AA was not tenable as the works bills received by the dealer constituted the gross contract value of the works done including taxes and duties after deduction of lump sum work contract tax at source. Thus, the TDS certificates (₹ 36.28 lakh) produced were related to work contract tax @ 4 per cent (provisional in nature subject to adjustment with the output tax payable along with dealers monthly/quarterly returns) on the gross works bills value of ₹ 9.07 crore received during the year and not the entire tax due against the total assessable turnover of the dealer for the relevant year.

Thus, it was beyond doubt that the submission of incorrect returns was a deliberate act on the part of the dealer with the end motive of evading tax which eventually delayed payment of Government revenue. The dealer was, therefore, liable to be levied penalty @ 60 per cent²⁸ of the concealed tax (₹ 18.31 lakh) representing more than 32 per cent of his total tax liability (₹ 56.91 lakh), which remained unpaid for a period of five years.

Thus, concealment of actual turnover by the dealer and subsequent undue exemption granted by the AA in levying penalty resulted in loss of Government revenue to the tune of ₹ 10.99 lakh (@ 60 per cent of the evaded tax of ₹ 18.31 lakh).

The Government stated (October 2016) that the case had been re-assessed, but remained silent on the core issue of not imposing penalty.

²⁸ As per Commissioner of Taxes, Government of Tripura, Memorandum no F.I-7(II)-Tax/87/9726-35, Dated: 26 December 1987.

