

CHAPTER – V
REVEUE SECTOR

CHAPTER-V

REVENUE SECTOR

5.1 Trend of revenue receipts

5.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties and Grants-in-aid from Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in the following table.

Table-5.1.1:- Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particular	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Revenue raised by the State Government					
	Tax revenue	223.14	229.78	266.52	358.41	441.81
	Non-tax revenue	212.80	194.26	241.96	297.63	365.22
	Total	435.94	424.04	508.48	656.04	807.03
2.	Receipt from GoI					
	State's share of net proceeds of divisible Union taxes and duties	785.96	858.08	910.67	2,348.11	2,800.63
	Grants-in-aid	3,314.84	3,482.73	4,091.95	3,672.25	3,790.64
	Total	4,100.80	4,340.81	5,002.62	6,020.36	6,591.27
3.	Total revenue receipts of the State Government (1 and 2)	4,536.74	4,764.85	5,511.10	6,676.40	7,398.30
4.	Percentage of 1 to 3	9.61	8.90	9.23	9.83	10.91

Source: State Finance, Government of Mizoram, 2016-17

The above table indicates that during the year 2016-17, the revenue raised by the State Government (₹ 807.03 crore) was 10.91 *per cent* of its total revenue receipts. The balance 89.09 *per cent* of receipts during 2016-17 was from GoI.

5.1.2 The details of Budget Estimates (BE) and tax revenue raised during the period from 2012-13 to 2016-17 are given in the following table.

Table-5.1.2:- Details of tax revenue raised

(₹ in crore)											
Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Taxes on Sales, Trades etc.	158.22	175.87	190.00	183.34	218.08	211.95	232.66	247.04	225.00	307.81	(+ 24.60)
Motor Vehicles Tax	23.17	22.83	19.38	19.42	22.24	17.03	23.57	19.44	23.60	25.75	(+ 32.46)
Others ¹	20.67	24.44	25.44	27.02	30.07	37.54	70.89	91.93	82.59	108.25	(+ 17.75)
Total	202.06	223.14	234.82	229.78	270.39	266.52	327.12	358.41	331.19	441.81	(+ 23.27)

Source: Finance Accounts & Annual Financial Statement, Government of Mizoram

¹ Others includes State Excise, Taxes on Goods and Passengers, etc.

The State's own tax revenue increased by 23.27 per cent in 2016-17 over 2015-16. Collection of taxes on sales, trades etc. increased by ₹ 60.77 crore (24.60 per cent) in 2016-17 over 2015-16 mainly due to introduction of Collection of Mizoram Entry Taxes. Similarly, due to introduction (August 2015) of the Mizoram Motor Vehicles Taxation (Amendment) Act 2015 the taxes on vehicles increased by ₹ 6.31 crore (32.46 per cent) in 2016-17 over the previous year.

5.1.3 The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in the following table:

Table-5.1.3:- Details of non-tax revenue raised

(₹ in crore)

Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in 2016-17 over 2015-16
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Interest receipts	21.76	16.86	24.50	17.93	19.88	19.88	20.00	30.73	21.20	48.34	57.31
Power	119.39	111.27	144.23	109.05	144.36	144.36	162.00	166.35	172.00	200.11	20.29
Others	65.60	84.67	83.05	67.28	77.18	77.72	87.83	100.55	85.86	116.77	16.13
Total	206.75	212.80	251.78	194.26	241.42	241.96	269.83	297.63	279.06	365.22	22.71

Source: Finance Accounts & Annual Financial Statement, Government of Mizoram

The concerned Departments did not furnish the reasons for variation in receipts of non-tax revenue over the previous year (March 2018).

5.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹ 18.33 crore out of which, ₹ 7.41 crore was outstanding for more than five years, as detailed in the following table:

Table-5.2.1:- Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2017	Amount outstanding for more than 5 years as on 31 March 2017
1.	Taxes/ VAT on Sales, Trades etc.	17.55	7.34
2.	Taxes on Professions	0.51	0.03
3.	Taxes Motor spirits	0.15	0.00
4.	Taxes Entertainment	0.12	0.04
	Total	18.33	7.41

Source: Information furnished by the Department

Information on total amount outstanding and amount outstanding for more than five years as on 31 March 2017 for Taxes on Vehicles and Taxes on Goods and Passengers were not furnished by the Taxation Department though called for (March 2018).

5.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for

finalisation at the end of the year as furnished by the Taxation Department in respect of sales tax, motor spirit tax, luxury tax and tax on works contracts was as shown in the table below:

Table-5.3.1:- Arrears in assessments

Head of revenue	Opening balance as on 31 March 2016	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year 2016-17	Percentage of disposal (Col. 5 to 4)
1	2	3	4	5	6	7
0040-Taxes on Sales, Trades etc.	2,993	428	3,421	481	2,940	14.06

Source: Information furnished by the Department

It can be seen from the above table that out of 3,421 assessment due, the disposal was 481 (14.06 per cent) at the end of the year 2016-17.

The Department should take necessary action to complete the assessment in a time bound manner.

5.4 Evasion of tax detected by the Department

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

Table-5.4.1:- Evasion of tax

Name of tax/duty	Case pending as on 31 March 2016	Cases detected during the year 2016-17	Total	Number of cases in which assignments/ investigation completed and additional demand including penalty etc., raised during the year 2016-17		Number of pending cases as on 31 March 2017
				No. of cases	₹ in lakh	
1	2	3	4	5	6	7
Sales Tax/VAT	400	143	543	143	1.40	400
Taxes on Motor Spirits	0	1	1	1	0.18	0

Source: Departmental figures

Information on evasion of tax detected by the Transport Department had not been furnished though called for (March 2018).

5.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of 2016-17 as reported by the departments is given in the following table:

Table-5.5.1:- Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales tax/VAT		State Excise	
1.	Claims outstanding at the beginning of the year	NIL	NIL	NIL	NIL
2.	Claims received during the year	2	0.03	NIL	NIL
3.	Refunds made during the year	NIL	NIL	NIL	NIL
4.	Balance outstanding at the end of year	2	0.03	NIL	NIL

Source: Information furnished by the Department

Thus, there were two pending cases of refund at the end of the year 2016-17.

5.6 Response of the Government/ Departments towards audit

The Accountant General conducts periodical inspection of the Government Departments to test check the transactions. The maintenance of important accounts and other records as prescribed in the rules and procedures is also verified. These inspections are followed by the IRs 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 rectify the defects and omissions and report compliance through initial reply to the Accountant General 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.

At the end of June 2017, 129 Inspection Reports (IRs) issued up to December 2016 containing 344 paragraphs with money value of ₹ 67.13 crore were outstanding. The position in this respect for the preceding two years is given in the table below:

Table-5.6.1:- Details of pending Inspection Reports

Particulars	June 2015	June 2016	June 2017
Numbers of outstanding IRs	139	128	129
Number of outstanding audit observations	427	360	344
Amount involved (₹ in crore)	68.98	63.25	67.13

The department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved are mentioned in the following table:

Table-5.6.2:- Department-wise details of IRs

Sl. No.	Name of Department	Name of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved (₹ in crore)
1.	Land Revenue	Land Revenue	13	31	4.26
2.	Excise	State Excise	7	13	0.59
3.	Taxation	Taxes/VAT on Sales, Trade etc.	31	104	16.57
		Other taxes	13	14	1.07
4.	Transport	Taxes on Vehicles/ Taxes on Goods and Passengers	34	86	20.58

Sl. No.	Name of Department	Name of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved (₹ in crore)
5.	Environment, Forests and Climate Change	Forests & Wild Life	27	82	9.18
6.	Geology and Mineral Resources	Non-ferrous Mining and Metallurgical Industries	4	14	14.88
Total			129	344	67.13

Audit did not receive the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs for five IRs issued up to December 2016. The pendency of the IRs due to non-receipt of the replies indicates that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

5.6.1 Departmental Audit Committee Meetings

The Government set up Audit Committees (AC) to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During 2016-17, an Audit Committee Meeting was held with the Taxation Department. Out of 67 IRs and 186 paragraphs discussed, 27 IRs and 104 paragraphs were settled.

The Government may ensure holding of regular meetings of the AC for ensuring effective remedial action on the audit observations.

5.6.2 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 are forwarded by the Accountant General 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. Non-receipt of the replies from the departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Six draft paragraphs were sent to the Principal Secretaries/ Secretaries of the respective Departments during 2016-17 and their responses have been incorporated in the respective places.

5.6.3 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 Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report,

for consideration of the committee. 30 paragraphs (including three Performance Audits) included in the Reports of the Comptroller and Auditor General of India of the Government of Mizoram for the year ended 31 March 2012, 2013, 2014, 2015 and 2016 were placed before the State Legislature between 24 July 2013 and 25 May 2017. Action Taken Notes (ATN) in respect of six paragraphs (including Performance Audit) from four departments had not been received so far (March 2018).

A review of follow up action on submission of *suo moto* ATNs disclosed that there was pendency in respect of the Audit Reports for the years 2011-12 to 2015-16.

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

To analyse the system of addressing the issues highlighted in the Inspection Reports/ Audit Reports by the department/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last five years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 5.7.1 to 5.7.2 discuss the performance of the Taxation Department on cases detected in the course of local audit during the last five years and also the cases included in the Audit Reports for the years 2011-12 to 2015-16.

5.7.1 Position of Inspection Reports (IRs)

The summarised position of IRs issued, addition and clearances of IRs during the last five years are given in the following table:

Table-5.7.1: Position of Inspection Reports

(₹ 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
2012-13	66	189	35.82	8	43	4.48	2	20	15.90	72	212	24.40
2013-14	72	212	24.40	11	66	5.60	2	12	2.49	81	266	27.51
2014-15	81	266	27.51	6	44	7.25	1	29	2.99	86	281	31.77
2015-16	86	281	31.77	4	46	6.04	1	47	4.56	89	280	33.25
2016-17	89	280	33.25	10	57	4.70	45	166	17.92	54	171	20.03

The Department was periodically reminded to furnish replies to the outstanding audit observations. Despite such efforts, 54 IRs and 171 paragraphs having money value of ₹ 20.03 crore remained outstanding as on 30 June 2017. This was due to non-receipt of appropriate replies from the Department.

5.7.2 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-5.7.2:- Details of Paragraphs included in the Audit Reports
and recovery made there against**

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs	No. of paragraphs accepted	Money value of accepted paragraphs	(₹ in crore)	
					Amount recovered as on 31 March 2017	Cumulative position of recovery of accepted cases
2011-12	3	1.36	2	1.27	0.07	0.07
2012-13	3	1.88	3	1.88	0.35	0.42
2013-14	5	2.38	4	1.95	0.14	0.56
2014-15	4	4.15	4	4.15	0.15	0.71
2015-16	5	3.63	4	1.61	0.02	0.73
Total	20	13.40	17	10.86	0.73	--

It could be seen from the above table that during the last five years, the Taxation Department had accepted 17 paragraphs having money value of ₹ 10.86 crore out of which, only ₹ 0.73 crore had been recovered as on 31 March 2017.

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

5.8 Audit planning

The unit offices are categorised into high, medium and low risk units according to their revenue positions, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis. The risk criteria involved scrutiny of budget speech, white paper on State finances, Reports of the Finance Commission, recommendations of the Taxation Reforms Committee, analysis of the revenue earnings, tax administration.

During the year 2016-17, there were 60 auditable units, of which 20 units were planned and 18 units had been audited, which was 30 *per cent* of the total auditable units.

5.9 Results of audit

Position of local audit conducted during the year

Records of 10 units of Taxation, Environment and Forest, and Land Revenue and Settlement Departments were test-checked during the year 2016-17. Test check revealed embezzlement of fund/ underassessment/ short levy/ loss of revenue aggregating ₹ 17.12 crore in 133 cases. Of these, the Departments recovered ₹ 0.43 lakh in six cases relating to 2016-17 and ₹ 1.62 crore relating to the previous years in 65 cases.

5.10 Coverage of this Report

This Chapter contains six paragraphs involving money value of ₹ 3.16 crore. The Departments/Government have accepted audit observations involving ₹ 1.99 crore out of which no recovery has been made (March 2018).

COMPLIANCE AUDIT PARAGRAPHS

EXCISE AND NARCOTICS DEPARTMENT

5.11 Misappropriation of Government Funds

Failure to exercise prescribed checks by the Superintendent of Excise & Narcotics, Serchhip and the Treasury Officer, Serchhip resulted in suspected misappropriation of ₹ 1.76 crore

Rule 92 of the Central Government Account (Receipts & Payments) Rules², 1983 and the Manual for Drawing and Disbursing Officer (DDO) states that the Head of an Office/DDO is personally responsible for disbursement of pay and allowances for the amount drawn on a bill signed by him or on his behalf. Further, Rule 220(3) of Central Treasury Rules (CTR) (Volume-I) provides that while preparing a bill, the entries in all the money columns of the bill shall be totalled separately under each section/part and the total must be checked by the drawing officer himself or by some responsible person other than the person preparing the bill.

In regard to checks to be applied at Treasury, Rule 183 of CTR (Volume-I) provides that the Treasury Officer shall check the arithmetical computations on bills and in case of any obvious arithmetical mistakes or trifling mistakes which can easily be corrected, the Treasury Officer should correct them and pay the corrected amount of the bill.

Superintendent of Excise & Narcotics (SEN), Serchhip himself acted as DDO of the office and salaries of the employees in his office was being paid in cash through acquittance/pay rolls.

Scrutiny (March 2017) of pay rolls, treasury transit registers, bill registers and cash books of the office of SEN, Serchhip revealed that while preparing the pay bills for the period from August 2010 to January 2017, the net amount of salary payable to each individual had been shown correctly. However, in total column the net amount of salary pay bills had been fraudulently inflated by ₹ 1.76 crore as detailed in **Appendix-5.11.1**. The synopsis of **Appendix-5.11.1** is given in the following table:

² In absence of the State Government's own Rules/ Manual, Central Government Rules/ Manual is adopted by the State Government

Table-5.11.1:- Details of inflated salary pay bills

(₹ in lakh)

Year	Number of Bills	Total amount drawn	Net amount disbursed to employees	Excess amount drawn
2010-11 (From August 2010)	8	29.14	22.96	6.18
2011-12	12	52.99	38.53	14.46
2012-13	18	79.01	56.19	22.82
2013-14	20	93.37	73.15	20.22
2014-15	21	127.65	82.07	45.58
2015-16	13	90.28	60.49	29.79
2016-17 (Upto January 2017)	9	86.71	50.09	36.62
Total	101	559.15	383.48	175.67

Source: Departmental records (Bill Register/Cash Book/Treasury Transit Register & Pay Bills)

It was observed that the bills with the excess amount were apparently signed by the DDO and presented to the treasury for drawal. The Treasury Officer did not detect the inflated amount of the bills before passing. This indicated that the DDO and the Treasury Officer did not exercise due checks of the bills as per provisions of CTR. Thus, the bills were drawn from the treasury in excess of the actual amount payable and the excess money drawn was syphoned off.

While accepting the fact of possible misappropriation of fund the SEN, Serchhip stated (March 2017) that salary bills prepared in excess was 'to cover the exorbitantly high expenditure on maintenance of vehicles utilised for field duties'³.

The contention of the SEN, Serchhip is not acceptable as instead of following the prescribed procedure for approval of fund from the competent authority to meet the 'high expenditure on maintenance of vehicles', inflated salary bills were prepared. Further, no supporting document in support of 'high expenditure on maintenance of vehicles' could be produced to audit.

The SEN, Serchhip in a further reply (January 2018) stated that corrective action was taken and the Cashier was transferred while the erstwhile SEN has since been posted to the Office of the Commissioner of Excise and Narcotics, Aizawl as he was promoted to Assistant Commissioner and he is currently placed under suspension with effect from 31 August 2017. The reply is however silent on the recovery of the misappropriated fund of ₹ 1.76 crore.

The Department confirmed (August 2017) the facts of misappropriation.

³ Minutes of discussion dated 23 March 2017 held by Audit with the Superintendent of Excise and Narcotics, Serchhip

TAXATION DEPARTMENT

5.12 Non-levy of penalty

Penalty of ₹ 30.49 lakh from 30 dealers who failed to submit audited accounts, was not imposed by three Assessing Officers

As per section 53 of the Mizoram Value Added Tax Act (MVAT), 2005 all dealers whose taxable turnover exceeds ₹ 30 lakh in a particular year are liable to get their accounts audited by chartered accountants, a true copy of which is to be furnished to the taxation authority within six months from the end of the financial year. If any dealer fails to get his accounts audited, 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 judgment in respect of the said period. Further, from 17 April 2014 the threshold limit was increased to ₹ 100 lakh.

Audit of records (November-December 2016, January 2017 and February-March 2017) of three Assistant Commissioners of Taxes⁴ (ACTs) revealed that 30 dealers did not get their accounts audited by the chartered accountants for submission to the respective taxation authorities inspite of the fact that all of them were having an annual turnover of ₹ 100 lakh and above for the assessment years 2010-15. However, the Assessing Officers (AOs) did not impose any applicable penalty as worked out in audit in the table below:

Table-5.12.1:- Details of penalty leviable

(₹ in lakh)			
Name of the ACT	No. of dealers	Turnover determined	Penalty leviable
ACT, Central Zone, Aizawl	14	10533.65	10.53
ACT, South Zone, Aizawl	14	18335.23	18.34
ACT, Serchhip Zone, Serchhip	02	1617.19	1.62
Total	30	30486.07	30.49

Source: Departmental records

The details of dealer-wise turnovers and penalty payable by 30 dealers are shown in **Appendix-5.12.1**.

Thus, all the 30 dealers under the three ACTs are liable to pay a penalty of ₹ 30.49 lakh for non-submission of audited accounts to the taxation authorities.

⁴ i) ACT, Central Zone, Aizawl; ii) ACT, South Zone, Aizawl and iii) ACT, Serchhip Zone, Serchhip

While accepting the facts, the ACT, South Zone, Aizawl stated (March 2017) that they had already served demand notices to all 14 dealers for payment of penalties. However, report on realisation of penalty was awaited (March 2018).

The ACT, Central Zone, Aizawl, stated (January 2017) that no action could be taken from their end due to suspension of Section 53, effective from 09 July 2015. The reply of ACT, Central Zone, Aizawl is not acceptable as the Assessment Years of 30 dealers are related to 2010-11 to 2013-14 *i.e.* prior to the suspension of Section 53. Even then, ACT, Central Zone did not take steps to impose penalty of ₹ 10.53 lakh from 14 dealers for non-submission of audited accounts.

The ACT, Serchhip did not furnish (June 2018) any reply.

The matter was reported to the Department (June 2017); reply was awaited (June 2018).

5.13 Evasion of tax

A dealer evaded tax of ₹ 25.19 lakh on taxable turnover of ₹ 2.58 crore

Section 11 of the Mizoram Value Added Tax (MVAT) Act, 2005 stipulates that the tax payable by a dealer is levied on the taxable turnover of sales at the rate specified in Schedule II of MVAT Act. However, the tax payable by a dealer for works contract is levied on his taxable contractual transfer price at the rate specified in Schedule III of the MVAT Act.

Test check of records (November 2016) of the Assistant Commissioner of Taxes (ACT), North Zone, Aizawl revealed that a works contract dealer⁵ who was also dealing in motor parts and spares for heavy earth moving machines was assessed by the Assessing Officer (AO) for the years 2011-12 and 2012-13. It was observed that the AO while assessing (April 2015) the tax payable by the dealer, arrived at the taxable turnover at ₹ 2.58 crore after considering the “turnover purchases”⁶ reduced by 25 *per cent* for personal consumption and maintenance of vehicles and machines for the works contract of border fencing and road construction arbitrarily even though there was no such provision in the MVAT Act. The dealer himself mentioned a ‘nil’ return on works contract during the periods under assessment. Therefore, the assessment was to be made only for sale of goods and not on the works contract.

Accordingly, the tax payable by the dealer was determined at ₹ 25.19 lakh at the rate specified in the MVAT Act as the dealer was assessed only for sale of goods and not for the works contract.

⁵ M/s Lalmalsawma, TIN 15110113059

⁶ “turnover of purchases” in relation to any period, means aggregate of the purchase prices or parts of purchase prices paid or payable by a dealer during such period in respect of purchases liable to tax under Section 9, after deducting there from the amount, if any, refunded to the dealer by the seller in respect of any such purchase of goods returned to the seller

Audit further observed that from the determined MVAT payable of ₹ 25.19 lakh, the AO irregularly taken into consideration the tax deducted at source of ₹ 21.49 lakh on the works contract eventhough the turnover of the dealer on the works contract showing as 'nil' return. Thus, the dealer evaded payment of tax of ₹ 25.19 lakh on taxable turnover of ₹ 2.58 crore.

While accepting the facts, the ACT, North Zone, Aizawl stated (July 2017) that re-assessment of the dealer is under process and progress will be intimated to Audit. However, the result of re-assessment has not been intimated (March 2018).

The matter was reported (September 2017) to the Department; reply was awaited (June 2018).

GEOLOGY AND MINERAL RESOURCES DEPARTMENT

5.14 Short levy of penalty for illegal transportation of minor minerals

The Director failed to collect penalty of ₹ 70.76 lakh towards illegal removal and transportation of stone from carriers during 2015-16

Rule 43 of the Mizoram Minor Mineral Concession Rules (MMMCR), 2000 requires every permit holder who intends to despatch minor minerals by rail, road or river to issue a challan in 'Form-O' to the carriers who shall produce the same on demand by the Competent Authority or any officer authorised by him. 'Form-O' *inter-alia* contains name and address of the lease/ permit holder, details of the quarry lease permit, name of minor mineral *etc.*

Rule 46(2) of the Mizoram Minor Mineral Concession Rules (MMMCR), 2000 stipulates that whoever removes minor minerals without valid lease/ permit or on whose behalf such removal is made otherwise in accordance with these rules, he shall be presumed to be a party to illegal removal of the minor mineral and shall be liable to pay royalty or penalty which may extend upto four times the rate of royalty specified for the minor mineral in the second schedule without prejudice to other action taken against him under these rules or any other law for the time being in force.

The Directorate, Geology and Mineral Resources issued (December 2011) a public notice under Rule 46⁷ of the MMMCR that an amount of ₹ 100 per cubic metre (cum)

⁷ If any driver of any carrier while carrying minor minerals fails to furnish the challan in 'Form-O' or refuses inspection of such challan by the competent authority or any other officer authorised by him or the Deputy Commissioner or any officer authorised by him, he shall be punished with simple imprisonment which may extend to six months or with fine which may extend to two thousand rupees or with both

as fine will be payable by transporters who illegally removes and transports stone within Mizoram without a valid permit.

Test check (February-March 2017) of the records of the Directorate of Geology and Mineral Resources revealed that nine of its check-gates⁸ in the State during 2015-16, had detected transportation of 96,578.20 cum of stone by carriers without challan in Form 'O' or valid permit. For illegal removal and transportation of 96,578.20 cum of stone, penalty of ₹ 96.58 lakh was leviable at the rate of ₹ 100 *per* cum. However, the nine check-gates realised penalty of only ₹ 25.82 lakh resulting in short levy of penalty of ₹ 70.76 lakh.

The matter was reported (September 2017) to the Department; reply was awaited (June 2018).

5.15 Non-levy of penal rate of annual license fee

Penalty of ₹ 7.73 lakh was not levied on a licensee for delayed payment of annual license fee

A bipartite agreement was signed (May 2007) between the Government of Mizoram (GoM) and Oil India Limited (OIL) for petroleum exploration license. As per clause (1) and (3) of Part-II of the agreement, the licensee was required to pay the annual license fee in advance at the rates and time specified in the Deed. If the license fee is not paid to the State Government within the specified time, the fee payable would be increased by a penal rate of 200 basis points over the prime lending rate of State Bank of India for the delayed period.

Test check (February-March 2017) of the records of the Directorate, Geology and Mineral Resources, GoM revealed that OIL holding license for petroleum exploration over an area of 3,213 sq.km. was liable to pay license fee at the rate of ₹ 4,000 *per* sq. km per year from the fifth year. It was further noticed that OIL delayed payment of the annual license fee by 21 to 208 days. Despite the delay in payment of annual license fees, no penal rate was imposed on the licensee, as shown in the following table:

⁸ Check-gates of Lunglei, Kolasib, Champhai, Serchhip, Vaivakawn, Tuivamit, Mel-3, Lawipu and Zemabawk

Table-5.15.1:- Details of penal amount leviable

(₹ in lakh)

Sl. No.	Working period/year	Annual license fee	Due date on or before	Date of payment (demand draft date)	Number of days delayed	SBI prime lending rate (per cent) per annum + 200 basis point	Penal amount leviable
1.	22-5-2014 to 21-5-2015 for the 8 th year contract	128.52	21-5-2014	11-6-2014	21	14.75 + 2 = 16.75	1.24
2.	22-5-2015 to 21-5-2016 for the 9 th year contract.	128.52	21-5-2015	₹ 73.59 12-6-2015	22	14.60 + 2 = 16.60	1.29
			21-5-2015	₹ 54.93 ⁹ 15-12-2015	208	14.60 + 2 = 16.60	5.20
Total							7.73

Source: Departmental records

Thus, due to inaction on the part of the Directorate, penalty of ₹ 7.73 lakh was not levied on to the licensee.

While accepting the facts the Directorate stated (June 2017) that OIL had been informed (May 2017) to remit the penalty amount and also to pay the license fee in advance henceforth. However, the recovery of remittances of penalty had not been intimated (March 2018).

The matter was reported (September 2017) to the Department; reply was awaited (June 2018).

5.16 Short levy of royalty

There was short levy of royalty of ₹ 5.40 lakh due to late adoption of increased rate of royalty

The Industries Department¹⁰, Government of Mizoram (GoM) increased the rate of royalty of sand, stone and boulders with effect from 26 February 2016 from ₹ 40 per cubic meter to ₹ 60 per cubic meter.

Test check (February–March 2017) of the records of the Directorate, Geology and Mineral Resources, GoM revealed that the revised rate of royalty by the Industries Department was not adopted by the Directorate of the Geology and Mineral Resources while issuing stone quarry permits to the permit-holders during the period between 26 February and 20 October 2016. As a result, out of the total royalty of ₹ 16.03 lakh leviable for this period, ₹ 10.63 lakh was realised resulting in short levy of ₹ 5.40 lakh.


⁹ Though ₹ 128.52 lakh was paid, ₹ 54.93 lakh constitute for the 9th year

¹⁰ There are two Directorate under the Industries Department viz. (i) Directorate of Commerce and Industries and (ii) Directorate of Geology and Mineral Resources

Thus, it is evident that there was no correlation between these two Directorates (Directorate of Commerce and Industries and Directorate of Geology and Mineral Resources) under Industries Department.

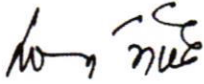
The Directorate accepted the short collection of revenue and stated (June and October 2017) that the revised rate of royalty could not be collected promptly as the gazette notification was received by the Directorate only in May 2016 following which a public noticed had to be served and the shortfall has happened as a result of transitional period. The reply confirms that due to late adoption of revised rate of royalty the State Government lost revenue of ₹ 5.40 lakh.

Aizawl
The 31 August 2018


(Pravindra Yadav)
Accountant General (Audit), Mizoram

Countersigned

New Delhi
The 14 September 2018


(Rajiv Mehrishi)
Comptroller and Auditor General of India

