

CHAPTER – V
REVENUE SECTOR

CHAPTER-V

REVENUE SECTOR

5.1 Trend of revenue receipts

5.1.1 The tax and non-tax revenue raised by Government of Mizoram during the year 2018-19, 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 corresponding figures for the preceding four years are given in the following table.

Table-5.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue raised by State Government						
1.	Tax revenue	266.52	358.41	441.81	545.91	726.69
	Non-tax revenue	241.96	297.63	365.22	390.65	449.95
	Total	508.48	656.04	807.03	936.56	1,176.64
Receipts from GoI						
2.	State's share of net proceeds of divisible Union taxes and duties	910.67	2,348.11	2,800.63	3,097.05	3,502.96
	Grants-in-aid	4,091.95	3,672.25	3,790.64	4,546.59	4,359.88
	Total	5,002.62	6,020.36	6,591.27	7,643.64	7,862.84
3.	Total Revenue Receipts of State Government (1 + 2)	5,511.10	6,676.40	7,398.30	8,580.20	9,039.48
4.	Percentage of 1 to 3	9.23	9.83	10.91	10.92	13.02

Source: Finance Accounts: 2018-19

The above table indicates that during the year 2018-19, revenue raised by State Government (₹1,176.64 crore) was 13.02 per cent of its total revenue receipts. The balance receipts (₹7,862.84 crore) constituting 86.98 per cent of total receipts during 2018-19 were from GoI.

5.1.2 Details of Budget Estimates (BEs) and tax revenue raised during the period from 2014-15 to 2018-19 are given in the following table.

Table-5.2: Details of tax revenue

(₹ in crore)

Head of Accounts	Year										Percentage of increase/decrease (-) in 2018-19 over 2017-18
	2014-15		2015-16		2016-17		2017-18		2018-19		
	BEs	Actuals	BEs	Actual	BEs	Actuals	BEs	Actual	BEs	Actuals	
Taxes on Sales, Trade, etc.	218.08	211.95	232.66	247.04	225.00	307.81	285.00	242.85	307.80	135.93	(-) 44.03
State Goods and Services Tax	---	---	---	---	---	---	---	169.76	50.00	454.73	167.87
State Excise	3.47	4.91	35.68	60.60	43.08	72.26	51.50	65.83	59.40	65.34	(-) 0.74
Taxes on Vehicles	22.24	17.03	23.57	19.44	23.61	25.75	23.84	31.58	25.74	38.36	21.47
Land Revenue	5.20	11.06	11.90	8.88	11.90	8.58	10.01	8.29	10.81	8.64	4.22
Stamps and Registration fees	0.07	3.72	0.12	3.57	8.72	3.26	9.16	3.20	9.89	4.43	38.44
Taxes on Goods and Passengers	4.00	2.56	4.24	2.71	3.18	7.90	3.20	7.83	3.50	4.71	(-) 39.85
Other Taxes	17.33	15.29	18.95	16.17	15.70	16.25	15.00	16.57	16.20	14.55	(-) 12.19
Total	270.39	266.52	327.12	358.41	331.19	441.81	397.71	545.91	483.34	726.69	33.12

Source: Finance Accounts and Annual Financial Statement of respective years

State's own tax revenue increased by 33.12 *per cent* in 2018-19 over 2017-18. Revenue receipts on account of Taxes on sales, trades, *etc.* decreased by ₹106.92 crore (44.03 *per cent*) in 2018-19 over 2017-18 due to introduction of Goods and Services Tax (GST) since 01 July 2017, which was accounted for separately. Receipts on account of GST were ₹454.73 crore which registered an increase of ₹284.97 crore (167.87 *per cent*) over the previous year.

The tax revenue on Vehicles registered an increase of 21.47 *per cent* in 2018-19 over the previous year due to increase in number of vehicles registered during the year. Receipts from Taxes on Goods and Passengers witnessed a decrease of ₹3.12 crore (39.85 *per cent*) over the previous year. Similarly, Receipts from state excise witnessed a slight decrease of ₹0.49 crore (0.74 *per cent*) over the previous year due to less receipts under 'Foreign Liquors and Spirits' and 'Fines and confiscations'.

5.1.2.1 State Goods and Services Tax

Goods and Services Tax (GST) was implemented with effect from 01 July 2017 on supply of goods or services or both. GST is concurrently administered by the Union (Central GST) and the States (State GST) on supply within the State while Integrated Goods and Services Tax (IGST) is levied on inter-state supply of goods or services or both.

The Central Goods and Services Tax Act, 2017, the Mizoram State Goods and Services Tax Act, 2017 and the Integrated Goods and Service Tax Act, 2017 and allied Rules of all the three Acts are applicable in the State of Mizoram.

Goods and Services Tax Network (GSTN), a Non-Government Company set up by Government of India provides both front-end and back-end services to Mizoram being a Model-II State. Front-end services provided to taxpayers for registration, return filing, payment of tax and back-end services include approval of registration, taxpayer detail viewer, refund processing, MIS reports, *etc.*

Implementation of GST necessitated smooth transitional provisions, which enables migration of all existing businesses to the new regime. The transitional provisions have been specifically incorporated in all the three GST Acts/ Rules.

5.1.2.1.1 Registrations under GST

As per the GST Act, every taxpayer with turnover of above ₹10 lakh (enhanced to ₹20 lakh with effect from 01 April 2019 in respect of dealer dealing with sale of goods only) has to be registered under GST. During transition period, the Department had to deal with migration of existing dealers as well as approval of new registrations. The due date for migration of existing dealers was February 2019.

The category wise registrations under GST as on March 2019 have been given in **Table-5.3**:

Table-5.3: Registered taxpayers under GST

Types of Taxpayers	Number of dealers	Percentage of total
Normal Taxpayers ⁶⁵	6,003	84.18
Tax Deductors at source	1,062	14.89
Tax Collectors at source	44	0.62
Corporation Taxpayers	20	0.28
Input Service Distributors	2	0.03
Total Registrants	7,131	100

Source: Information as provided by State Taxation Department and CGST, Aizawl

The total registrations under GST in Mizoram as on March 2019 were 7,131 of which, normal taxpayers accounted for 84.18 *per cent*, tax deductors at source accounted for 14.89 *per cent* and others⁶⁶ (including TCS, Corporate taxpayers and ISD) accounted for 0.93 *per cent*.

5.1.2.1.2 Division of Dealers between Central and State Government

As per the recommendation⁶⁷ of GST Council, administrative control of over 90 *per cent* of the dealers with turnover less than ₹1.50 crore shall vest with the State tax administration and 10 *per cent* with the Central tax administration. In respect of dealers with turnover of ₹1.50 crore and above, the administrative control shall be divided in the ratio of 50 *per cent* each for the Central and State tax administration. The division of taxpayers as notified in Mizoram up to March 2019 are shown below.

Table-5.4: Division of dealers between Centre and State Government

Jurisdiction	Number of dealers		Total
	Turnover above ₹1.5 crore	Turnover below ₹1.5 crore	
Centre	82	1,710	1,792
State	671	4,348	5,019
Total	753	6,058	6,811

Source: Information as provided by State Taxation Department and CGST, Aizawl

5.1.2.1.3 Filing of Returns under GST

As per Mizoram Goods and Services Tax Rules⁶⁸, 2017 (MGST Rules, 2017) regular taxpayers were required to file monthly returns⁶⁹ in GSTR-1, GSTR-2 and GSTR-3, whereas composition taxpayers were required to file quarterly returns in GSTR-4. However, the provisions of the rules could not be implemented due to issues relating to information technology infrastructure. Accordingly, filing of GSTR-2 and GSTR-3 were postponed and regular taxpayers are required to file GSTR-1 and GSTR-3B and composition dealers were to file GSTR-4 quarterly.

⁶⁵ Including composite taxpayers and casual taxpayers

⁶⁶ As on March 2019, there was no registrations under Non-Resident Taxable Person (NRTP) and Online Information Database Access and Retrieval services (OIDAR)

⁶⁷ Circular dated 20 September 2017

⁶⁸ Rule 59, 60 and 61

⁶⁹ GSTR-1: containing outward supply, GSTR-2: Auto populated from GSTR-1 showing inward supply of the dealer and GSTR-3: Summarised details of outward and inward supplies of a dealer during the month along with amount of GST liability

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2018 to March 2019 in Mizoram have been depicted in **Table-5.5**:

Table-5.5: Filing pattern of GSTR-1 and GSTR-3B

Month	GSTR-1	GSTR-3B
April, 2018	1,054	5,062
May, 2018	1,096	4,743
June, 2018	1,123	4,823
July, 2018	1,160	4,895
August, 2018	1,185	4,971
September, 2018	1,185	5,053
October, 2018	1,173	5,177
November, 2018	1,234	5,284
December, 2018	1,256	5,350
January 2019	1,244	5,402
February 2019	1,244	5,494
March 2019	1,314	5,630
Total	14,268	61,884

Source: Information as provided by State Taxation Department and CGST, Aizawl

5.1.3 The details of non-tax revenue receipts during the period 2014-15 to 2018-19 are given in the following table:

Table-5.6: Details of non-tax revenue

(₹ in crore)

Head of account	2014-15		2015-16		2016-17		2017-18		2018-19		Percentage of increase/decrease (-) in 2018-19 over 2017-18
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Interest receipts	19.88	19.88	20.00	30.73	21.20	48.34	22.26	51.14	24.04	57.68	12.79
Power	144.36	144.36	162.00	166.35	172.00	200.11	181.00	213.10	198.70	270.23	26.81
Others	77.18	77.72	87.83	100.55	85.86	116.77	93.67	126.41	101.11	122.04	(-) 3.46
Total	241.42	241.96	269.83	297.63	279.06	365.22	296.93	390.65	323.85	449.95	15.18

Source: Finance Accounts and Annual Financial Statement of respective years

Non-tax revenue constituted between 4.39 and 4.98 *per cent* of the total revenue receipts during the last five years. During 2018-19, non-tax revenue recorded a growth of 15.18 *per cent* over the previous year. There was a steady increase in non-tax revenue from ₹241.96 crore in 2014-15 to ₹449.95 crore in 2018-19 with the major contributors being Power (₹270.23 crore) and Interest Receipts (₹57.68 crore).

5.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 on some principal heads of revenue amounted to ₹48.00 crore out of which, ₹0.70 crore was outstanding for more than five years, as detailed below:

Table-5.7: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019
1.	Taxes/ VAT on Sales, Trades, etc.	45.88	0.70
2.	Taxes on Professions, Trades, Callings and Employment, etc.	0.65	0.00
3.	Taxes on Entertainment	0.30	0.00
4.	Land Revenue	1.17	0.00
Total		48.00	0.70

Source: Information furnished by the Taxation, Land Revenue and Settlement Departments

Information on total amount outstanding and amount outstanding for more than five years as on 31 March 2019 for taxes on vehicles, passengers and goods was not furnished by the Transport Department, though called for (January 2020).

5.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year and number of cases pending 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 are shown below:

Table-5.8: Arrears in assessments

Head of account	Opening balance as on 01 April 2018	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Closing balance as on 31 March 2019	Percentage of disposal
0040-Taxes on Sales, Trades, etc.	2,810	514	3,324	763	2,561	22.95

Source: Information furnished by the Taxation Department

It can be seen from the above table that out of 3,324 assessments due, the disposal was 763 (22.95 per cent) at the end of the year 2018-19.

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 Department, cases finalised and demands for additional tax raised as reported by the Department are given below:

Table-5.9: Evasion of tax

Name of tax/ duty	Opening balance as on 01 April 2018	Cases detected during the year 2018-19	Total	Cases in which assignments/ investigation completed and additional demand including penalty, etc. raised during 2018-19		Number of pending cases as on 31 March 2019
				No. of cases	₹ in crore	
Sales Tax/ VAT	400	137	537	128	3.08	409

Source: Departmental figures

Information on evasion of tax detected by the Transport Department had not been furnished, though called for (January 2020).

5.5 Pendency of refund cases

The details relating to the number of refund cases pending at the beginning of 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the close of 2018-19 as reported by the Taxation Department are given below:

Table-5.10: Details of pendency of refund cases

Sl. No.	Particulars	Sales Tax/ VAT	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	20	0.034
2.	Claims received during the year	08	0.286
3.	Refunds made during the year	08	0.286
4.	Balance outstanding at the end of year	20	0.034

(₹ in crore)

Source: Information furnished by the Taxation Department

Thus, the number of cases pending at the close of the year remained the same.

5.6 Audit planning

The unit offices are categorised into high, medium and low risk units according to their revenue position, 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, etc.

During the year 2018-19, there were 144 auditable units, of which 18 units were planned and 10 units had been audited, which was seven *per cent* of the total auditable units.

5.7 Results of audit

Position of local audit conducted during the year

Records of 10 units of Taxation; Land Revenue and Settlement and Geology and Mineral Resources Departments were test-checked during 2018-19. Test check revealed short levy of penalty/ short levy of mutation fee/ MVAT/ license fee aggregating ₹30.17 crore in 60 out of 97 cases. Of these, the Departments concerned recovered ₹0.93 crore relating to the previous years in 24 cases.

5.8 Coverage of this Report

This Chapter contains five paragraphs involving a money value of ₹10.54 crore. The Departments/ Government have accepted audit observations involving ₹4.07 crore. Out of this amount, ₹0.37 crore was recovered (January 2020).

COMPLIANCE AUDIT PARAGRAPHS

TAXATION DEPARTMENT

5.9 Non-levy of tax

Tax of ₹5.73 crore was not levied on two works contractor dealers in absence of any mechanism for cross verification with tax deductors

As per Section 48(1) of the Mizoram Valued Added Tax Act, 2005 the Government is to issue notification in the Official Gazette for a scheme of composition subject to such conditions and restrictions as may be provided therein. Accordingly, Government of Mizoram issued (May 2015) a gazette notification for Composition Scheme for Work Contract through which such dealers were permitted to pay four *per cent* of the total aggregate value of the works contracts received or receivable by him subject to the condition that:

1. The dealer who elects to compound the tax for any year under this Schemes shall submit an application to the Prescribed Authority, within thirty days from the commencement of the Scheme or within thirty days from the date of the commencement of the business of works contract, if such business of works contract commences after the commencement of the Scheme.
2. The dealer has to pay tax and file returns within the prescribed period.
3. The dealer opting for composition of tax under this Scheme shall be subject to all other provisions of the Mizoram Value Added Tax Act, 2005 and the Rules made thereunder and the terms and conditions contained in this Scheme.
4. The option once exercised shall be final and cannot be revoked by the dealer during the year.

For failure to furnish correct and complete returns, the dealer is liable to pay penalty not exceeding twice the amount of tax assessed under Section 31(7)(b) of the Act *ibid*. As per Section 33 of the Mizoram Value Added Tax (MVAT) Act, 2005 no assessment of the dealer shall be made after expiry of five years from the end of the tax period to which the assessment relates.

5.9.1 Test check of records (February 2019) of the Deputy Commissioner of State Tax (DCST⁷⁰), Kolasib Zone, Kolasib revealed that a works contract dealer⁷¹ furnished his return showing receipts of ₹110.65 crore as received/ receivable out of the works contract during the period October 2015 to June 2017. Being a composite tax payer as per the Composite Tax Scheme, the dealer had not paid any tax. The dealer was liable to pay tax of ₹4.43 crore as a composite tax payer.

While accepting the observation, the DCST, Kolasib, stated (February 2019) that the dealer will be assessed and challans showing deposit will be furnished in due course.

5.9.2 Test check of records (February 2019) of the DCST, Kolasib Zone, Kolasib revealed that another works contract dealer⁷² furnished returns showing gross turnover of

⁷⁰ Erstwhile Assistant Commissioner of State Tax

⁷¹ M/s Coastal Projects Limited, TIN-15502427034

⁷² M/s Bhartia Infra Projects Limited, TIN-15503146046

₹3.74 crore during the period from October 2016 to March 2017 and claimed to have paid ₹0.13 crore as tax deduction at source without any supporting document. The tax payable was ₹0.26 crore as worked out below:

Table-5.11: Details of Tax Payable

Sl. No.	Particulars	Amount (in ₹)
1.	Gross turnover return by the dealer	3,74,03,201
2.	Deduction on account of Labour charges	1,78,47,711
3.	Taxable amount (1-2)	1,95,55,490
4.	Tax payable at the rate of 13.5 per cent of Taxable amount	26,39,991

Thus, without support of the challan showing tax deduction at source, the dealer is liable to pay a tax of ₹0.26 crore.

Further, for the quarter April-June 2017, the dealer disclosed ₹26.11 crore as received out of the contract and the tax payable as a composite tax payer was declared at ₹1.04 crore which was shown as tax deduction at source (TDS). However, there was a certificate of tax deduction at source of ₹0.58 crore but the challans showing deposit was not on record and details for claiming TDS of remaining ₹0.46 crore was also not found on record. Hence, the dealer is found to have not paid a tax of ₹1.30 crore (₹0.26 crore plus ₹1.04 crore).

While accepting the observation the DCST, Kolasib stated (February 2019) that the dealer will be assessed and challans showing deposit would be furnished in due course.

The Government stated (December 2019) that both the firms have completed their works contract and all means of communication have gone and could not be located. It was also stated that partial (without mentioning the amount) tax payment were traced out from the office of the Commissioner of State Tax, but shifting of the office and huge stacking of files around made it impossible to identify challans. It was further stated that though challans for payment of tax could not be produced to audit, a mandatory system was followed by the Kolasib zone to verify payment of tax by the firms at the time of filing returns through checking of tax invoices by the Inspector of Taxes.

The reply of the Government is evasive and also contradicts the reply furnished by the DCST, Kolasib. The claim of the department about the existence of a process to verify the payment of tax is not tenable as the details of tax payments in the dealers' returns were left blank. Further, no step was taken to assess the dealers and levy the tax due from them even after completion of the contract works, as stated in the reply.

Thus, non-levy of tax of ₹5.73 crore (₹4.43 crore plus ₹1.30 crore) and penalty not exceeding ₹11.46 crore needs to be recovered from the dealer.

Recommendations

1. Audit noticed non-levy of tax in one case, the Department needs to review all cases of major works contractors and assess their returns.
2. The Department needs to put in place a cross verification mechanism and get list of contractors/ contracts from all State Government agencies and bring the contractors under tax.

5.10 Concealment of Turnover

Concealment of turnover by ten dealers remained undetected leading to non-levy of tax of ₹2.98 crore, besides penalty leviable

Section 33 of the Mizoram Value Added Tax (MVAT) Act, 2005 prohibits audit assessment of dealers after expiry of five years from the end of the tax period to which the assessment relates. The Commissioner of Taxes, Government of Mizoram vide notification in March 2017 directed all assessing authorities to complete all pending Audit Assessment cases under MVAT Act before 08 September 2017. For furnishing incomplete and incorrect returns, the dealer is liable to pay penalty not exceeding twice the amount of tax assessed under section 31(7) (b).

Test check of records (November-December 2018 and January 2019) of the Deputy Commissioner of State Tax (DCST⁷³), South and North Zone, Aizawl revealed that 10 dealers⁷⁴ were not assessed for the period between August 2011 and June 2017. The reasons for non-assessment of the dealers were not on record. It was seen that out of the 10 dealers, five dealers⁷⁵ had not furnished any return, whereas five dealers⁷⁶ had partially furnished returns to the taxation authority.

Scrutiny of records further revealed that these 10 dealers had purchased and imported taxable goods worth ₹6,407.29 lakh from outside the State as evidenced from e-Waybills and Form-C. Of the above, only five dealers⁷⁷ had declared their purchases as ₹3,577.47 lakh and against which sale of ₹4,181.26 lakh was declared by these five dealers in their returns. Thus, there was concealment of purchase turnover of ₹2,829.82 lakh as detailed in **Appendix-5.1.1**.

Further, taking the closing stock of seven dealers, who had furnished partial returns/ had not furnished returns till June 2017, as 'nil', the taxable turnover of sale at purchase value of these 10 dealers is worked out at ₹7,205.43 lakh as detailed in the following table:

Table-5.12: Taxable turnover of dealers who have submitted their returns partially

(₹ in lakh)

Name of the Zone	No. of Dealers	Period not assessed	Particulars	Rate (per cent)		Total
				5	13.5	
DCST, South Zone, Aizawl	08	August 2011 to June 2017	Opening stock	43.41	43.58	86.99
			Purchase (Inter-State)	958.69	3,033.47	3,992.16
			Taxable Sale	999.57	3,073.15	4,072.72
			Closing stock	2.53	3.90	6.43
			Tax payable	49.98	414.88	464.86
			Tax paid	2.03	260.25	262.28
			Evasion of Tax	47.95	154.63	202.58

⁷³ Erstwhile Assistant Commissioner of State Tax

⁷⁴ (1) L.T. Enterprise (TIN-15502494025), (2) Chhani Store (TIN-15502535047), (3) Biaki Enterprise (TIN-15502560006), (4) Sangi Store (TIN-15502435017), (5) Sangi Store (TIN-15502539087), (6) City Force (TIN-15500131063), (7) Lalat (TIN-15120349084), (8) Aaron Enterprise (TIN-15120014032), (9) Mana Motors (TIN-15500410040) and (10) Lena Enterprise (TIN-1510193083)

⁷⁵ (1) L.T. Enterprise, (2) Chhani Store, (3) Biaki Enterprise, (4) Sangi Store and (5) Sangi Store

⁷⁶ (1) City Force, (2) Lalat, (3) Aaron Enterprise, (4) Mana Motors and (5) Lena Enterprise

⁷⁷ (1) City Force, (2) Lalat, (3) Aaron Enterprise, (4) Mana Motors and (5) Lena Enterprise

Name of the Zone	No. of Dealers	Period not assessed	Particulars	Rate (per cent)		Total
				5	13.5	
DCST, North Zone, Aizawl	02	April 2015 to June 2017	Opening stock	478.80	795.12	1,273.92
			Purchase (Inter-State)	1,010.99	1,404.14	2,415.13
			Taxable Sale	1,366.75	1,765.96	3,132.71
			Closing stock	122.99	433.30	556.29
			Tax payable	68.34	238.40	306.74
			Tax paid	51.93	159.47	211.40
Evasion of Tax	16.41	78.93	95.34			

Thus, there was a concealment of sale of ₹3,024.17 lakh (₹7,205.43 lakh minus ₹4,181.26 lakh) with consequential evasion of tax of ₹297.92 lakh at purchase value. Besides the tax liability, these 10 dealers were also liable to pay penalty not exceeding ₹595.84 lakh.

On this being pointed out, the DCST, South Zone, Aizawl stated (April 2019) that out of eight dealers under the South Zone, two dealers viz., M/s Biaki Enterprise and M/s Lalat had been assessed to pay a tax of ₹24.68 lakh including penalty of ₹0.30 lakh and ₹109.21 lakh including penalty of ₹0.50 lakh respectively. It was also stated that in respect of the remaining six dealers, action is being initiated for assessment of the dealers. However, report on the payment of tax from the two dealers assessed and completion of audit assessment in respect of the remaining six dealers is awaited (November 2020).

In respect of the North Zone, Aizawl the DCST stated (May 2019) that the dealer viz., M/s Lena Enterprise had been assessed to pay a tax of ₹19.60 lakh including penalty of ₹0.14 lakh. It was also stated that the dealer M/s Mana Motors was issued notice of hearing for assessment. However, report on the payment of tax by the assessed dealer and completion of audit assessment of the remaining one dealer is awaited (November 2020).

The Government stated (December 2019) that in response to the Audit observation all ten dealers were assessed for payment of tax and penalty of ₹323.53 lakh as shown below:

Table-5.13: Details of assessment of dealers

(₹ in lakh)

Sl. No.	Name of the Zone	Name of Dealer and TIN	Tax payable as worked in Audit (in per cent)		Total	Amount of tax including penalty assessed by the tax authority	Amount realised at the instance of Audit	Amount outstanding
			5.00	13.50				
1.	DCST, South Zone, Aizawl	L.T. Enterprise, 15502494025	9.14	0.00	9.14	11.05		11.05
2.		Chhani Store, 15502535047	5.21	0.00	5.21	5.75		5.75
3.		Biaki Enterprise, 15502560006	23.22	0.00	23.22	24.68		24.68
4.		Sangi Store, 15502435017	5.26	0.00	5.26	5.80		5.80
5.		Sangi Store, 15502539087	4.84	0.00	4.84	5.33		5.33
6.		City Force, 15500131063	0.00	42.71	42.71	45.24		45.24
7.		Lalat, 15120349084	0.02	101.60	101.62	109.21		109.21
8.		Aaron Enterprise, 15120014032	0.26	10.32	10.58	7.88	7.88	0.00

Sl. No.	Name of the Zone	Name of Dealer and TIN	Tax payable as worked in Audit (in per cent)		Total	Amount of tax including penalty assessed by the tax authority	Amount realised at the instance of Audit	Amount outstanding
			5.00	13.50				
9.	DCST, North Zone, Aizawl	Mana Motors, 15500410040	(-) 0.24	78.95	78.95	88.99	10.00	78.99
10.		Lena Enterprise, 1510193083	16.65	(-) 0.02	16.65	19.60	19.60	0.00
Total			64.36	233.56	297.92	323.53	37.48	286.05

Thus, there was an outstanding demand of tax of ₹286.05 lakh including the penalty, for recovery. However, the realisation of demand raised was not received (January 2020).

Recommendations

1. Audit noticed non-levy of tax in selected cases, the Department needs to review all such cases and recover the dues, if any, along with the penalty and interest leviable.
2. The Department needs to put in place an institutionalised mechanism to ensure that the non-filing of returns are tracked, appropriate action is initiated against the defaulting dealers and taxes due to the Government are recovered on priority.

5.11 Under-assessment of tax

Under-assessment of tax of ₹27.04 lakh of a dealer due to closing balance of stock not carried forward in accounts

As per Section 29(3) of the Mizoram Value Added Tax (MVAT) Act, 2005 if a registered dealer has filed the return in respect of any tax period within the prescribed time and the return so filed is found to be in order, it shall be accepted as self-assessment subject to adjustment of any arithmetical error apparent on the fact of the said return. Further, for failure to furnish correct and complete returns, the dealer is liable to pay penalty not exceeding twice the amount of tax assessed under Section 31(7)(b) of the Act *ibid*.

Test check of records (January 2019) of the DCST, North Zone, Aizawl revealed that the Assessing Officer (AO) while assessing a dealer⁷⁸ accepted (February 2018) that the business of the dealer was closed and there was no transaction during 2013-14 to June 2017 and treated the assessment as self-assessed without realising any tax.

Scrutiny of records, however, revealed that the dealer had a closing stock of ₹194.47 lakh during 2012-13 as per Assessment but the AO failed to bring this stock as opening stock for the assessment year 2013-14. By adding three *per cent* profit on the escaped turnover as was adopted by the AO in the assessment year 2012-13, the taxable turnover of the dealer should be ₹200.30 lakh having tax effect of ₹27.04 lakh at the tax rate of 13.5 *per cent*.

Thus, the dealer was under-assessed for a tax of ₹27.04 lakh. The dealer is also liable to pay penalty not exceeding of ₹54.08 lakh.

On this being pointed out, the DCST, North Zone, Aizawl re-assessed (March 2019) and levied a tax of ₹27.04 lakh. The reason for non-levy of the penalty amount was not on record.

⁷⁸ M/s John Overseas, TIN-15110020002

The Government confirmed (December 2019) the fact of levy of tax ₹27.04 lakh without citing the reason for not levying the penalty. However, report on realisation of the tax assessed is awaited (November 2020).

Thus, there was under-assessment of ₹27.04 lakh and leviable penalty not exceeding ₹54.08 lakh.

Recommendation: The Department may speed up to complete all pending assessments as per instruction issued in March 2017 and also the recovery of the assessed tax.

5.12 Suppression of Opening Stock

Suppression of opening stock by three dealers led to non-levy of tax of ₹1.11 crore

The Commissioner of Taxes, Government of Mizoram vide notification in March 2017 directed all assessing authorities to complete all pending Audit Assessment cases under MVAT Act before 08 September 2017. For furnishing incomplete and incorrect returns, the dealer is liable to pay penalty not exceeding twice the amount of tax assessed under section 31(7)(b).

Test check of records (November-December 2018 and January 2019) of the Deputy Commissioners of State Tax (DCST), South Zone and North Zone, Aizawl revealed that three dealers⁷⁹ were not assessed for the period between April 2017 and June 2017. The reason for non-assessment of the dealers was not on record. Scrutiny of the returns furnished by the three dealers revealed that their closing stock in March 2017 was ₹1,270.29 lakh (₹610.00 lakh taxable at five per cent plus ₹660.29 lakh taxable at 13.50 per cent). However, this closing stock was irregularly shown as ₹65.94 lakh (₹8.40 lakh taxable at five per cent plus ₹57.54 lakh taxable at 13.50 per cent) in the opening stock as on April 2017 resulting in irregular suppression of taxable stock amounting to ₹1,204.35 lakh (₹601.60 lakh taxable at five per cent plus ₹602.75 lakh taxable at 13.50 per cent). This irregular suppression of taxable stock by three dealers resulted in evasion of tax of ₹1.11 crore (₹0.30 crore at five per cent plus ₹0.81 crore at 13.50 per cent) as worked out below:

Table-5.14: Details of irregular suppression of taxable stock by three dealers

(₹ in lakh)

Name of the Zonal office	Name of dealer and TIN	Closing stock as in March 2017		Opening stock in April 2017		Difference/suppressed stock		Tax payable on the suppressed stock at purchase value	
		5%	13.50%	5%	13.50%	5%	13.50%	5%	13.50%
DCST, South Zone, Aizawl	L. M. Store, 15501369027	3.87	290.22	0.00	0.00	3.87	290.22	0.19	39.18
	RTP Business Enterprise, 15120003019	606.13	111.24	8.40	14.47	597.73	96.77	29.89	13.06
DCST, North Zone, Aizawl	M/s E. R. Enterprise, 15500385081	0.00	258.83	0.00	43.07	0.00	215.76	0.00	29.13
Total		610.00	660.29	8.40	57.54	601.60	602.75	30.08	81.37
Total in component wise		1,270.29		65.94		1,204.35		111.45	

Source: Departmental records

⁷⁹ (1) DCST, South Zone, Aizawl: (a) L. M. Store, TIN-15501369027 and (b) RTP Business Enterprise, TIN-15120003019; (2) DCST, North Zone, Aizawl: (c) E. R. Enterprise, TIN-15500385081

Thus, due to irregular suppression of taxable stock by three dealers, there was evasion of tax of ₹1.11 crore. Besides, for failure to furnish complete and correct returns, these dealers were also liable to pay penalty not exceeding ₹2.23 crore.

On this being pointed out, the DCST, South Zone, Aizawl stated (April 2019) that Audit assessments (February and March 2019) have been initiated against two dealers.

While re-assessing (March 2019) the third dealer, the DCST, North Zone, Aizawl did not consider the period beyond March 2017 thus, failing to assess the stock of ₹215.76 lakh which was suppressed in the opening balance of April 2017 as initially pointed out by Audit.

The Government stated (December 2019) that assessment of the dealer viz. M/s L. M. Store is under process. The other two dealers viz. M/s RTP Business Enterprise and M/s E. R. Enterprise were assessed and a tax of ₹55.22 lakh⁸⁰ including penalty of ₹1.40 lakh⁸¹ respectively were levied on the dealer. However, the AOs in their assessment, increased the closing stock as on June 2017 against the dealers' return from ₹36.76 lakh to ₹157.25 lakh in respect of M/s RTP Business Enterprise and from ₹43.07 lakh to ₹109.13 lakh in the case of M/s E.R. Enterprise without any recorded reason. Further, payment of the assessed tax in both the assessed dealers is awaited (January 2021).

Recommendation: Government needs to establish a mechanism to verify the sales of the dealers with the concerned line departments in respect of works contract to ascertain the actual tax element. Further, the Government needs to fix responsibility of the Assessing Officers who failed to comply with the provisions of the MVAT Act, which resulted in evasion of tax.

TRANSPORT DEPARTMENT

5.13 Suspected misappropriation of Government revenue

There was a suspected misappropriation of Government revenue of ₹44.85 lakh due to non-accountal/ deposit of receipts under Motor Vehicles Act

As per Rule 6(1) of the Central Government Account (Receipts and Payments) Rules, 1983 (being followed by the Government of Mizoram), all moneys received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay be paid in full into the accredited bank for inclusion in Government Accounts.

As per the procedure followed at District Transport Offices, cash counter officials collect the taxes and fees and accordingly enter the receipts in the computerised system. At the end of the day, cash counter officials generate computerised daily report and submit it to the Cashier along with the cash receipts. The Cashier verifies the cash submitted with that of the computerised daily report and enters the amount in the cashbook. The District Transport Officer (DTO) checks the cash book daily and the cash receipts are immediately deposited into Government Account through challans which are also signed by the DTO.

Test check (May 2019) of records of DTO, Siaha revealed that as per computerised day-end report⁸² a revenue of ₹515.40 lakh was collected during 2012-13 to 2018-19. Out of this, receipts of ₹471.51 lakh were shown in the cash book maintained by the DTO and there were no entries for the balance of ₹43.89 lakh.

⁸⁰ Assessment of Tax: M/s RTP Business Enterprise - ₹34.66 lakh and M/s E. R. Enterprise - ₹20.56 lakh

⁸¹ Penalty: M/s RTP Business Enterprise - ₹One lakh and M/s E. R. Enterprise - ₹0.40 lakh

⁸² An MIS report of *Vahan* and *Sarathi* softwares that shows the daily transactions recorded in the system

Further, out of the total receipts shown in the cash book, receipts of ₹463.47 lakh was deposited into Treasury by challans. The details of revenue receipts, their deposit in Government Account and closing balance reflected in the cash book are given below:

Table-5.15: Details of revenue receipts, their deposit in Government Account and closing balance reflected in the cash book

(Amount in ₹)

Year	Opening balance as per cash book on revenue collection	Amount of taxes and fees collected as per day-end record	Total Receipts	Amount deposited into Government Account	Closing balance		Revenue deposited	
					as per cash book on revenue collection	Actual	Short	Excess
1	2	3	4 [= 2 + 3]	5	6	7	8 [= 6 - 7]	9 [= 7 - 6]
2012-13	0	72,46,024	72,46,024	60,20,999	0	12,25,025	12,25,025	0
2013-14	0	69,86,743	69,86,743	56,62,379	27,485	13,24,364	12,96,879	0
2014-15	27,485	59,30,732	59,58,217	48,11,268	58,528	11,46,949	10,88,421	0
2015-16	58,528	74,54,976	75,13,504	66,50,407	600	8,63,097	8,62,497	0
2016-17	600	78,15,518	78,16,118	66,59,525	3,83,582	11,56,593	7,73,011	0
2017-18	3,83,582	85,53,176	89,36,758	88,34,483	66,811	1,02,275	35,464	0
2018-19	66,811	75,52,506	76,19,317	77,08,195	7,07,866	88,878	0	7,96,744
Total		515,39,675	520,76,681	463,47,256	--	--	52,81,297	7,96,744

Source: Departmental records

It can be seen from the above table that there was a short deposit of revenue of ₹44.85 lakh during 2012-18 without any recorded reasons, and the DTO had failed to ensure the accountability of these receipts which remained outside of the Government Account violating the Rules.

Thus, DTO, Siaha failed to reconcile the receipts accounted for in the cash book with that of the computerised day-end report generated from Vahan and Sarathi softwares resulting in suspected misappropriation of Government Revenue of ₹44.85 lakh.

On this being pointed out in audit, the Government stated (January 2020) that there was a serious clerical error in the amount of taxes and fees collected and the act of providing the wrong data to Audit was seriously dealt with. It was also stated that as per the cash book, a revenue of ₹471.51 lakh was collected and ₹463.48 lakh was deposited with a short deposit of ₹0.98 lakh. The Department further added that show cause notices had been issued (November 2019) to four officials of DTO, Siaha.

The reply of the Government is silent about the mismatch between the cash book and the computerised day-end report and whereabouts of the funds not accounted for in the cash book. Besides, the DTO cannot abdicate his responsibility for such grave failure of control in the office, as he was responsible for daily checking of the Cashbook.

Recommendation: Government needs to investigate the matter, and evolve a mechanism to reconcile the computerised day-end-report and the cash book. Further, the Government needs to fix responsibility on the DTO also for short accountal of revenue in the cash book and short deposit of revenue into the Government Account and take appropriate action for the misappropriation of Government money.