



CHAPTER – V
REVENUE SECTOR

CHAPTER – V: REVENUE SECTOR

5.1 Introduction

5.1.1 Trend of Revenue Receipts

Tax and non-tax revenue raised by the Government of Arunachal Pradesh (GoAP) during 2019-20, the State share of net proceeds of divisible Union taxes and duties assigned to the State, Grants-in-Aid received from the Government of India (GoI) during the year and corresponding figures for the preceding four years are shown in **Table 5.1**.

Table 5.1: Trend of Revenue Receipts

		(₹ in crore)				
Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue raised by the State Government						
1.	Tax revenue	535.07	708.75	815.57	1068.04	1228.73
	Non-Tax revenue	392.12	544.82	366.18	608.87	651.38
	Total	927.19	1253.57	1181.75	1676.91	1880.11
Revenue Receipts from the GoI						
2.	Share of net proceeds of divisible Union taxes and duties	7075.58	8388.30	9238.79	10436.14	8987.57
	Grants-in-Aid	2550.33	2137.70	3354.06	4082.91	4020.87
	Total	9625.91	10526.00	12592.85	14519.05	13008.44
3.	Total revenue receipts of the State Government (1 + 2)	10553.10	11779.57	13774.60	16195.96	14888.55
4.	Percentage (1 w.r.t 3)	8.79	10.64	8.58	10.35	12.63

Source: Finance Accounts of the respective years

The above Table reveals that during 2019-20, revenue raised by the State Government (₹1,880.11 crore) was 12.63 *per cent* of the total revenue receipts. The balance 87.34 *per cent* of the receipts during 2019-20 was from the GoI.

The total Revenue Receipts of the State Government declined by ₹1,307.41 crore (8.07 *per cent*) over the previous year. The decrease was mainly due to fall in the Share of net proceeds of divisible Union taxes and duties by ₹1,448.57 crore (13.88 *per cent*) and Grant-in-aid by ₹62.04 crore (1.52 *per cent*). The Tax and Non-Tax Revenue of State Government increased by ₹160.69 crore (15.05 *per cent*) and 42.51 crore (6.98 *per cent*) during the same period.

Details of Tax Revenue raised against Budget Estimate (BE) during 2015-16 to 2019-20 are shown in **Table 5.2**.

Table 5.2: Details of Tax Revenue

(₹ in crore)

Head of Revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage Increase (+)/ Decrease (-) in 2019-20 over 2018-19	
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
Goods and Services Tax	-	-	-	-	0	223.73	382.08	601	4355.47	801.55	(+)1039.94	(+)33.37
Land Revenue	5.64	8.89	8.92	6.44	10.75	13.32	7.79	14.58	16.12	15.97	(+)106.93	(+)9.53
Stamp Duty	5.28	5.63	8.04	5.08	8.84	10.42	6.14	9.16	12.60	8.14	(+)105.21	(-)11.03
State Excise	66.7	86.33	130.63	109.05	150.00	122.61	130.96	136.73	208.36	144.97	(+)59.10	(+)6.03
Taxes on Sales, Trade, etc.	178.1	190.22	236.92	282.54	250.00	285.13	374.73	268.74	311.44	219.82	(-)16.89	(-)18.20
Motor vehicle Tax	18.14	19.3	22.82	24.47	23.35	31.40	29.59	32.43	38.00	38.12	(+)28.42	(+)17.55
Taxes on goods and passenger	233.78	224.7	263.31	281.17	300.00	128.96	0	5.40	-	0.16	-	(-)97.22
Total	507.64	535.07	670.64	708.95	734.94	815.57	931.29	1068.04	5972.14	1228.73	(+)541.28	(+)14.99

Source: Finance Accounts of the respective years and the Budget document of the respective years, GoAP

The increase of Tax revenue by ₹160.69 crore (15 per cent) in 2019-20 as compared to the previous year was mainly on account of increase in contribution of State Goods and Services Tax (SGST) by ₹200.55 crore, increase in Land Revenue by ₹1.39 crore, increase in State Excise by ₹8.24 crore and increase in Motor Vehicle Tax by ₹5.69 crore. However, the increase was offset by decrease in Taxes on Stamp duty by ₹1.02 crore, decrease in taxes on sales and trade by ₹48.92 crore and decrease in Taxes on goods and passengers by ₹5.24 crore.

Details of Non-Tax Revenue raised from 2015-16 to 2019-20 is shown in the following **Table 5.3**.

Table 5.3: Details of Non-Tax Revenue

(₹ in crore)

Head of Revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage Increase (+)/ Decrease (-) in 2019-20 over 2018-19	
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
Power	184.17	117.04	226.66	259.61	250.00	133.41	340.50	287.08	442.37	247.95	(+)29.92	(-)13.63
Interest Receipts	31.61	39.11	36.98	56.39	47.32	46.98	92.26	88.01	118.84	62.49	(+)28.81	(-)29.00
Forestry & Wild Life	8.29	13.76	10.97	13.86	16.65	13.44	33.15	14.72	66.26	6.52	(+)99.88	(-)55.71
Public works	23.52	7.35	10.21	8.95	9.50	4.95	13.50	11.02	31.30	7.74	(+)131.85	(-)29.76
Miscellaneous General Services	0.04	54.39	30.48	21.67	65.81	12.75	94.63	12.49	37.26	12.78	(-)60.63	(+)2.32
Other Administrative Service	10.65	9.52	11.09	11.24	12.19	15.63	18.75	25.48	35.64	129.79	(+)90.08	(+)409.38
Police	1.30	9.34	18.32	64.36	10.00	5.12	16.10	3.62	14.86	4.27	(-)7.70	(+) 17.96
Medical & Public Health	0.81	0.61	0.77	0.80	0.84	0.78	1.02	25.42	5.23	21.23	(+)412.75	(-)16.48
Co-operation	0.67	0.58	1.12	0.40	1.23	1.21	1.49	0.83	5.80	0.71	(+)289.26	(-)14.46
Other Non-Tax Receipts	231.3	140.42	182.3	107.54	122.75	131.91	188.60	140.20	713.16	157.90	(+)278.13	(+)12.62
Total	492.36	392.12	528.90	544.82	536.29	366.18	800.00	608.87	1470.72	651.38	(+) 83.84	(+) 6.98

Source: Budget Document and Finance Accounts of respective years

During 2019-20, there was increase in collection of Non-tax revenue by ₹42.51 crore (seven per cent) over the previous year. The increase was mainly on account of increase in receipts under Other Administrative Services by ₹104.31 crore; Police by ₹0.65 crore and Other Non-Tax Receipts by ₹17.70 crore.

5.1.2 Analysis of arrears of revenue

The information regarding arrears of revenue as at the end of the year was called for from the Tax and Excise Department, but it was stated that the department did not have the consolidated details of the arrears of revenue for the entire state, and hence instructed all the district level officers to furnish the details. However, many district level officers could not furnish the details. The arrears of revenue as on 31 March 2020 in respect of the Tax and Excise Department, furnished by eight out of 26 Superintendents of Tax & Excise, amounted to ₹102.54 crore of which ₹58.28 crore was outstanding for more than five years, as detailed in the **Table 5.4**.

Table 5.4: Details of outstanding revenue

(₹ in crore)

Head of Revenue	Amount outstanding as on 01 April 2020	Collection of arrears of revenue during 2019-20	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
0040	58.26	0.08	102.35	58.25
0039	0.14	10.01	0.19	0.03
Total	58.40	10.09	102.54	58.28

Source: Data furnished by the State Government

The Department had intimated that notices had already been issued to the defaulter's dealers/ DDOs to deposit the outstanding revenue. The fact remains that recovery of ₹58.28 crore was pending for more than five years. Clearance of arrears of such magnitude requires focused efforts by all departments concerned and a push for coordination with other departments such as banks, police department and quasi-judicial/ judicial bodies involved in the process of recovery before expiry of the stating period.

5.1.3 Arrears in Assessments

Timely assessment is important for ensuring better tax compliance and increasing the collection efficiency. The details of the assessments made were called for from the department to assess whether there were any arrears in making the assessments. Even these details were not available for the entire state at the Commissionerate and hence, they instructed the district level authorities to furnish the details. However, many district level authorities could not furnish the details as required. The details of arrears in assessments pending at the beginning of the year, cases becoming due for assessments during the year, cases disposed of during the year and number of cases pending for assessment at the end of the year as furnished by 12 out of 26 Superintendents of Tax & Excise in respect of various taxation Acts are given in **Table 5.5**.

Table 5.5: Details of arrear of assessments of revenue

Head of Revenue	Opening Balance	New Cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20		Balance at the end of the year
				Number	Percentage	
0040- Taxes on Sales, Trade etc.	1,112	410	1,522	23	1.51	1,499
0039- State Excise	Nil	Nil	Nil	Nil	Nil	Nil
Total	1,112	410	1,522	23	1.51	1,499

Source: Data furnished by the State Government

As can be seen from the table above, the departmental officers could not even complete the assessment of the cases which got added during the current year, leading to addition to the arrears. Since the assessments have to be completed within the timeframe stipulated in the tax laws, delays in completing assessments is fraught with the risk of foregoing the revenue. The percentage of overall disposal compared to the cases due for assessment was only 1.51 *per cent* which resulted in increase of arrears of assessment. Pendency in assessment may result in non/ short-realisation of Government revenues and further accumulation in arrears of revenue.

5.1.4 Evasion of tax detected by the Department

The details of cases of tax evasion detected by the Tax & Excise Department, cases finalised and the demands for additional tax raised as reported by the department are given in **Table 5.6**.

Table 5.6: Details of evasion of Tax detected

(₹ in crore)

Head of Revenue	Cases pending as on 01 April 2020	Cases detected during 2019-20	Total	Number of cases in which assessment completed	Number of cases pending for finalisation as on 31 March 2020
1	2	3	4=2+3	5	6=4-5
0040	87	16	103	22	81
0039	Nil	Nil	Nil	Nil	Nil
Total	87	16	103	22	81

Source: Data furnished by the State Government

The inability to complete the assessments in a timely manner, coupled with weak monitoring mechanism, contributed to cases of evasion *etc.* not getting detected during the year. During 2019-20, out of 103 cases, 22 cases were cleared leaving a pendency of 81 cases.

5.1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year (2019-20), claims received during the year, refunds allowed during the year and cases pending at the close of the year (2019-20) have not been furnished by the Taxation Department (March 2022).

5.1.6 Response of the Government/ Departments towards Audit

The Principal Accountant General, Arunachal Pradesh, conducts periodical inspection of Government Departments to test-check transactions and verify maintenance of important accounts and other records, as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during inspections and not settled on the spot, which are issued to the Heads of Offices inspected, with copies to the next higher authorities for taking prompt corrective action. Heads of Offices are required to take appropriate actions on the audit observations contained in the IRs, and report compliance to the Principal Accountant General, Arunachal Pradesh within one month from the date of issue of IRs. Serious financial irregularities are reported to the Heads of Departments and the Government.

Inspection reports issued upto December 2020 disclosed that for Revenue Receipts 1,499 paragraphs involving ₹7,254.71 crore relating to 408 IRs remained outstanding

at the end of December 2020 along with the corresponding figures for the preceding two years. The details are shown in the **Table 5.7**.

Table 5.7: Details of pending Inspection Reports

	December 2018	December 2019	December 2020
Number of IR pending	382	397	408
Number of outstanding Audit Observations	1371	1445	1499
Total amount involved (₹ in crore)	7194.30	7234.86	7254.71

Department-wise details of the IRs and audit observations outstanding as on 31 December 2020 and amounts involved are shown in **Table 5.8**.

Table 5.8: Department-wise details of IRs and Audit Observations

(₹ in crore)

Sl. No.	Department	Nature of receipts	No of outstanding		Money value involved
			IRs	Audit Observations	
1.	Tax & Excise	Taxes on Sales, Trade etc.	180	731	1053.12
		State Excise			
2.	Land Management	Land Revenue	38	177	5656.95
3.	Transport	Taxes on Motor Vehicle	58	219	29.84
4.	State Lottery	Lottery	5	18	189.64
5.	Geology & Mining	Non-ferrous Mining & Metallurgical Industries	23	60	160.35
6.	Environment & Forest & Wild Life	Forestry & Wild Life	104	294	164.81
Total			408	1499	7254.71

Audit did not even receive first replies within one month from the date of issue of IRs from 24 Heads of Offices for 24 IRs issued during 2019-20. The large pendency of IRs due to the non-receipt of replies indicated that Heads of Offices and Departments did not initiate necessary actions to rectify the defects, omissions and irregularities pointed out in IRs.

Recommendation: *The Government may introduce an effective system for prompt and appropriate response to audit observations.*

5.1.7 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of IRs and Paragraphs in the IRs. However, no Departmental Audit Committee meeting for Revenue Sector was held during 2019-20. As can be seen from Para 5.1.6, there is large pendency of IRs. In view of this, the Government may ensure holding of regular Audit Committee meetings to expedite clearance and settlement of outstanding audit observations.

5.1.8 Response of Departments to Draft Audit Paragraphs

The Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded by the Principal Accountant General, Arunachal Pradesh to the Principal Secretaries/ Secretaries of concerned Departments, drawing their attention to audit findings and requesting them to send responses within four weeks. The reply of Department/ Government is invariably incorporated in the respective paragraph.

5.1.9 Follow-up on Audit Reports

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 PAC. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. 102 paragraphs (including two performance audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Arunachal Pradesh for the years 2008-2009 to 2018-19 were placed before the State Legislative Assembly between 21 July 2015 and 27 August 2021. The action taken explanatory notes from the concerned departments on these paragraphs were not furnished within the specified time. As of March 2020, action taken explanatory notes in respect of three paragraphs from various departments had not been received for the Audit Report year ended 31 March 2019 (December 2021).

The PAC discussed 52 selected paragraphs under Revenue Sector (February 2021) from two departments pertaining to the Audit Reports for the years from 2008-09 to 2016-17. Out of 52 paragraphs, 40 paragraphs were settled by the PAC and the remaining 12 paragraphs were recommended for further examination.

5.1.10 Analysis of mechanism for dealing with issues raised by Audit

To analyse the system of addressing issues highlighted in Inspection Reports/ Audit Reports by the Department/ Government, action taken on Paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one department is evaluated and included in this Audit Report.

The succeeding paragraph 5.1.10.1 discusses the performance of the State Transport Department under revenue head 0041 and cases detected during the course of local audit during the years 2009-10 to 2019-20.

5.1.10.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued during the last 10 years (2010-11 to 2019-20) to various offices under the administrative control of the State Transport Department as on 31 March 2020 is shown in **Table 5.9**.

Table: 5.9 Position of Inspection Reports

(₹ in lakh)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para	Money value	IRs	Para	Money value	IRs	Paras	Money value	IRs	Para	Money value
2010-11	41	102	683.30	2	8	71.89	1	3	3.63	42	107	751.56
2011-12	42	107	751.56	1	5	15.56	4	2	1.31	39	110	765.81
2012-13	39	110	765.81	-	-	-	-	5	15.58	39	105	750.23
2013-14	39	105	750.23	-	-	-	-	-	-	39	105	750.23
2014-15	39	105	750.23	-	-	-	1	5	15.56	38	100	734.67
2015-16	38	100	734.67	3	16	164.88	-	-	-	41	116	899.55

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para	Money value	IRs	Para	Money value	IRs	Paras	Money value	IRs	Para	Money value
2016-17	41	116	899.55	8	58	264.33	-	9	178.65	49	165	820.35
2017-18	49	165	820.35	1	11	3.60	-	-	-	50	176	823.95
2018-19	50	176	823.95	-	-	-	-	11	105.24	50	165	718.71
2019-20	50	165	718.71	6	42	907.89	-	-	-	56	207	1626.60

The Government did not arrange Audit Committee Meetings between the Department and the Accountant General's office to settle the old paragraphs. It is evident from the above table, against 41 outstanding IRs with 102 paragraphs at the beginning of 2010-11, the number of outstanding IRs remained at 56 IRs with 207 paragraphs at the end of 2019-20.

5.1.10.2 Recovery of Accepted Cases

The position of Compliance Audit Paragraphs included in Audit Reports of the last 10 years, those accepted by the respective department and amounts recovered are mentioned in the following Table 5.10.

Table 5.10: Status of recovery from accepted Paragraphs in Audit Reports during the period from 2009-10 to 2018-19

Sl. No.	Year	No. of Paragraphs included	Money value of Paragraphs (₹ in crore)	Amount recovered during the year	Cumulative position of recovery of accepted cases of 31 March 2020
1.	2009-10	15	3.42	Nil	Nil
2.	2010-11	15	7.56	Nil	Nil
3.	2011-12	22	5.71	Nil	Nil
4.	2012-13	07	2.31	Nil	Nil
5.	2013-14	12	6.94	Nil	Nil
6.	2014-15	06	1.43	Nil	Nil
7.	2015-16	07	12.78	Nil	Nil
8.	2016-17	05	2.25	Nil	Nil
9.	2017-18	05	5.69	Nil	Nil
10.	2018-19	08	72.61	Nil	Nil
Total		102	120.70	Nil	Nil

From the above table it can be seen that there were no recoveries even in accepted cases during the last 10 years. Recoveries of accepted cases were to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases was put in place by the Department/ Government. Further, arrear cases, including accepted audit observations, were not available with the office of the Commissioner, Excise & Taxation Department. In the absence of a suitable mechanism, the department could not monitor recoveries of accepted cases.

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

5.2 Audit Planning and Result of Audit

The Unit offices under various Department are categorised into high, medium and low risk units, according to their revenue position, past trends of audit observations and other parameters. An Annual Audit Plan is prepared on the basis of risk analysis, which

includes critical issues in Government Revenues and Tax Administration, *i.e.* Budget Speech, White paper on State Finance, Reports of the Finance Commission (Central and State), recommendation of the Taxation Reforms Committee, Statistical analysis of the revenue earnings, factors of the tax administration, audit coverage *etc.* During 2019-20, out of 153 auditable units, 31 units (20 *per cent*) were planned for audit under revenue sector and 28 units (18 *per cent*) were actually audited.

5.3 Coverage of this Chapter

This chapter contains six audit paragraphs involving financial effect of ₹6.36 crore. Out of total audit objections of ₹6.36 crore (₹3.99 crore of tax revenue and penalty of ₹2.37 crore) included in Audit Report during the year 2019-20, Department/Government made recovery of penalty of ₹9.44 lakh in respect of objections included in Audit Report. Thus, the total recoveries made at the instance of audit in respect of paras included in this report during the year aggregated to ₹9.44 lakh.

Compliance Audit Paragraphs

GEOLOGY AND MINING DEPARTMENT

5.4 Non-levy of Additional Royalty

Geology and Mining Department failed to realise additional Royalty of ₹1.94 crore from the Oil Industries Development Board (OIDB) for delay in payment of differential Royalty.

Rule 23 (1) of the Petroleum and Natural Gas (PNG) Rules 1959, provides that if any Royalty, *etc.*, is not paid to the Government by the Lessee within the time specified for such payment, it shall be increased by 10 *per cent* for each month or portion of month during which such Royalty *etc.*, remains unpaid.

The Government of Arunachal Pradesh (GoAP) entered into an Agreement (October 1997) with consortium of oil extraction companies¹ to regulate the Petroleum Sharing pattern. The contract was signed in June 1995 for exploration of Crude Oil in Kharsang, Changlang District. As per Terms and Conditions of the Agreement, the Lessee shall pay Royalty to the State Government for extraction of crude oil at the fixed rate of ₹528 per tonne, and any difference arising out of any subsequent revision in Royalty rates will be borne by the Government of India from the Oil Industries Development Board (OIDB) Fund. Further, Clause 4 (i) and (ii) of Part VI of the Agreement stipulated that payment of additional Royalty @ 10 *per cent* per annum for each month or portion of month during which such Royalty, *etc.*, remains unpaid, as per provision of the Rules *ibid* and all the payments shall be made within 30 days of the month to which the production, *etc.*, relates.

Scrutiny (May 2019) of records of the Director, Geology and Mining Department, Itanagar, revealed that the Lessee, Geo Enpro Petroleum Ltd., extracted total 68,838.75 metric tonne (MT) of Crude Oil from Kharsang Oilfield from April 2014 to

¹ Oil India Limited, Geo Petrol International INC, Enpro India Limited, Geo Enpro Petroleum Limited

March 2015. The Lessee paid Royalty totalling ₹3.63 crore @ ₹528 per tonne on 68,838.75 MT Crude Oil extracted, as detailed in **Appendix 5.1**.

Further scrutiny revealed that the Oil Industry Development Board (OIDB), GoI, released differential Royalty of ₹38.63 crore on the 68,838.75 MT extracted by the Lessee during 2014-15 to the State Government belatedly on 30 October 2015, vide Cheque No: 873066, after a delay of 183 days from the due date of the last month, i.e. 30 April 2015. Audit observed that for the delay of 183 days in payment of differential Royalty by OIDB, additional Royalty of ₹1.94 crore (₹38.63 crore @ 10 per cent per annum for 183 days) was not levied and recovered by the Department. Thus, Department failed to realise additional Royalty from OIDB for delayed payment of differential Royalty which resulted in loss of revenue of ₹1.94 crore to the State Exchequer.

The Department accepted (August 2020) the audit observation and stated that it has requested the OIDB to release additional royalty amount of ₹1.94 crore.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

Recommendation: *The State Government may take up action with OIDB and additional royalty may be realised.*

LAND MANAGEMENT DEPARTMENT

5.5 Non-realisation of Land Revenue

5.5.1 Non-realisation of Annual Lease Rent

Failure of three District Land Revenue Settlement Officers (DLRSOs) to realise Annual Lease Rent (ALR) of ₹45.58 lakh from private individuals against allotted Government land for residential and commercial purposes.

Paragraph 60 (a) of the Arunachal Pradesh (Land Settlement and Records) Act, 2000 stipulates that land revenue may be recovered by serving a written notice of demand to the defaulter.

Land Management Department, Government of Arunachal Pradesh, revised the Annual Lease Rent (ALR)² in respect of land allotted to private individual for residential purposes in the Capital Complex to ₹two per sqm. and in District/ Sub-Divisional HQs to ₹one per sqm. Similarly, ALR in respect of land allotted to private individuals for business purposes like Shopping Complexes, Hotels, Industries, etc. was revised to ₹four per sqm. in the Capital Complex and ₹three per sqm. in District/ Sub-Divisional headquarters.

Scrutiny of records of the District Land Revenue Settlement Officers (DLRSOs), Capital Complex, Itanagar (August 2019), Pasighat (November 2019) and Aalo (March 2020) revealed that 771 and 301 private individuals, who were allotted Government land for residential and business purposes in Capital Complex, Itanagar; Pasighat Town and Aalo Township, had not paid Annual Lease Rent (ALR) on the land in their possession for periods ranging from 01 to 17 years, till the date of Audit, as shown in **Table 5.11**.

² vide Order No: LM-39/2004 dated 05 December 2005

Table 5.11 Details of unrealised Annual Lease Rent from Private Individuals

(₹ in lakh)

Sl. No.	DLRSO	Period of outstanding Land Revenue		No. of Land Holders		Outstanding Land Revenue		Total Outstanding
		Residential	Commercial	Residential	Commercial	Residential	Commercial	
1.	Capital Complex, Itanagar	01 to 17 years	01 to 17 years	325	158	17.24	21.45	38.69
2.	Pasighat	01 to 14 years	01 to 11 years	314	93	3.98	1.55	5.53
3.	Aalo	01 to 03 years	01 to 03 years	132	50	0.83	0.54	1.37
Total				771	301	22.05	23.54	45.59

Source Departmental records

It can be seen that the total value of ALR payable by private individual land holders for residential allotments was ₹22.05 lakh and ₹23.54 lakh for commercial allotments.

Audit observed that no action was initiated by the DLRSOs to issue Demand Notices for clearing arrears of the ALR, despite the fact that private individual land holders had not paid ALR for prolonged periods, ranging from 01 to 17 years. Thus, failure of the DLRSOs to assess and collect Annual Lease Rent from defaulters resulted in non-realisation of land revenue of ₹45.59 lakh.

The State Government accepted (August 2021) the audit facts and stated that it would issue notices and review all the cases pointed out by Audit and suitable action would be taken to recover the Land Revenue including interest.

5.5.2 Non-realisation of Land Revenue from Private Company

Failure of the District Land Revenue Settlement Officer (DLRSO), Pasighat to realise Land Premium of ₹0.91 lakh, Annual Lease Rent (ALR) of ₹26.06 lakh and interest of ₹19.91 lakh from a Hydropower company resulted in loss of revenue of ₹46.88 lakh.

The Arunachal Pradesh Allotment of Government Land Rules, 1988, stipulates that the Allottee/ Lessee shall pay lease money annually at rates fixed by the Government from time to time. Further, Land Management Department, GoAP, in its Notification of December 2005, fixed the Land Premium (one-time) and the Annual Lease Rent (ALR) for businesses like Shopping Complexes, Hotels, Industries, etc., located in District/ Sub-divisional Headquarters at ₹eight per sqm. and ₹three per sqm. respectively. Any Allottee/ Lessee not paying any installment of Land Revenue or part thereof within the due date shall become a defaulter and Interest @15 per cent per annum shall be charged from the unpaid amount of Lease Rent.

Scrutiny of records (November 2019) of the District Land Revenue Settlement Officer (DLRSO), Pasighat, revealed that GoAP accorded approval³ for transfer of ownership of land measuring 60,705 sqm. in Pasighat Township to M/s Jai Prakash Power Ventures Ltd. (JPVL) from National Hydroelectric Power Corporation (NHPC) Ltd. for Office/ Residential Complex purposes, accordingly, Land Allotment Order⁴ was issued to the Lessee (M/s JPVL) by the Deputy Commissioner, Pasighat subject to payment of land value at prevailing rate of ₹eight per sqm. and Annual Lease Rent (ALR) at ₹three per sqm. Audit observed that the Lessee made payment of ₹6.67 lakh as land premium

³ Order No: LR-48/84 dated 09 June 2008

⁴ LM-33/2006 (Vol-I) dated 31 July 2008

and ALR for 2008. ALR of ₹3.91 lakh was also paid for 2009 and 2010. However, the Lessee did not pay ALR of ₹1.82 lakh for 2011.

Further scrutiny revealed that the GoAP accorded approval⁵ for division of the 60,705 sqm. plot on a 50:50 ratio between the Lessee and NHPC, Ltd. subject to payment of land premium @ ₹three per sqm. and ALR @ ₹ten per sqm. As such, the Lessee (M/s JPVL) owned Government land measuring 30,352.50 sqm. only *w.e.f.* March 2012. However, Department did not take any initiative to collect the outstanding land revenue before issuing the fresh allotment to the lessee. Records further revealed that the Lessee did not pay land premium of ₹0.91 lakh⁶, required as per Allotment Order and also the ALR of ₹3.03 lakh *per annum* for 08 years from 2012 to 2019. Besides, interest of ₹19.91 lakh was also leviable for non-payment of Lease Rent as detailed in **Appendix 5.2**. However, the DLRSO, Pasighat, neither assessed the Land Premium and ALR nor was any Demand Notice issued to the Lessee (M/s JPVL) for payment of outstanding land revenue.

Thus, failure of the Department to assess Land Premium and ALR led to non-realisation of Land Revenue of ₹26.97 lakh⁷, besides interest of ₹19.91 lakh for non-payment of ALR. Thus, the total outstanding Land Revenue arrears to be realised from the M/s JPVL was ₹46.88 lakh⁸. It also resulted in short-realisation of tax revenue of the respective years.

The State Government accepted (August 2021) the audit facts and stated that it would review all the cases pointed out by Audit and suitable action would be taken to recover the Land Revenue including interest.

Recommendation: *The State Government may expedite action to recover outstanding Land Revenue.*

TAX & EXCISE DEPARTMENT

5.6 Non-realisation of Entry Tax from importer

Superintendent of Taxes (ST), Banderdewa failed to realise Entry Tax of ₹14.79 lakh from an importer for which interest of ₹4.63 lakh is also leviable.

Section 3(1) of the Arunachal Pradesh Entry Tax Act, 2010, provides that, subject to the other provisions of the Act, an Entry Tax shall be levied and collected on entry of specified goods into any local area for consumption, use or sale therein, at rates respectively specified against each item in the Schedule. Further, Section 3(5)(a)(iv) of the Arunachal Pradesh Goods Tax Act, 2005 stipulates that tax due on the entry of goods shall be paid when the goods are imported into Arunachal Pradesh. The rate for sponge iron is four *per cent*. Also, under Section 44(2) of the APGT Act, when a person defaults in payment of due tax, Penalty or other amount due, interest ranging from 12 to

⁵ GoAP *vide* Order No. LR-48/84/8859 dated 07 March 2012

⁶ 30,352.50 sqm. x ₹3 = ₹0.91 lakh (Land Premium)

⁷ ₹0.91 lakh (Land Premium) + ₹1.82 lakh (ALR for 2011 against 60,705 sqm.) + ₹24.24 lakh (ALR for 2012-2019 against 30,352.50 sqm.)

⁸ ₹0.91 lakh (Land Premium) + ₹1.82 lakh (ALR for 2011 against 60,705 sqm.) + ₹24.24 lakh (ALR for 2012-2019 against 30,352.50 sqm.) + ₹19.91 lakh (Interest)

24 per cent per annum, computed on daily basis, for the period of default on the amount of tax paid short, is leviable.

Scrutiny (December 2019) of records of the Superintendent of Taxes (ST), Banderdewa, revealed that a registered dealer M/s Satyaratan Ispat⁹, was dealing in manufacturing business of imported taxable goods¹⁰ valued at ₹3.69 crores into Arunachal Pradesh in 10 consignments from April 2017 to June 2017. Total Entry Tax payable by the importer was ₹14.79 lakh (@ 4 per cent of ₹3.69 crore). However, Audit observed that the Officer-in-Charge, Border Facilitation Centre (BFC), Banderdewa, allowed the goods to be imported into the State without collecting Entry Tax at prescribed rate from the dealer, in violation of extant Rules. The ST also failed to take action to realise Entry Tax from the dealer, despite having details of the imports, like invoices, etc. Since, Entry Tax has been abolished from July 2017 after implementation of GST, hence as such, there was loss of revenue to the State Exchequer to that extent. Further, interest of ₹4.63 lakh was also leviable u/s 44(2) of the APGT Act, 2005, as detailed in **Appendix-5.3**.

The Department (March 2020) stated that Recovery Notice was issued to the dealer. However, a report on recovery of the Entry Tax from the dealer is still awaited from the Department (April 2022).

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

Recommendation: *The State Government may take appropriate action for immediate recovery of the tax and interest from the dealer.*

5.7 Non-levy of Penalty

The Superintendent of Taxes (ST), Changlang failed to levy penalty of ₹19.79 lakh from 29 VAT Registered Dealers for non-submission of returns (FF-01) within due date.

As per Rule 36(1) & (2) of the Arunachal Pradesh Goods Tax (APGT) Rules, 2005, every dealer liable to pay tax shall furnish a return in form FF-01 for each tax period within 28 days from the end of the tax period. Also, under Section 87(9)(a) of the Act, if a dealer fails to furnish any return by due date, he is liable to pay penalty of ₹100 per day of default, subject to a maximum of ₹10,000.

Scrutiny (January 2020) of records of the Superintendent of Taxes (ST), Changlang, revealed that 29 dealers¹¹ registered under VAT did not furnish returns (FF-01) for periods ranging between 19 days to more than 100 days in respect of tax periods between January 2016 and November 2019. As the dealers did not furnish returns, their turnover could not be ascertained by the Assessing Officer. For non-submission of returns, the dealers were liable to pay penalty of ₹19.29 lakh as detailed in **Appendix 5.4**

⁹ TIN: 12041657192

¹⁰ Sponge Iron and Silico Manganese

¹¹ i) 22 dealers dealing in GST Products – Not required to file VAT return post-GST, i.e. from June 2017

ii) Seven dealers dealing in Petroleum Products & Indian Made Foreign Liquor (IMFL) – Required to file VAT return post-GST, i.e. from June 2017 till date

(A) & Appendix 5.4 (B). It also resulted in short collection of tax revenue of State Government in respective year.

Assessing Officer did not initiate any action or issue Show Cause Notices to the dealers for non-submission of returns and realisation of the penalty (July 2020).

The Department (July 2020), accepted the facts and stated that letter was issued to all 29 dealers for recovery of outstanding amount due to non-filing of VAT return. Out of 29 dealers, 11 dealers had deposited required penalty of ₹9.44 lakh into Government Account and recovery of the balance penalty of ₹10.35 lakh (₹19.79 lakh (-) ₹9.44 lakh) from the remaining 18 dealers, was under process (March 2022).

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

Recommendation: *The State Government may expedite action to recover balance outstanding amount from the dealers.*

5.8 Loss of Revenue due to non-implementation of amended Rules in respect of Holograms

The Commissioner, Tax & Excise Department failed to mandate the use of holograms by the Manufacturers/ Bottlers/ Bonded Warehouses operating in the State which resulted in loss of revenue of ₹3.10 crore.

The Government of Arunachal Pradesh amended the Arunachal Pradesh Excise Rules in August 2009 and inserted Rule 251, which mandates the use of holograms on all Indian Made Foreign Liquor (IMFL)/ beer bottles of different capacities/ sizes imported by licensed Bonded Warehouses locally or from outside the State and sold within the State. Holograms would be ordered by the Excise Department for Manufacturers/ Bottlers/ Bonded Warehouses, who would affix them on all IMFL/ beer bottles before effecting export or sales, as the case may be, from their premises. The fee for registration and renewal of holograms was fixed at ₹one lakh *per annum*.

Scrutiny (June 2019) of records of the Commissioner of Tax & Excise, Itanagar, revealed that there were 40 Manufacturers/ Bottlers/ Bonded Warehouses of IMFL and Beer operating in the State as of June 2019. Audit observed that Registration/ Renewal Fees for holograms from the 40 Manufactures/ Bottlers/ Bonded Warehouses was worked out as ₹3.10 crore from April 2009 to May 2019 as detailed in **Appendix 5.5**. However, none of the 40 Manufacturers/ Bottlers/ Bonded Warehouses operating in the State during the period paid any Registration/ Renewal Fees for holograms, as required under the amended Rules, due to the fact that no Instruction was issued by the Department of Tax & Excise to Manufacturers/ Bottlers/ Bonded Warehouses of IMFL/ Beer for use of holograms even after a lapse of nine years from the date of amendment. Despite amendment of the Excise Rules in August 2009, mandating the use of holograms, the Department had still not initiated any action to enforce the amended Rules.

Thus, failure of the Department to enforce the amended Rules and realise Registration/ Renewal Fees for holograms resulted in loss of revenue of ₹3.10 crore to the State exchequer and it also resulted in non-compliance with the rules enacted by the State Legislature.

In reply (October 2019), the Department stated that the Gazette Notification was published for enforcement of the amended Rules in the State, but it was not enforced/implemented by the Department, pending decision of higher authorities, hence, the ₹3.10 crore may not be treated as a loss.

The reply of the Department is not tenable, as once the amendment was published in the Official Gazette, it becomes a law and requires to be implemented. Due to inordinate delay by the Department in enforcing the amended Rules, the Government suffered loss of revenue of ₹3.10 crore.

The matter was reported to the State Government in January 2021. The reply is awaited as of April 2022.

Recommendation: The State Government may ensure the implementation of rules enacted by the State Legislature.