

CHAPTER V: REVENUE SECTOR

CHAPTER V: REVENUE SECTOR

5.1 GENERAL

5.1.1 Trend of Revenue Receipts

The Tax and Non-tax Revenue raised by Government of Tripura during the year 2021-22, the net proceeds of State's share of Union Taxes and Duties assigned to the State and Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are given in **Table 5.1.1**.

Table 5.1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
I.	Revenue raised by the State Government					
	Tax Revenue	1,422.02	1,765.91	2,101.79	2,332.44	2,616.31
	Non-tax Revenue	493.48	372.20	271.65	285.49	274.11
	Total	1,915.50	2,138.11	2,373.44	2,617.93	2,890.42
	<i>Increase over previous year (%)</i>	<i>16.74</i>	<i>11.62</i>	<i>11.01</i>	<i>10.30</i>	<i>10.41</i>
II.	Receipts from the GoI					
	Net proceeds of State Share of Union Taxes and Duties	4,322.08	4,888.95	4,211.78	4,218.45	6,077.52
	Grants-in-aid	3,830.37	5,003.83	4,416.37	6,456.02	8,646.01
	Total	8,152.45	9,892.78	8,628.15	10,674.47	14,723.53
III.	Total Revenue Receipts of the State Government (I and II)	10,067.95	12,030.89	11,001.59	13,292.40	17,613.95
IV.	Percentage of I to III	19.03	17.77	21.57	19.69	16.41

Source: Finance Accounts

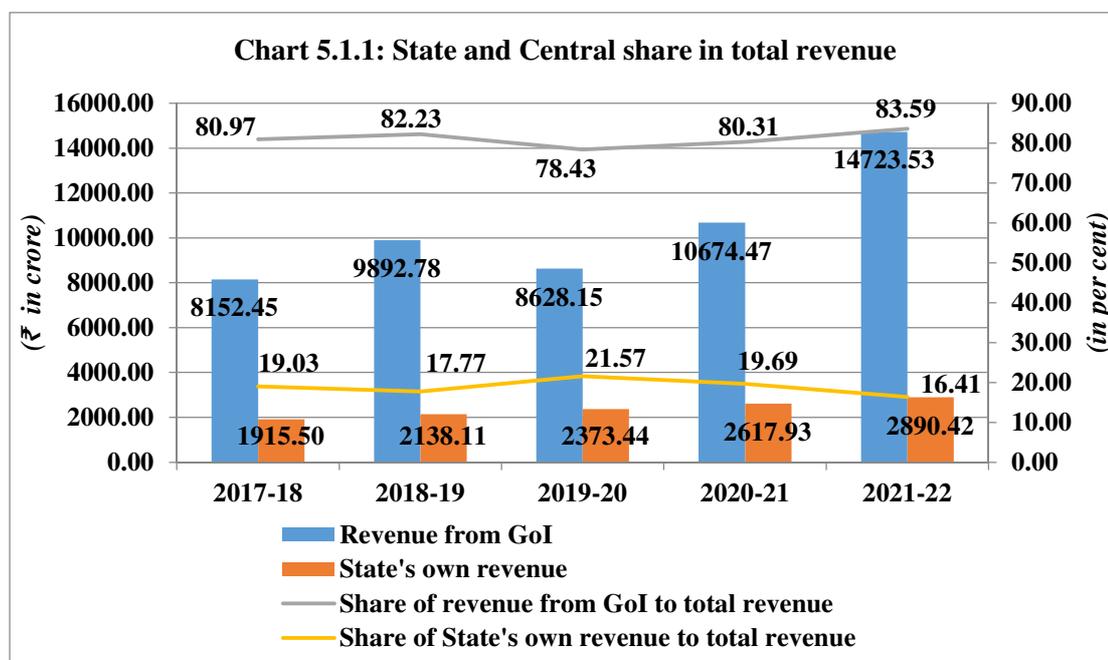


Table 5.1.1 and **Chart 5.1.1** indicates that during the year 2021-22, the revenue raised by the State Government was ₹ 2,890.42 crore which was 16.41 per cent of the total Revenue Receipts. The balance 83.59 per cent of the revenue receipts during

2021-22 was received from the GoI in the form of State share of Union Taxes and Duties and Grants-in-Aid. The collection of own revenue increased by ₹ 272.50 crore during 2021-22 as compared to previous year and the rate of growth of own revenue marginally increased to 10.41 *per cent* in 2021-22 as compared to 10.30 *per cent* during 2020-21. Revenue Receipts of the State increased by 32.54 *per cent* from ₹ 13,292.40 crore in 2020-21 to ₹ 17,613.95 crore in 2021-22.

5.1.1(a) Tax Revenue

The details of the Tax Revenue raised during the period 2017-18 to 2021-22 are given in **Table 5.1.2**.

Table 5.1.2: Components of Own Tax Revenue during 2017-18 to 2021-22

(₹ in crore)

Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Increase (+) or decrease (-) of actual in 2021-22 over 2020-21 (<i>per cent</i>)
Sales Tax/ Value Added Tax (VAT)	611.88	361.95	435.88	403.19	463.12	14.86
Goods and Service Tax	479.71	977.44	1026.63	1056.01	1282.69	21.47
State Excise	186.96	214.35	231.70	287.36	319.60	11.22
Stamps and Registration Fees	40.16	51.32	61.67	69.53	89.65	28.95
Taxes on Vehicles	54.38	83.50	97.14	97.41	103.22	5.96
Other Taxes on Income and Expenditure	42.20	43.87	43.59	40.99	41.75	1.85
Land Revenue	4.46	5.29	12.98	9.85	8.94	(-) 9.24
Other Taxes and Duties on Commodities and Services	2.17	27.93	161.58	255.84	273.37	6.85
Taxes & Duties on Electricity	0.01	0.01	30.54	112.09	33.74	(-) 69.91
Others	0.09	0.25	0.08	0.17 ¹⁸⁶	0.23 ¹⁸⁷	35.29
Total	1422.02	1765.91	2101.79	2332.44	2616.31	12.17

Source: Finance Accounts

State Excise: The Finance (Excise and Taxation) Department attributed the reason for increase in collection of “State Excise” (11.22 *per cent*) to complete implementation of advalorem excise duty.

Other Taxes on Income and Expenditure: The Finance (Excise and Taxation) Department attributed the reason for increase in collection of “Other taxes and Income and Expenditure” (1.85 *per cent*) to increase in tax base.

¹⁸⁶ Tax on Agriculture Income (₹ 0.04 crore), Taxes on Immovable Property other than Agricultural Land (₹ 0.13 crore)

¹⁸⁷ Tax on Agriculture Income (₹ 0.04 crore), Taxes on Immovable Property other than Agricultural Land (₹ 0.19 crore)

Taxes & Duties on Electricity: The Finance (Excise & Taxation) Department attributed the reason for decrease in collection of Taxes and Duties on Electricity (69.91 *per cent*) to exclusion of the duty on inter-State supply of electricity outside the ambit of Tripura Electricity Duty from 2021-22, following the High Court order.

The other departments (indicated in **Table 5.1.2**) did not furnish (February 2023) the reasons for variations in Tax Revenue receipts with respect to the previous year, though called for (January 2023).

5.1.1(b) Non-tax Revenue

During 2021-22 collection of Non-tax revenue had increased by ₹ 11.37 crore (3.98 *per cent*) over the previous year. The details of the Non-Tax Revenue raised during the period 2017-18 to 2021-22 are indicated in **Table 5.1.3**.

Table 5.1.3: Components of Non-tax Revenue during 2017-18 to 2021-22

(₹ in crore)

Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	increase (+)/ decrease (-) of actual in 2021-22 over 2020-21 (<i>per cent</i>)
1	Interest Receipts	276.99	146.11	19.25	18.11	24.43	34.90
2	Industries	87.36	92.81	100.27	89.56	86.62	(-) 3.28
3	Police	60.11	71.77	65.13	75.79	82.77	9.21
4	Public Works	8.51	5.06	4.95	6.94	6.67	(-) 3.89
5	Forestry and Wildlife	9.76	11.96	13.82	19.45	21.35	9.77
6	Water Supply and Sanitation	2.36	1.88	1.25	1.28	1.87	46.09
7	Misc. General Services	8.88	6.18	20.44	44.11	23.70	(-) 46.27
8	Other Administrative Services	5.60	4.71	8.29	5.22	7.07	35.44
9	Medical and Public Health	1.51	3.97	8.94	1.88	1.73	(-) 7.98
10	Crop Husbandry	2.71	3.56	2.98	2.54	2.33	(-) 8.27
11	Animal Husbandry	1.79	2.07	2.05	1.57	1.30	(-) 17.20
12	Housing	2.08	2.07	2.16	2.03	2.23	9.85
13	Education, Sports, Art and Culture	1.48	1.78	1.05	1.04	0.76	(-) 26.92
14	Stationery and Printing	0.81	2.00	2.15	1.50	1.06	(-) 28.67
15	others ¹⁸⁸	23.53	16.27	18.92	14.47	10.22	(-) 29.37
	Total	493.48	372.20	271.65	285.49	274.11	(-) 3.98

Source: Finance Accounts

The departments (indicated in **Table 5.1.3**) did not furnish (February 2023) the reasons for variations in Non-tax Revenue receipts with respect to the previous year, though called for (January 2023).

5.1.2 Revenue and return filing trends

5.1.2(i) GST Revenue of Government of Tripura: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2018-19 to 2021-22 are shown in **Table 5.1.4**.

¹⁸⁸ Comprising 27 Major Heads including dividends and profits

Table 5.1.4: Revenue from GST during 2018-19 to 2021-22

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	State GST	State GST	State GST
2018-19	630.00	1008.54	977.44
2019-20	1149.74	1149.74	1026.63
2020-21	1310.70	984.80	1056.01
2021-22	1122.67	1250.51	1282.69

Source: Information furnished by office of the Accountant General (A&E), Tripura

It could be seen from Table 5.1.4 that, although target of RE was not achieved in 2018-19 and 2019-20, actual collection was more than the target as projected in the RE for the years 2020-21 and 2021-22.

5.1.2(ii) Bi-monthly compensation received from Union Government

The bi-monthly compensation received from Union Government under GST (Compensation to States) Act, 2017¹⁸⁹ for the year 2021-22 is given in Table 5.1.5.

Table 5.1.5: Bi-monthly compensation received from Union Government for the year 2021-22

(₹ in crore)

Month	Provisional Compensation				Shortfall (+)/ Excess (-), if any	
	Due		Received		2020-21	2021-22
	2020-21	2021-22	2020-21 [#]	2021-22 [*]		
April-May	172.76	83.72	70.28	0.00	(+) 102.48	(+) 83.72
June-July	84.59	97.99	0.00	0.00	(+) 84.59	(+) 97.99
August-September	89.67	113.65	0.00	0.00	(+) 89.67	(+) 113.65
October-November	58.16	85.55	0.00	0.00	(+) 58.16	(+) 85.55
December-January	56.11	60.63	47.22	0.00	(+) 8.89	(+) 60.63
February-March	61.32	60.85	0.00	0.00	(+) 61.32	(+) 60.85
Total	522.61	502.39	117.50	0.00	(+) 405.11	(+) 502.39

Source: Information furnished by the Finance (Excise & Taxation) Department

During 2020-21, compensation of ₹ 159 crore was also received by the State which pertained to the year 2019-20

* During 2021-22, compensation of ₹ 101.45 crore was also received by the State which pertained to the year 2020-21

From Table 5.1.5, it can be seen that there was overall shortfall in release of ₹ 405.11 crore and ₹ 502.39 crore compensation of SGST from the GoI for the years 2020-21 and 2021-22, respectively.

5.1.2 (iii) Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected will be apportioned between the Centre and the State where the goods or services are consumed. The revenue will be apportioned to the Centre at the CGST rate, and the remaining amount will be apportioned to the consuming State.

The trends of IGST apportionment to the State and its cross utilisation are given in Table 5.1.6.

¹⁸⁹ An act to provide compensation to the States for the loss of revenue arising on account of implementation of the GST in pursuance of the 101 Constitutional Amendment Act, 2016.

Table 5.1.6: Integrated Goods and Services Tax*(₹ in crore)*

IGST component	2018-19	2019-20	2020-21	2021-22
IGST ¹⁹⁰ apportioned to the State as per Section 17 of IGST Act, 2017	40.73	15.30	124.17	103.55
IGST provisionally/ ad-hoc apportioned to the State	128.07	32.52	74.82	61.68
IGST cross utilised between				
SGST ¹⁹¹ as IGST	(-) 36.36	(-) 30.90	(-) 42.96	(-) 57.15
IGST as SGST	(+) 549.45	(+) 644.58	(+) 531.32	(+) 788.16

Source: Information furnished by office of the Accountant General (A & E), Tripura

5.1.2(iv) Registration under GST

The total registration under GST as on 31 March 2022 were 28,211, of which normal taxpayers were 25,684 which accounted for 91.04 per cent and composition taxpayers were 1,524 which accounted for 5.40 per cent. The category wise registrations under GST is given in **Table 5.1.7**.

Table 5.1.7: Details of GST registrations upto 31 March 2022

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	25,684	91.04
Composition taxpayers	1,524	5.40
Tax Deductors at Source	963	3.41
Tax Collectors at Source	30	0.11
Input Service Distributors	0	0.00
Others (Casual, NRTP, OIDAR) ¹⁹²	10	0.04
Total Registrants	28,211	100

Source: Information furnished by the Finance (Excise & Taxation) Department

5.1.2(v) GST Return filing pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1¹⁹³ and GSTR-3B¹⁹⁴ as on 31 March 2022 for the period from April 2021 to March 2022, as compiled from the summary reports shared by GSTN, have been depicted in **Table 5.1.8**.

The filing of GST-3B for April 2021 was 16,116 while that of March 2022 was 24,239. It was noticed that on an average, 90.85 per cent tax payers filed their GSTR-3B returns during 2021-22. However, the average percentage of filing of GSTR-3B return within the due date by the taxpayers and the average percentage of filing of GSTR-3B return after the due date, by the taxpayers during April 2021 to March 2022 was not furnished. Thus, while it was expected that compliance would improve as the system would stabilise with the passage of time.

¹⁹⁰ IGST: It is a tax collected by the Central Government for an inter-State sale.

¹⁹¹ SGST: It is a tax collected by the State Government for an intra-State sale.

¹⁹² Non-Resident Taxable Person (NRTP), Online Information Data Access and Retrieval Services (OIDAR).

¹⁹³ GSTR-1: It is a sales return that is required to be filed by every GST registered person.

¹⁹⁴ GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal.

Table 5.1.8: Details of return filing (GSTR-1 and GSTR-3B) during 2021-22

Return types	GSTR-1			GSTR-3B				
	Months*	Due for filing	Return filed	Return filing (per cent)	Due for filing	Returns filed as on 31 March 2022	Return filing (per cent)	Returns filed by due date
Apr-21	18,100	15,653	86.48	18,100	16,116	89.04	NA**	NA
May-21	17,996	15,739	87.46	17,996	16,185	89.94	NA	NA
Jun-21	25,145	22,568	89.75	25,145	23,099	91.86	NA	NA
Jul-21	18,343	15,925	86.82	18,343	16,393	89.37	NA	NA
Aug-21	18,513	16,094	86.93	18,513	16,577	89.54	NA	NA
Sep-21	25,418	22,944	90.27	25,418	23,485	92.40	NA	NA
Oct-21	18,377	16,127	87.76	18,377	16,565	90.14	NA	NA
Nov-21	18,561	16,293	87.78	18,561	16,706	90.01	NA	NA
Dec-21	25,768	23,240	90.19	25,768	23,724	92.07	NA	NA
Jan-22	18,534	16,469	88.86	18,534	16,885	91.10	NA	NA
Feb-22	18,657	16,749	89.77	18,657	17,159	91.97	NA	NA
Mar-22	26,131	23,718	90.77	26,131	24,239	92.76	NA	NA

Source: Information furnished by the Finance (Excise & Taxation) Department

5.1.2(vi) Revenue earning from top 10 commodities/ services

The details of the revenue earning from top 10 commodities/ services during 2021-22 are given in the Table 5.1.9.

Table 5.1.9: Revenue from top 10 commodities/ services during 2021-22

(₹ in crore)

Sl. No.	Name of commodity	SGST collections	
		Total	Ranking
1	Cement & Products	61.91	1
2	Iron & Steel	44.71	2
3	Automobile	42.10	3
4	Food Items	33.95	4
5	Tobacco & Products	28.50	5
6	Electricals	21.17	6
7	Machinery	15.21	7
8	Tyres and Tubes	15.15	8
9	Pharmaceuticals & Medicine	15.05	9
10	Petroleum Products	13.94	10
Sl. No.	Name of Services	Total	Ranking
1	Works Contract	65.09	1
2	Telecommunications & Postal/ Courier, Service	24.68	2
Sl. No.	Name of Services	Total	Ranking
3	Health/ Health Care	20.05	3
4	Insurance	13.66	4
5	Banking and Financial Institutions	10.74	5
6	Agriculture & Plantation Crops	4.01	6
7	Infrastructure (Construction)	3.45	7
8	Consultancy	2.39	8
9	Rental & Lease	1.22	9
10	Transport & Logistics	1.21	10

Source: Information furnished by the Finance (Excise & Taxation) Department

5.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2022 on account of Taxes/ VAT and GST stood at ₹ 62.12 crore, of which, ₹ 37.12 crore was outstanding for more than five years, as detailed in Table 5.1.10.

Table 5.1.10: Arrears of revenue

(*₹ in crore*)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March		Amount outstanding for more than five years as on 31 March	
		2021	2022	2021	2022
1	Sales Tax/ VAT	54.51	45.33	40.63	37.12
2	GST	6.12	16.79	--	--
Total		60.63	62.12	40.63	37.12

Source: Information furnished by the Finance (Excise & Taxation) Department

It can be seen from **Table 5.1.10** that arrear of revenue increased from ₹ 60.63 crore at the end of March 2021 to ₹ 62.12 crore at the end of March 2022. The arrear of revenue outstanding for more than five years decreased from ₹ 40.63 crore to ₹ 37.12 crore during the same period.

5.1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected by the Finance (Excise & Taxation) Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 5.1.11**.

Table 5.1.11: Evasion of tax

Head of revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty, etc. raised		Number of cases pending for finalisation as on 31 March 2022
				No. of cases	(₹ in crore)	
Sales Tax/ VAT	1,034	674	1,700	545	7.04	1027
GST	72	456	528	420	3.70	108
Total	1106	1130	2,228	965	10.74	1135

Source: Information furnished by the Finance (Excise & Taxation) Department

As on 31 March 2021, 1,106 cases of evasion of tax/ VAT and GST were outstanding. During 2021-22, 1,130 cases of evasion of tax had been detected under Tripura VAT Act, 2004 and Tripura State GST Act, 2017 taking the total pending cases to 2,228. Of these, assessments/ investigation of 965 (43.31 per cent) cases were completed and additional demand including penalty, etc. amounting to ₹ 10.74 crore was raised during the year 2021-22. Consequently, 1,135 cases were pending as on 31 March 2022.

The government should put in place a mechanism to expedite the disposal of cases pending for their finalisation.

5.1.5 Pendency of refund cases

The details of the claims for refund received and refund made under GST, Sales Tax (VAT) & State Excise are shown in **Table 5.1.12**.

Table 5.1.12: Details of pendency of refund cases

(*₹ in crore*)

Sl. No.	Particulars	GST		Sales tax/ VAT		State Excise		Total	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	7	0.78	1	0.05	Nil	Nil	8	0.83
2	Claims received during the year	32	1.65	--	--	10	0.40	42	2.05
3	Refunds made during the year	25	1.91	--	--	10	0.40	35	2.31
4	Balance outstanding at the end of the year	14	0.52	1	0.05	Nil	Nil	15	0.57

Source: Information furnished by the Finance (Excise & Taxation) Department

During 2021-22, the State Government refund ₹ 2.31 crore under GST and State Excise in 35 cases. As per information received from the Commissioner of Taxes, it was seen that, 32 cases of GST claims amounting to ₹ 1.65 crore and 10 cases of State Excise amounting to ₹ 0.40 crore were received during the year. Of these, claim of 25 cases of GST amounting to ₹ 1.91 crore and 10 cases of State Excise amounting to ₹ 0.40 crore have been refunded during the year 2021-22.

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

In order to analyse the effectiveness of the departments/ Government in addressing the issues highlighted in the Inspection Reports (IRs)/ Audit Reports, the action taken on the paragraphs and performance audits featured in the Audit Reports of the last ten years by the Finance (Excise & Taxation) Department has been evaluated. The results are included in this Audit Report.

The succeeding **Paragraphs 5.1.6.1** and **5.1.6.2** explain the performance of the Finance (Excise & Taxation) Department with reference to cases detected in the course of local audit during the last ten years and the cases included in the Audit Reports for the years 2012-13 to 2021-22.

5.1.6.1 Position of Inspection Reports

The summarised position of the outstanding IRs during the last ten years, paragraphs included in those reports and their status as on 30 June 2022 in respect of Finance (Excise & Taxation) Department are tabulated in **Table 5.1.13**.

Table 5.1.13: Position of IRs

(*₹ in crore*)

Year	Inspection Report	Paragraphs	Money Value
2012-13	5	13	0.48
2013-14	13	45	3.53
2014-15	13	64	12.58
2015-16	17	45	8.45
2016-17	14	75	6.34
2017-18	11	60	6.76
2018-19	13	49	6.59

Year	Inspection Report	Paragraphs	Money Value
2019-20	10	62	5.76
2020-21	4	30	1.58
2021-22	1	7	7.19
Total	101	450	59.26

The age-wise break up of outstanding IRs and Paragraphs for 2012-13 to 2021-22 as on 30 June 2022 is shown in **Table 5.1.14**.

Table 5.1.14: Age wise break up of outstanding IRs

(₹ in crore)

Years	Inspection Report	Paragraphs	Money value
0-3 years	15	99	14.53
4-6 years	38	184	19.69
7-9 years	43	154	24.56
10 years	5	13	0.48
Total	101	450	59.26

It is evident from **Table 5.1.14** that between a range of zero to three years, 15 IRs and 99 paragraphs remained outstanding, between four to six years, 38 IRs and 184 paragraphs and between seven to nine years, 43 IRs and 154 paragraphs remained outstanding and 5 IRs and 13 paragraphs remained outstanding for more than 10 years as on 30 June 2022. This indicates the fact that the efforts taken by the Department for settlement of the outstanding IRs are rather slow and inadequate. Necessary steps may be taken to increase the pace of settlement in this regard.

5.1.6.2 Recovery in accepted cases

The position of paragraphs included in the last ten years' Audit Reports, those accepted by the Department and the amount recovered during the year 2021-22 and the cumulative position of recovery of accepted cases as on 31 March 2022 are as shown in **Table 5.1.15**.

Table 5.1.15: Position of recovery of accepted audit paragraphs of Audit Reports

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during 2021-22	Position of recovery of accepted cases as of 31 March 2022
2009-10	3	1.74	2	1.16	Nil	0.60
2010-11	3 ¹⁹⁵	3.12	3	3.12	Nil	0.44
2011-12	1	0.87	1	0.87	Nil	0.07
2012-13	1	1.51	1	1.51	Nil	0.22
2013-14	3 ¹⁹⁶	11.17	3	6.06	Nil	0.24
2014-15	2	0.39	2	0.39	Nil	0.28
2015-16	2	0.46	2	0.46	Nil	Nil
2016-17	4 ¹⁹⁷	31.87	3	31.73	Nil	0.01
2017-18	3	1.77	3	1.77	Nil	0.01
2018-19	3	1.30	2	0.69	Nil	0.06
Total	25	54.20	22	47.76	Nil	1.93

¹⁹⁵ Including one Performance Audit

¹⁹⁶ Including one Performance Audit

¹⁹⁷ Including one Performance Audit

It is evident from **Table 5.1.15** that the progress of recovery even in accepted cases was very slow. In the last ten years' Audit Reports, 25 paragraphs involving ₹ 54.20 crore featured in the Audit Reports, of which 22 paragraphs involving ₹ 47.76 crore had been accepted by the State Government. Out of this, only ₹ 1.93 crore (3.56 per cent) was recovered.

The Department should pursue and monitor prompt recovery of the dues involved in accepted cases within a specified timeframe, since it would not only enable better compliance with relevant rules, but would also augment Government revenues.

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

The performance audits (PAs) conducted by the office of the Principal Accountant General (Audit) are forwarded to the concerned departments with a request to furnish the replies. These performance audits are also discussed in Exit Conferences and the departments' views are incorporated/ considered while finalising the Audit Report.

Four performance audits on Finance (Excise & Taxation) Department, Transport Department and Revenue Department have featured in the last five years Audit Reports during 2014-15 to 2018-19. The number of recommendations and their status is given in **Table 5.1.16**.

Table 5.1.16: Details of recommendations of PAs and their status

Year of Report	Name of the performance audit	No. of recommendations	Status (as on December 2022)
2014-15	IT Audit on Computerisation of Land Records.	3	The PA had not been discussed in PAC.
2015-16	Collection of Revenue from outsourced Activities in Motor Vehicle Tax.	4	The PA had been discussed in June 2022 and proposed to be dropped in PAC.
2016-17	System and Procedures in force in the Taxes and Excise Organisation regarding Excise Duty	3	The PA had not been discussed in PAC
	Border Area Development Programme (BADP)	3	The PA had not been discussed in PAC

Table 5.1.16 indicates that discussion of performance audits had not been made in PAC in timely manner which led to loss of importance of audit observations with the passage of time.

5.1.8 Results of audit

Position of local audit conducted during the year

Test check of the records of four units of VAT, Motor Vehicles offices conducted during the year 2021-22 revealed under assessment/ short levy/ loss of revenue/ non-realisation of outstanding revenue of ₹ 16.19 crore in 16 cases. Of these the Department accepted ₹ 1.29 crore in three cases which were pointed out in audit during 2021-22, but no recovery was made.

FINANCE (EXCISE & TAXATION) DEPARTMENT

5.2 Subject Specific Compliance Audit on “Transitional Credits under GST”

5.2.1 Introduction

GST and Transitional credits: Introduction of Goods and Service Tax (GST) is a significant reform in the field of indirect taxes in our country, which replaced multiple taxes levied and collected by the Centre and States. GST is a destination based tax on supply of goods or services or both, which is levied at multi-stages wherein the taxes will move along with supply. The tax will accrue to the taxing authority which has the jurisdiction over the place of supply. Tax is levied simultaneously by the Centre and States on a common tax base. Central GST (CGST) and State GST (SGST)/ Union Territory GST (UTGST) are levied on intra State supplies and Integrated GST (IGST) is levied on inter-State supplies. The availability of input tax credit of taxes paid on inputs, input services and capital goods for set off against the output tax liability is one of the key features of GST. This will avoid cascading effect of taxes and ensures uninterrupted flow of credit from the seller to buyer. To ensure the seamless flow of input tax from the existing laws to GST regime, a ‘Transitional arrangements for input tax’ was included in the GST Acts to provide for the entitlement and manner of claiming input tax in respect of appropriate taxes or duties paid under existing laws.

Transitional credit provisions are important for both the Government and business. For business, these credits should be carried forward properly to give them benefit of taxes they had already paid on inputs or input services in the pre-GST regime. From the view point of the Government, the amount of admissible transitional credits will determine the extent of cash flow of GST revenue and hence in the interest of revenue, only admissible and eligible transitional credits should be carried forward into GST.

5.2.2 Audit objectives

Transitional credit claimed under TRAN-1 and TRAN-2 returns, credited to the electronic credit ledger of the taxpayers as input tax credit, would be adjusted against GST output liability of the taxpayers. Hence, the claims have a direct impact on GST revenue collection. Thus, the audit of transitional arrangements for input tax credit under GST was taken up with the following audit objectives with a view to seeking an assurance on:

- i. Whether the mechanism envisaged by the Department for selection and verification of transitional credit claims was adequate and effective.
- ii. Whether the transitional credits carried over by the assesses into GST regime were valid and admissible.

5.2.3 Audit criteria

The criteria against which the audit objectives were to be verified comprises the provisions of Section 140 of the Central GST Act, 2017 and the Tripura State GST Act, 2017 read with Rules 117 of the Tripura State GST Rules, 2017, and notifications/ circulars/ instructions issued by Central and State Governments.

5.2.4 Audit scope and sample selection

The Subject Specific Compliance Audit of transitional credit claims under the GST regime was conducted for the period from July 2017 to March 2020. During the period, a total of 333 transitional credit cases involving money value of ₹ 46.72 crore were processed in 15¹⁹⁸ Sales Tax Charges under the Commissioner of Taxes, Tripura. A sample of 43 cases having money value of ₹ 32.97 crore was scrutinised (**Appendix 5.2.1**) and discrepancies in 11 cases (26 per cent) with money value of ₹ 6.28 crore had been noticed.

Transitional credits carried forward during the period were examined by scrutiny of data, records and information furnished by the Commissionerate of Taxes and Sales Tax Charges (10¹⁹⁹).

5.2.5 Audit methodology

An entry conference was held with the Commissioner of Taxes on 19 April 2021 wherein the audit objectives and scope were discussed. Records collected in course of audit, outcomes of data analysis and information furnished by the Taxes Organisation against questionnaires issued by Audit were used as evidence. Audit conclusions were drawn after scrutiny of records, analysis of the available data and responses to questionnaires.

The exit conference was held with the Commissioner of Taxes on 13 August 2021, wherein the audit findings were discussed. The Organisation's reply has been suitably incorporated in the Audit Report.

5.2.6 Audit findings

Table 5.2.1 brings out the extent of deficiencies noticed during the audit of transitional credit claims, selected for detailed audit:

Table 5.2.1: Deficiencies noticed during the audit of transitional credit claim

Nature observation	Audit sample		Deficiencies noticed	
	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)
Inadmissible claim of transitional credit (SGST) without credit balance in VAT returns	43	3296.87	2	84.62
Unacceptable claim of transitional credits against TDS Certificate	43	3296.87	1	18.85
Irregular claim of transitional credit without furnishing VAT returns	43	3296.87	4	173.27
Irregular claim of transitional credit without tax invoices	43	3296.87	4	351.09
Total			11	627.83

Audit findings are narrated in the subsequent paragraphs.

¹⁹⁸ Charge-I, Charge-II, Charge-III, Charge-IV, Charge-V, Charge-VI, Charge-VII & Charge-VIII at Agartala, Bishalgarh Charge, Udaipur Charge, Belonia Charge, Teliamura Charge, Ambassa Charge, Dharmanagar Charge and Kailashahar Charge

¹⁹⁹ Charge-I, Charge-II, Charge-III, Charge-V, Charge-VI, Charge-VII, Charge- VIII, Bishalgarh Charge, Udaipur Charge and Belonia Charge

5.2.6.1 Inadmissible claim of transitional credit (SGST) without credit balance in VAT returns

Under Section 140 (1) of Tripura SGST Act, 2017, a registered person, other than a person opting to pay tax under Section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, if any, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed.

Under Section 50(1) of the Act *ibid*, every person who is liable to pay tax in accordance with the provisions of this Act or the rules made there under, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding 18 *per cent*, as may be notified by the Government on the recommendations of the Council.

Further, under Section 73(5) of the Act *ibid*, the person chargeable with tax may, before service of notice under sub-section (1) or, as the case may be, the statement under sub-section (3), pay the amount of tax along with interest payable thereon under Section 50 on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment.

During scrutiny, it was observed that two taxpayers having no tax credit balance as per their last return filed, had claimed SGST transitional credit as detailed in **Table 5.2.2**.

Table 5.2.2: claim of GST transitional credit without no tax credit balance

Jurisdiction	Taxpayer	GSTIN	Tax credit as claimed (₹)
Charge-I	Meghalaya Cement Ltd.	16AADCM8079P1ZO(File)	72,73,029
Udaipur	Ruchi Infocom Private Ltd.	16AACCR0274N1Z7	11,88,811
Total			84,61,840

Thus, transitional credit claim of aforesaid two dealers for ₹ 84,61,840 was not admissible. The lapse was neither verified nor detected by the tax authority till pointed out by Audit.

On this being pointed out (April & June 2021), the Superintendent of Sales Tax, Charge-I, while accepting the observation, issued letter to the taxpayer (Meghalaya Cement Ltd.) on 7 July 2021 for reversal of inadmissible transitional credit along with interest for ₹ 1,15,27,750, failing which 'show cause notice' would be served. However, response relating to verification and action taken from the Superintendent of Sales Tax, Udaipur is awaited (July 2021).

During the exit conference, the Commissioner of Taxes stated (August 2021) that the matter would be examined, and result would be intimated in due course.

In reply, the Government stated (October 2022) that the Meghalaya Cement Ltd. was under Central jurisdiction and accordingly, all actions had to be initiated by the

Central Tax Authority (CTA). The Commissioner of Taxes furnished (December 2022) the audit observation on the dealer to the CTA.

In respect of Ruchi Infocom Private Ltd., the Government replied (October 2022) that notice in the Form GST DRC 01A had been issued in June 2021 for reversal of inadmissible transitional credit along with interest. Subsequently, show cause notice was issued in September 2021 and demand order in Form GST DRC 07 was issued in November 2021. But, the taxpayer filed an appeal in February 2022 before the first Appellate Authority against the order for rejection of credit availed in TRAN-1.

5.2.6.2 Unacceptable claim of transitional credits against TDS Certificate

Under Section 140 (1) of Tripura SGST Act, 2017, a registered person, other than a person opting to pay tax under Section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, if any, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed, provided that the registered person shall not be allowed to take credit where the said amount of credit is not admissible as input tax credit under this Act.

It may be mentioned here that the deductee can claim TDS either in his electronic cash ledger of the tax deducted and use it for payments of other taxes or can claim a refund of tax subject to refund provisions of the GST Act. However, transitional credits cannot be claimed against TDS.

Scrutiny of the data from GST portal along with relevant records revealed that one taxpayer under the jurisdiction of Charge-VIII, claimed transitional credits against the TDS certificates as detailed in **Table 5.2.3**.

Table 5.2.3: Claim of transitional credits against TDS certificates

Taxpayer	TIN	GSTN	Total amount claimed in TRAN-I (₹)	Amount claimed on TDS certificate (₹)
Santoshi Paints & Hardware	16011060072	16BAVPS4640A1ZK	18,89,438	18,85,267

Hence, the taxpayer claimed transitional credit for total sum of ₹ 18,89,438 in TRAN-I, out of which ₹ 18,85,267 was claimed against TDS certificates which is not acceptable.

On this being pointed out (May 2021), the Superintendent of Taxes, Charge-VIII issued notice for intimating discrepancies in the return (in Form GST ASMT-10) to Santoshi Paints & Hardware on 4 June 2021 and again served notice for tax ascertained as being payable (in Form DRC 01A) for total sum of ₹ 37,03,298 (tax plus interest) on 29 June 2021.

During exit conference, the Commissioner of Taxes stated (August 2021) that the matter would be examined, and result would be intimated in due course.

In respect of M/s Santoshi Paints & Hardware, the Government replied (October 2022) that the taxpayer had reversed the ITC amount of ₹ 15,52,647 from credit ledger and deposited ₹ 3,36,791 from cash ledger.

5.2.6.3 Irregular claim of transitional credit without furnishing VAT returns

Under Section 140 (1) of Tripura SGST Act, 2017, a registered person, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of the amount of Value Added Tax, if any, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed, provided that the registered person shall not be allowed to take credit in the circumstance:

Where he has not furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date.

Scrutiny of records revealed that four taxpayers under the jurisdiction of Udaipur Charge had claimed Input Tax Credit (ITC) amounting to ₹ 173.27 lakh without furnishing VAT returns (in Form-X) for last six months (January-June 2017) before implementation of GST as given in **Table 5.2.4**.

Table 5.2.4: Claim of ITC without furnishing VAT returns

Taxpayer	TIN	GSTIN	Amount of ITC claim (₹)
Narayan Kumar	16111886118	16AEAPK6185Q1ZX	4,71,530
Banik Enterprise	16111742133	16BLMPB7125H1Z7	1,02,992
NTPC BHEL Power	16111438096	16AACCN9505A1ZU	1,65,46,115
Arjun Banik	16110310068	16AHWPB1217B1ZU	2,06,275
Total			1,73,26,912

Thus, claiming of transitional credit amounting to ₹ 1,73,26,912 without furnishing VAT returns for January-June 2017 was irregular.

On this being pointed out (April 2021), the Superintendent of Taxes, Udaipur while accepting the observation stated that necessary steps would be initiated. However, the claims had not yet been verified and no action was taken by the tax authority.

During the exit conference, the Commissioner of Taxes stated (August 2021) that the matter would be examined, and result would be intimated in due course.

In respect of Narayan Kumar, the Government replied (October 2022) that the Form GST DRC 01A had been issued in June 2021 for reversal of inadmissible transitional credit along with interest for ₹ 8,87,419. Subsequently, show cause notice was issued in August 2021. The taxpayer made voluntary payment of tax for ₹ 1,13,829 and penalty ₹ 56,915 against CGST and also deposited ₹ 2,35,765 against SGST. Out of ₹ 8,87,419 (as per Form GST DRC 01A) the taxpayer deposited total sum of ₹ 4,06,509 (CGST: ₹ 1,13,829 plus penalty: ₹ 56,915 plus SGST: ₹ 2,35,765) only. The balance amount is yet to be recovered (October 2022).

In respect of Banik Enterprise and NTPC BHEL Power, the Government replied (October 2022) that the taxpayer falls under the Central Jurisdiction. The Commissioner of Taxes furnished (December 2022) the audit observation on the dealers to the CTA.

In respect of Arjun Banik, the Government replied (October 2022) that Form GST DRC 01A was issued in June 2021 for reversal of inadmissible Transitional Credit along with interest for ₹ 3,82,020 and the taxpayer had deposited ₹ 3,82,021 in September 2021.

5.2.6.4 Lack in verification of transitional credit claims

Rule 117 (3) of Tripura State GST Rules, 2017, states that the amount of credit specified in the application in Form GST TRAN-1 shall be credited to the electronic credit ledger of the applicant maintained in Form GST PMT -2 on the common portal.

Rule 121 of Tripura SGST Rules, 2017 states that the amount credited under sub-rule (3) of Rule 117 may be verified and proceedings under Section 73 or, as the case may be, Section 74 shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

Evaluation of correctness of transitional credit claimed by the taxpayers and its verification by the Taxes Organisation were the prime focus of the Audit. Scrutiny, in this context, revealed that out of the total 43 cases selected for audit scrutiny, only five cases (11.63 *per cent*) with money value of ₹ 113.33 lakh (**Appendix 5.2.2**) had been verified by the State Tax Authority and action was taken by the Taxes Organisation.

Moreover, as per information furnished to Audit, a total of 333 transitional credit claims involving money value of ₹ 4,671.73 lakh had been processed during July 2017 to March 2020 in the State. Of that, only 74 cases (22.22 *per cent*) with monetary value of ₹ 948.56 lakh (*i.e.* only 20.30 *per cent* of the total value of claim) had been verified by the Taxes Organisation (July 2021).

It is obvious that the risk of tax evasion, error, fraud, *etc. vis-à-vis* loss of revenue is high if the percentage of verification is less and *vice-versa*. Therefore, non-verification of 259 transitional credit claims, with money value of ₹ 3,723.17 lakh by the Taxes Organisation is fraught with risk of mistakes or loss of revenue remaining undetected.

However, after raising the issue, the Commissioner of Taxes issued memorandum directing to verify at least five transitional credit claims of taxpayers in each month by each Charge Office of the State.

In respect of Godrej and Boyce Manufacturing Co. Ltd., the Government replied (October 2022) that the case was under jurisdiction of the Hon'ble High Court.

In respect of Rajesh Saha, the Government replied (October 2022) that the taxpayer reversed the ITC amount ₹ 15,52,647 from credit ledger and the balance amount

₹ 3,36,791 from cash ledger. Notice for recovery of interest against cash payment was issued to the taxpayer.

In respect of Bijoy Kumar Saha, the Government replied (October 2022) that show cause notice had been issued.

5.2.6.5 Non-production of records

5.2.6.5(i) Irregular claim of transitional credit without tax invoices

(A) Despite repeated requests, original tax invoices in support of tax credit by four dealers could not be produced for audit scrutiny. In absence of original tax invoices, Audit could not ascertain the authenticity of the claims. In this context it may be presumed that taxpayers availed transitional credits for ₹ 3,51,09,424 without tax invoices, which was irregular. The details are depicted in **Table 5.2.5**.

Table 5.2.5: Details of taxpayers availing Transitional Credit without tax invoices

Jurisdiction	Taxpayer	TIN	GSTN	Amount claimed in TRAN-1 (₹)
Charge-VIII	Abhisar Build well Pvt. Ltd.	16180012046	16AAFCA6845D1ZT	2,75,18,912
Charge-VIII	ALD Automatic Pvt. Ltd.	16180746115	16AAFCA0924K1ZU	9,20,581
Charge-VIII	Aristo Texcon Pvt. Ltd.	16180560195	16AACCA6117B1ZB	57,28,555
Charge-V	Mrinal Kanti Debnath	16052458157	16AGXPD1102H2ZO	9,41,376
Total				3,51,09,424

In the absence of original tax invoices, the transitional credit claim is not sustainable.

During the exit conference, the Commissioner of Taxes stated (August 2021) that the matter would be examined, and result would be intimated in due course.

In respect of Abhisar Build Well Pvt. Ltd., ALD Automatic Pvt. Ltd., Aristo Texcon Pvt. Ltd. and Mrinal Kanti Debnath, the Government replied (October 2022) that the taxpayer falls under the Central Jurisdiction. The Commissioner of Taxes furnished (December 2022) the audit observation on the dealers to the CTA.

(B) In respect of two taxpayers under Charge-II, files/ records of two tax payers could not be produced to Audit. Thus, the authenticity of transitional credit claim remained unverified. The details are shown in **Table 5.2.6**.

Table 5.2.6: Taxpayers whose files/ record not produced to Audit

Sl. No.	Name of dealer	GSTIN	Amount of tax credit claim in TRAN-1 (₹)
1	Sayak Enterprise	16ACCFS7762D1Z2	8,82,744
2	Mcnally Bharat Engineering Company Ltd.	16AABCM9443R1ZS	52,65,669

The Superintendent of Taxes, Charge-II stated (June 2021) that one case (Sayak Enterprise) had been sent to Commissioner Office (Tax Audit cell) and that of other case (Mcnally Bharat Engineering Company Ltd.) could not be furnished due to imposition of Corona Curfew in the State.

During the exit conference, the Commissioner of Taxes stated (August 2021) that the matter would be examined, and result would be intimated in due course.

In respect of Sayak Enterprise, the Government replied (October 2022) that the taxpayer falls under the Central Jurisdiction. The Commissioner of Taxes furnished (December 2022) the audit observation on the dealer to the CTA.

In respect of McNally Bharat Engineering Company, the Government replied (October 2022) that record could not be produced due to Corona Curfew, and it would be produced to next audit. However, it was not informed whether the State Tax Authority had verified the case or not.

5.2.6.6 Conclusion

Significant deficiencies viz. claim of transitional credits without credit balance in VAT returns, claim of transitional credits against TDS Certificate and claim of transitional credit without furnishing VAT returns, etc. were noticed during audit.

To detect such erroneous claims on transitional credit, verification and prompt remedial action on the part of the Taxes Organisation is crucial. It was observed that the Organisation had completed verification of only 74 cases out of total 333 transitional credit claims amounting to ₹ 948.56 lakh under the jurisdiction, which reflects lack of adequate effort of the Organisation in verification of transitional credit claims and absence of time bound action.

5.2.6.7 Recommendation

The Organisation may step up efforts for verification of unverified transitional credit claims expeditiously and initiate action for recovery/ reversal of all the wrongly claimed transitional credits by taxpayers along with penalty and interest.

FOREST DEPARTMENT

5.3 Improper storage of timber resulted in loss of revenue

Failure on the part of the Forest Department to establish proper storage facilities, delay in calling of tender, and non-disposal of timber in time resulted in loss of revenue to the Department of ₹ 50.11 lakh.

Tripura Forest (Establishment and Regulation of Depots) Rules, 2006²⁰⁰, states that there shall be a depot under the control of Divisional Forest Officer (DFO), to which timber, timber logs, fashioned timber, driftwood, sunken, salvaged wood together with seized or confiscated, boats, tools, vehicles, etc., as defined in the Indian Forest Act, 1927 and its amendments, shall be taken and stored at for safe custody, examination, marking, disposal and sale. The DFO shall establish one or more depot at any designated place after obtaining approval in writing from the Principal Chief Conservator of Forests (PCCF), Tripura. The PCCF, Tripura instructed (August 2015) to dispose of the seized timber within one month and reasons for delay in disposal was to be recorded in a register.

²⁰⁰ Notified by the State Government in June 2006

Audit scrutiny of the records of the office of PCCF (July 2022) revealed that 782.89 m³ timber valued ₹ 50.11 lakh were lying under ten Sub-Divisions of six Forest Districts. As the undisposed timber had been kept without proper storage facilities for the period ranging between five years and 20 years, it got damaged. The district and sub-division wise details are shown in **Table 5.3.1**.

Table 5.3.1: District and Forest Sub-Division-wise quantity of damaged timber

Name of the district	Name of the Sub-division	Quantity of timber (in cum)	Value (₹ in lakh)
North Tripura	Dharmanagar	21.12	0.97
	Kanchanpur	61.43	Not available (NA)
Unakoti	Kailashahar	119.45	9.31
South Tripura	Bagafa	316.67	11.20
	Sabroom	102.86	2.44
Khowai	Teliamura	19.88	2.19
	Khowai	30.28	1.92
Sepahijala	Bishalgarh	28.15	NA
	Sonamura	10.07	
Dhalai	Ambassa	72.98	22.08
Total		782.89	50.11

Source: Departmental records

The details of action taken by the Department for establishment of depots with safe storage facilities as envisaged under the Tripura Forest (Establishment and Regulation of Depots) Rules, 2006 were not found on the records. Due to storage of timbers in open space and prolonged exposure to sun and rain, timber has been damaged as shown in **Photographs 5.3.1, 5.3.2 and 5.3.3**.



Photograph 5.3.1: Garji Forest Depot, Udaipur



Photograph 5.3.2: Paratia Central Nurseries, Udaipur



Photograph 5.3.3: Churaibari Beat Office, Dharmanagar

Tenders for disposal of timber were called for by the Department belatedly after a lapse of five to 20 years of storage in open space. However, due to deterioration of quality of the timber, fixing of comparatively higher rate than the market rate and non-participation of bidders, the tender could not be finalised.

The concerned DFOs sent (November 2018-August 2019) the proposals to the PCCF to write off the damaged timbers from their respective stocks but the status of write off could not be furnished by the Department though specifically called for (May 2022) by the audit.

Thus, failure on the part of the Department to establish proper storage facilities, delay in calling of the tender, and non-disposal of timber in time resulted in loss of revenue of ₹ 50.11 lakh.

The Government in its reply (January 2023) stated that efforts would be made for proper storage of timber and timber depots had been made in many sub-divisions.

It is recommended that the Government may identify the delinquent officers and fix responsibility for failure to establish proper storage facilities for timber and failure to ensure timely disposal of timber.