

CHAPTER – IV
REVENUE SECTOR

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REVENUE SECTOR

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Mizoram during the year 2019-20, State's share of net proceeds of divisible Union taxes and duties and Grants-in-Aid from the Government of India (GoI) during the year and corresponding figures for the preceding four years are given in the following **Table-4.1**.

Table-4.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue raised by State Government						
1.	Tax revenue	358.41	441.81	545.91	726.69	730.98
	Non-tax revenue	297.63	365.22	390.65	449.95	522.35
	Total	656.04	807.03	936.56	1,176.64	1,253.33
Receipts from GoI						
2.	State's share of net proceeds of divisible Union taxes and duties	2,348.11	2,800.63	3,097.05	3,502.96	3,017.80
	Grants-in-aid	3,672.25	3,790.64	4,546.59	4,359.88	5,387.13
	Total	6,020.36	6,591.27	7,643.64	7,862.84	8,404.93
3.	Total Revenue Receipts of State Government (1 + 2)	6,676.40	7,398.30	8,580.20	9,039.48	9,658.26
4.	Percentage of 1 to 3	9.83	10.91	10.92	13.02	12.98

Source: Finance Accounts, Vol-I of respective years

The above table indicates that during the year 2019-20, revenue raised by the State Government (₹ 1,253.33 crore) was 12.98 per cent of its total revenue receipts. The balance receipts (₹ 8,404.93 crore) constituting 87.02 per cent of total receipts during 2019-20 were from GoI.

4.1.2 Details of Budget Estimates (BEs) and tax revenue raised during the period from 2015-16 to 2019-20 are given in the following **Table-4.2**:

Table-4.2: Details of tax revenue

(₹ in crore)

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2019-20 over 2018-19
	2015-16		2016-17		2017-18		2018-19		2019-20		
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Taxes on Sales, Trade, etc.	232.66	247.04	225.00	307.81	285.00	242.85	307.80	135.93	150.06	117.61	(-) 13.48

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2019-20 over 2018-19
	2015-16		2016-17		2017-18		2018-19		2019-20		
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
State Goods and Services Tax	---	---	---	---	---	169.76	50.00	454.73	355.03	532.22	(+) 17.04
State Excise	35.68	60.60	43.08	72.26	51.50	65.83	59.40	65.34	5.00	2.73	(-) 95.82
Taxes on Vehicles	23.57	19.44	23.61	25.75	23.84	31.58	25.74	38.36	27.06	40.66	(+) 6.00
Land Revenue	11.90	8.88	11.90	8.58	10.01	8.29	10.81	8.64	11.00	9.05	(+) 4.75
Stamps and Registration fees	0.12	3.57	8.72	3.26	9.16	3.20	9.89	4.43	5.92	5.85	(+) 32.05
Taxes on Goods and Passengers	4.24	2.71	3.18	7.90	3.20	7.83	3.50	4.71	2.75	7.44	(+) 57.96
Other Taxes	18.95	16.17	15.70	16.25	15.00	16.57	16.20	14.55	16.87	15.42	(+) 5.98
Total	327.12	358.41	331.19	441.81	397.71	545.91	483.34	726.69	573.69	730.98	(+) 0.59

Source: Finance Accounts, Vol-II and Annual Financial Statement of respective years

State's own tax revenue increased by 0.59 per cent in 2019-20 over 2018-19. Continuing its downward trend since 2017-18, revenue receipts on account of Taxes on sales, trades, etc., decreased by ₹ 18.32 crore (13.48 per cent) in 2019-20 over 2018-19 due to introduction of Goods and Services Tax (GST) since 01 July 2017 which was accounted for separately. Receipts on account of GST were ₹ 532.22 crore which registered an increase of ₹ 77.49 crore (17.04 per cent) over the previous year.

The tax revenue on Vehicles registered an increase of six per cent in 2019-20 over the previous year due to increase in number of vehicles registered during the year. Receipts from Taxes on Goods and Passengers witnessed an increase of ₹ 2.73 crore (57.96 per cent) over the previous year. Receipts from State Excise witnessed a decrease of ₹ 62.61 crore (95.82 per cent) over the previous year due to less receipts under 'Foreign Liquors and Spirits' and 'Fines and confiscations'.

4.1.2.1 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 (CGST) 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 include registration, return filing, payment of tax, *etc.*, while back-end services include approval of registration, taxpayer detail viewer, refund processing, MIS reports, *etc.*

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

4.1.2.1.1 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 dealers 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 2020.

The category wise registrations under GST as on March 2020 have been given in **Table-4.3**.

Table-4.3: Registered taxpayers under GST

Types of Taxpayers	Number of dealers	Percentage of total
Normal Taxpayers ⁷⁶	10,272	69.55
Tax Deductors at source (TDS)	4,185	28.33
Tax Collectors at source (TCS)	76	0.52
Composition Taxpayers	232	1.57
Input Service Distributors (ISD)	5	0.03
Total Registrants	14,770	100

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

The total registrations under GST in Mizoram as on March 2020 were 14,770 of which, normal taxpayers accounted for 69.55 *per cent*, tax deductors at source accounted for 28.33 *per cent* and others⁷⁷ (including TCS, Composition taxpayers and ISD) accounted for 2.12 *per cent*.

4.1.2.1.2 Division of Dealers between Central and State Government

As per the recommendation⁷⁸ 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 2020 are shown in **Table-4.4**.

⁷⁶ Including casual taxpayers

⁷⁷ As on March 2020, there were no registrations under Corporation Taxpayers, Casual Taxpayers, Non-Resident Taxable Person (NRTP) and Online Information Database Access and Retrieval services (OIDAR)

⁷⁸ Circular dated 20 September 2017

Table-4.4: Division of dealers between Centre and State Government

Jurisdiction	Number of dealers		Total
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	
Centre	Not Available*	Not Available	Not Available
State	749	5,641	6,390
Total	749	5,641	6,390

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

* Could not be provided by CGST, Aizawl as the figures could not appear in their system dashboard

4.1.2.1.3 Filing of Returns under GST

As per Mizoram Goods and Services Tax Rules⁷⁹, 2017 (MGST Rules, 2017) regular taxpayers were required to file monthly returns⁸⁰ 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.

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2019 to March 2020 in Mizoram have been depicted in **Table-4.5**.

Table-4.5: Filing pattern of GSTR-1 and GSTR-3B

Month	GSTR-1	GSTR-3B
April, 2019	2,563	5,768
May, 2019	2,561	5,859
June, 2019	3,897	5,926
July, 2019	2,639	6,066
August, 2019	2,643	6,129
September, 2019	4,039	6,233
October, 2019	2,655	6,330
November, 2019	2,705	6,411
December, 2019	4,147	6,514
January, 2020	2,768	6,540
February, 2020	2,771	6,621
March, 2020	4,242	6,683
Total	37,630	75,080

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

4.1.3 The details of non-tax revenue receipts during the period 2015-16 to 2019-20 are given in the following **Table-4.6**:

⁷⁹ Rule 59, 60 and 61

⁸⁰ 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

Table-4.6: Details of non-tax revenue

(₹ in crore)

Head of account	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+)/ decrease (-) in 2019-20 over 2018-19
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	
Interest receipts	20.00	30.73	21.20	48.34	22.26	51.14	24.04	57.68	25.96	32.84	(-) 43.07
Power	162.00	166.35	172.00	200.11	181.00	213.10	198.70	270.23	300.00	373.61	(+) 38.26
Others	87.83	100.55	85.86	116.77	93.67	126.41	101.11	122.04	132.06	115.90	(-) 5.03
Total	269.83	297.63	279.06	365.22	296.93	390.65	323.85	449.95	458.02	522.35	(+) 16.09

Source: Finance Accounts, Vol-II and Annual Financial Statement of respective years

Non-tax revenue constituted between 4.46 and 5.41 *per cent* of the total revenue receipts during the last five years. During 2019-20, non-tax revenue recorded a growth of 16.09 *per cent* over the previous year. There was a steady increase in non-tax revenue from ₹ 297.63 crore in 2015-16 to ₹ 522.35 crore in 2019-20 with the major contributors being Power (₹ 373.61 crore) and Interest Receipts (₹ 32.84 crore).

4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 on some principal heads of revenue amounted to ₹ 3.75 crore, out of which ₹ 0.83 crore was outstanding for more than five years, as detailed in Table-4.7.

Table-4.7: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
1.	Taxes/ VAT on Sales, Trades, etc.	2.96	0.72
2.	Taxes on Professions, Trades, Callings and Employment, etc.	0.41	0.11
3.	Taxes on Entertainment	0.38	0.00
Total		3.75	0.83

Source: Information furnished by the Taxation Department

4.3 Arrears in assessment

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed off 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, Tax on Works Contracts and Professional Tax are shown in Table-4.8.

Table-4.8: Arrears in assessments

Head of account	Opening balance as on 01 April 2019	New cases due for assessment during 2019-20	Total assessments due	Cases disposed off during 2019-20	Closing balance as on 31 March 2020	Percentage of disposal
0040-Taxes on Sales, Trades, etc.	2,561	105	2,666	178	2,488	6.68
Taxes on Professions, Trades, Callings and Employment, etc.	-	91	91	91	-	100.00
Total	2,561	196	2,757	269	2,488	9.76

Source: Information furnished by the Taxation Department

It can be seen from the above table that out of 2,757 assessments due, the disposal was 269 (9.76 per cent) during the year 2019-20.

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

4.4 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 in **Table-4.9**.

Table-4.9: Evasion of tax

Name of tax/ duty	Opening balance as on 01 April 2019	Cases detected during the year 2019-20	Total	Cases in which assignments/ investigation completed and additional demand including penalty, etc. raised during 2019-20		Number of pending cases as on 31 March 2020
				No. of cases	₹ in crore	
Sales Tax/ VAT	409	105	514	123	5.90	391
Taxes on Entertainment	-	2	2	-	-	2
Total	409	107	516	123	5.90	393

Source: Departmental figures

4.5 Pendency of refund cases

The details relating to the number of refund cases pending at the beginning of 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of 2019-20 as reported by the Taxation Department are given in **Table-4.10**.

Table-4.10: Details of pendency of refund cases

(₹ in crore)

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	13	0.49
3.	Refunds made during the year	13	0.49
4.	Balance outstanding at the end of year	20	0.034

Source: Information furnished by the Taxation Department

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

4.6 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 2019-20, there were 144 auditable units, of which 22 units were planned and 24 units had been audited, which was 16.67 per cent of the total auditable units.

4.7 Results of audit

Position of local audit conducted during the year

Records of 24 units of Taxation; Land Revenue and Settlement and Geology and Mineral Resources Departments were test-checked during 2019-20. Test check revealed short levy of penalty/ short levy of mutation fee/ MVAT/ license fee aggregating ₹ 118.05 crore in 159 out of 193 cases. Of these, the Departments concerned recovered ₹ 0.53 crore for the year 2019-20 and previous years in 29 cases.

4.8 Coverage of this Report

This Chapter contains two Subject Specific Compliance Audits on Processing of Refund claims under GST in the State of Mizoram and GST Transitional Credits and three Paragraphs involving a money value of ₹ 2.45 crore against the Paragraphs. The Departments/ Government have accepted audit observations involving ₹ 2.45 crore. However, no recovery was made (April 2022).

COMPLIANCE AUDIT PARAGRAPHS

TAXATION DEPARTMENT

4.9 Subject Specific Compliance Audit on Processing of Refund claims under GST in the State of Mizoram

4.9.1 Introduction

Timely refund mechanism constitutes a crucial component of tax administration, as it facilitates trade through release of blocked funds for working capital, expansion and modernization of existing business. The provisions pertaining to refund contained in the GST laws aim to streamline and standardise the refund procedures under GST regime. Processing of the refund applications, *i.e.*, issuance of acknowledgement, issuance of deficiency memo, passing of provisional/ final refund orders, payment advice, *etc.*, was being done manually before 26 September 2019 (pre-automated) and fully electronically after that date wherein all the steps from submission of applications to processing thereof could be undertaken electronically.

The subject specific compliance audit on processing of refund claims under GST in Mizoram was conducted in respect of 10 Zonal offices⁸¹ out of 11 Zonal offices (excluding Siaha Zone) under the Department of Taxation, Government of Mizoram.

4.9.2 Audit objectives

Audit of refund cases under GST regime was conducted to assess:

- The adequacy of Act, Rules, notifications, circulars, *etc.*, issued in relation to grant of refund;
- The compliance of extant provisions by the tax authorities and the efficacy of the systems in place to ensure compliance by taxpayers; and
- Whether effective internal control mechanism exists to monitor the performance of the departmental officials in disposing off the refund applications.

4.9.3 Scope of audit and sample selection

During field audit, the refund cases processed in the selected zonal offices, from July 2017 to July 2020, were examined. Pan-India refund data was obtained from GSTN and a risk based sample of refund cases was extracted for detailed examination.

GSTN had provided pan-India refund data for the period July 2017 till July 2020. Considering that the refund data available varied substantially on either side of 26 September 2019, refund risk parameters for these two stages were also different⁸².

⁸¹ (1) Aizawl South Zone, (2). Aizawl North Zone, (3). Aizawl East Zone, (4). Aizawl West Zone, (5). Kolasib Zone, (6). Champhai Zone, (7). Serchhip Zone, (8). Lunglei Zone, (9). Lawngtlai Zone, and (10). Mamit Zone.

⁸² For the period prior to 26 September 2019, the refund applications under each category were sorted in descending order of refund amount claimed by taxpayers and sample drawn. For selecting refund applications filed after 26 September 2019, a composite risk score was devised using risk parameters such as refund amount claimed, delay in sanctioning refund, Refund sanctioned/ refund claimed ratio and deficiency memo issued; based on the above arrived risk score, refund applications were selected for the period after 26 September 2019.

Forty six⁸³ sample refund cases involving ₹ 2.53 crore were examined in Audit out of 95⁸⁴ refund cases involving ₹ 3.63 crore processed under the Commissionerate of Mizoram Taxation Department.

4.9.4 Audit observations

Table-4.11 brings out the extent of deficiencies noted during the audit of refund cases, selected for detailed audit.

Table-4.11: Details of sample and deficiencies noticed

Nature of Audit Findings	Audit Sample	Number of deficiencies noticed	Deficiencies as percentage of Sample
Application not processed	40	1 ⁸⁵	2.5
Rejection of application without issue of notice	40	4	10.0
Acknowledgment not issued within time	40	18	45.0
Refund orders not sanctioned in time	40	10	25.0
Abnormal delay in communicating refund orders to counterpart tax authority	31	3	9.7
Non-maintenance of registers	31	28	90.3
Credit of the amount of rejected refund claim	40	4	10.0
Adjustment of outstanding liabilities	40	1	2.5
Non-conducting of post audit of refund claims	40	35	87.5

Audit findings noticed and the lapses identified based on these cases are included in the subsequent paragraphs.

4.9.4.1 Rejection of application without issue of notice

Rule 92(3) of the Mizoram GST Rules, 2017 stipulates that where the proper officer is satisfied, for reasons to be recorded in writing that the whole or any part of the amount claimed as refund is not admissible or is not payable to the applicant, he shall issue a notice in Form GST RFD-08 to the applicant requiring him to furnish a reply in Form GST RFD-09 within a period of 15 days of receipt of such note. The proper officer, after considering the reply, shall make an order in Form GST RFD-06, as necessary.

⁸³ Taxpayers in respect of six refund cases viz. (1). Joseph Ralte Ventures, (2). As Xpress, (3). Hlunbuang Store, (4). H.S. Store, (5). Biakchhunga Hardware Store, and (6). N.K. Laxmi Family did not submit their applications manually; these were not covered.

⁸⁴ Pre-automation period – 66 cases: Post automation period - 29 cases.

⁸⁵ Application for a refund amount of ₹ 3000 by M/s Bidya Boutique, GST TIN 15BFYPC5195L1ZQ and ARN No. AA150119000223Y & Date 23-01-2019 was not acknowledged and processed by the Lawngtlai Zone.

Out of 46 refund cases examined in audit, it was noticed that in four cases relating to the pre-automation period, the refund applications were rejected without issuing notice to the tax payers. The main reason for non-issuance of notice was attributed by the Department to system problems, but this could not be wholly accepted in audit as the refund cases related to the pre-automation period as detailed in **Appendix-4.9.1**. This has resulted in non-observance of the provisions of Rule 92 of the Mizoram GST Rules, 2017.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

4.9.4.2 Acknowledgment not issued within time

Rule 90 (1) and (2) of Mizoram GST Rules, 2017 stipulates that where the application relates to claim for refund from the electronic cash ledger (ECL), an acknowledgement in Form GST RFD-02 shall be made available to the applicant through the common portal electronically, clearly indicating the date of filing of the claim for refund and the time period *i.e.*, 60 days specified for processing of refund application. For the application related to refund other than ECL, the application shall be forwarded to the proper officer who shall, within a period of 15 days of filing of the said application, scrutinize the application for its completeness. An acknowledgment in Form GST RFD-02 shall be made available to the applicant within 15 days through the common portal. The acknowledgement shall clearly indicate the date of filing of the claim and the time period *i.e.*, 60 days specified for processing of refund.

Out of 46 refund cases examined in audit, it was noticed that in 11 refund cases (including four rejected cases) acknowledgement was not issued while in four refund cases it was acknowledged with a delay ranging from three to 140 days relating to the pre-automation period. Further, in three refund cases relating to post-automation period, no acknowledgement was issued in two cases while in one case it was acknowledged with a delay of 167 days. The reasons for delay/ non-acknowledgement, as per the Department, were system problems, oversight, case transferred between zonal offices, *etc.*, as detailed in **Appendix-4.9.2**. Audit observed that a simple step of issuance of acknowledgement should not warrant a delay of upto 140/ 167 days.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

4.9.4.3 Refund orders not sanctioned in time

Section 54(1) read with Section 54(7) of the Mizoram GST Act, 2017 provides that any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date and the proper officer shall issue the order under sub-section (5) within sixty days from the date of receipt of application complete in all respects.

Section 56 of the Act *ibid* provides for payment of interest at the rate not exceeding six *per cent* from the date immediately after the expiry of sixty days from the date of receipt of application till the date of refund on delayed payment.

Out of 46 refund cases examined in audit, it was noticed that in 10 refund cases relating to the pre-automation period there was delay in sanction of refunds ranging from 17 to 340 days⁸⁶ as detailed in **Appendix-4.9.3**. This has resulted in non-observance of the provisions of Section 54(7) of the Mizoram GST Act, 2017 read with Rule 92 of the Mizoram GST Rules, 2017. However, the Department has not paid interest⁸⁷ u/s 56 to the claimants.

The matter was brought to the notice of the Department/ Government in July 2021 and the Department while agreeing to the observation stated (September 2021) the reasons for the delay in sanctioning of refund were irregularities and incomplete refund modules in the system in respect of five cases under Aizawl West Zone and Aizawl East Zone.

The reply is not acceptable as the refund cases were related to the pre-automation period which could have been processed manually.

4.9.4.4 Abnormal delay in communicating refund orders to counterpart tax authority

As per CBIC Circular No. 24/24/2017 GST dated 21 December 2017 (on an enquiry regarding endorsement/ issue of such circular Commissioner of State Taxes, Mizoram informed that additional/ separate circulars or instructions in the State, in this regard have not been issued. However, all zonal officers are well informed regarding all the circulars, notifications, *etc.*, through the website of CBIC during the training. All officers are supposed to be following the instructions given in the circular by their own), refund order issued either by central tax authority or state tax/ UT tax authority shall be communicated to the concerned counterpart tax authority within seven working days for the purpose of payment of relevant sanctioned amount of tax or cess as the case may be. It was also reiterated therein to ensure adherence to the time line specified under Section 54(7) and Rule 91(2) of Mizoram GST Act and Rules respectively for sanction of refund orders.

While verifying the records of transmission of refund sanction orders under the Commissionerate of State Tax, Mizoram to counterpart CGST Central tax authority pertaining to FY 2017-18 till July 2020, it was observed that out of 35 refund orders issued upto July 2020, three refund orders involving ₹ 26.41 lakh were forwarded to Central tax authority with a delay between 65 days and 410 days without any recorded reason as detailed in **Appendix-4.9.4**.

Thus, the Department did not adhere to the timeline prescribed in the Board circular. Further, despite delay in refund of sanctioned amount, interest of ₹ 0.48 lakh as admissible under section 56 of Mizoram GST Act was not paid to the claimants.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

⁸⁶ Number of days delayed is counted after deducting 60 days allowed for processing the application from the date of acknowledgement in cases where it was acknowledged and after deducting 75 days (15 days allowed for acknowledgement and 60 days) from the date of receipt of application or ARN date where application submission date was not available

⁸⁷ ₹ 0.09 lakh

4.9.4.5 Non-maintenance of registers

As per Board Circular No. 17/17/2017-GST dated 15th November 2017 as endorsed vide circular No. G 28042/142/2018-COMTAX/6, dated 28 September 2018 by Commissioner of State Taxes, Mizoram regarding manual filing and processing of refund claims, three refund registers containing details such as applicant's name, GSTIN, date of receipt of application, period to which the claim pertains, nature of refund, amount of refund claimed, date of issue of acknowledgement and date of receipt of complete application are required to be maintained by the proper officer of the Zones.

During audit of 10 Zonal offices, it was noticed that eight zones did not maintain any of the three registers. Aizawl North Zone where the registers were stated to have been maintained, did not produce the same for audit. As such, the zonal offices could not provide the accurate figure on the number of refund cases received and processed especially in the pre-automation period. The reasons for non-maintenance of the registers given by the zonal offices were oversight, lack of awareness, *etc*⁸⁸.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

4.9.4.6 Credit of the amount of rejected refund claim

Rule 93 of the Mizoram GST Rules, 2017 provides that where any deficiencies have been communicated under Rule 90 (3), the amount debited under Rule 89 (3) shall be re-credited to the electronic credit ledger. Where any amount claimed as refund is rejected under Rule 92, either fully or partly, the amount debited, to the extent of rejection, shall be re-credited to the electronic credit ledger by an order made in FORM GST PMT-03.

Out of 46 refund cases examined in audit, it was noticed that four⁸⁹ refund cases relating to the pre-automation period were rejected by the proper officer. However, Audit could not verify whether the amount debited from the electronic credit ledger at the time of application of refund was re-credited on rejection of the refund application as system access was not provided to Audit. Department may ensure that the amount debited from the cash ledger are re-credited in all rejected refund cases.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

4.9.4.7 Adjustment of outstanding liabilities

As per Section 54(10)(b) of the Mizoram GST Act, 2017 where any refund is due to a registered person, the proper officer may deduct from the refund due, any tax, interest,

⁸⁸ East Zone, Serchhip Zone: it relates to zero rated supplies; West Zone: oversight; South Zone: not aware; North Zone: could not produce the registers; Champhai: State circular not issued

⁸⁹ (i). Hauva Filling Station under Aizawl North Zone, (ii). Global Citizen Commerce under Kolasib Zone, (iii). Sangtei Mart under Kolasib Zone, and (iv). Executive Engineer Lawngtlai Power Division under Serchhip Zone

penalty, fee or any other amount which the taxable person is liable to pay but which remains unpaid under this Act or under the existing law.

Out of the 46 refund cases examined in audit, 35 refunds were sanctioned. However, in one case⁹⁰ the outstanding Valued Added Tax liability of ₹ 36 lakh was not adjusted and the full amount of the refund claimed of ₹ 0.65 lakh was sanctioned. This has resulted in non-adherence to the provisions of Section 54 of the Mizoram GST Act, 2017 and may also lead to possible loss of revenue to exchequer.

The matter was brought to the notice of the Department/ Government in July 2021. The reply is awaited (January 2022).

4.9.4.8 Non-conducting of post audit of refund claims

The CBIC circular No. 17/17/2017-GST dated 15/11/2017 as endorsed vide circular No. G 28042/142/2018-COMTAX/6, dated 28 September 2018 by Commissioner of State Taxes, Mizoram, elaborately laid down the procedure for manual processing of refunds of zero rated supplies. The circular, *inter alia*, stipulated that the pre-audit of manually processed refund applications is not required till separate detailed guidelines are issued by Board, irrespective of amount involved. However, it was clarified that the post audit of refund order shall be continued as per the extant guidelines.

It was noticed during audit that none of the 35⁹¹ refund sanctioned cases was sent for post-audit as of June 2021 as detailed in **Appendix-4.9.5**. This, apart from resulting in non-adherence to extant instructions, may also lead to possible loss of revenue to exchequer.

The matter was brought to the notice of the Department/ Government in July 2021 and the Government while agreeing to the observation noted (September 2021) the suggestion made by Audit for further action.

Recommendation No.1: *The Department may take steps for timely conduct of post-audit of the refund cases, both current and future cases.*

4.9.4.9 Evaluation of Internal Control

The Department of Taxation did not prescribe any periodic returns- monthly or quarterly for effective monitoring of the refund sanction process. Checklists to be performed before sanctioning of the refund cases were also not made available to the tax officers. As a result, significant cases of delay in acknowledgement or non-acknowledgement of the refund applications and delay in settlement of the refund claims were observed in audit. Though the Commissioner of State Tax stated (August 2021) that monitoring of refund cases was performed by the office of the Commissioner, the findings or corrective action taken consequent to such monitoring could not be furnished and the monitoring was found to be ineffective.

⁹⁰ M/s Tlau Agencies under Aizawl North Zone

⁹¹ M/s Tlau Sofa under Champhai Zone was not issued payment advice.

The matter was brought to the notice of the Department/ Government in July 2021 and the Government while agreeing to the observation stated (September 2021) that more effective control and monitoring in refund processes will be carried out.

Recommendation No.2: *The Department/ Government may put in place a system of effective internal control and monitoring for effective refund sanction process.*

4.9.5 Conclusion

Audit noticed significant cases where the Department did not adhere to the prescribed timelines leading to instances of delay in issuing of acknowledgement, sanction of refund orders and communicating refund orders to counterpart tax authority. In addition, system issues such as non-conducting of post-audit of refund claims and non-maintenance of refund registers were also noticed.

4.10 Subject Specific Compliance Audit on GST Transitional credits

4.10.1 Non-production of record/ data in regard to audit of Transitional Credits

Subject Specific Compliance Audit (SSCA) on transitional credit under Goods and Service Tax (GST) Act, 2017 involving seven sample transitional credit claims relating to the period from the date of GST implementation (1 July 2017) to 31 March 2020 was conducted in four⁹² Zonal offices out of 11 Zonal offices of Taxation Department, Government of Mizoram. The audit was conducted with the following audit objectives to seek assurance as to:

- Whether the mechanism envisaged by the Department for selection and verification of transitional credit claims was adequate and effective (System issues); and
- Whether the transitional credits carried over by the taxpayers into GST regime were valid and admissible (Compliance issues).

Audit requisitions on records/ data relating to Tran-1, Tran-2 filed by the taxpayers, were issued in April 2021⁹³ to the four zonal offices and to the Commissioner of State Tax, Mizoram to review the Department's compliance on the transitional arrangements provided under Section 140 of the GST Act. However, the Department did not provide the requisite record/ data. As a result, it could not be ascertained as to whether transitional credit claims were verified by the Department. Audit also could not examine admissibility of these claims.

The Commissioner of State Tax stated (July 2021) that none of the transitional credit claims of the assessee were either allowed or rejected as the applications were not received in the back-office.

⁹² Aizawl North Zone: three cases; Aizawl East Zone: two cases; Aizawl West Zone: one case; and Kolasib Zone: one case

⁹³ Kolasib Zone on 12 April 2021; Commissioner of State Tax on 16 April, 2021; Aizawl North Zone, Aizawl East Zone and Aizawl West Zone on 19 April 2021

The reply of the Department could not be accepted in Audit, as the Department being the taxation authority in the State, should have got hold of the data relating to the transitional credit claims, so that it can ascertain the admissibility and verify correctness of the claims by taxpayers.

4.11 Non-realisation of entertainment tax

18 cable operators failed to furnish returns and evaded entertainment tax of ₹ 38.41 lakh

As per Section 6(1) of the Mizoram Entertainment Tax Act, 2013, the proprietor of cable television network providing cable service and direct to home (DTH) service shall be liable to pay entertainment tax at the rate of ₹ 20 per subscriber per month. Rule 12 of the Mizoram Entertainment Tax Rules, 2013 further provides that the proprietor liable to pay entertainment tax shall file monthly return before the Commissioner or any other officer authorised by him in this behalf, within fifteen days from the end of the month along with the copy of the tax paid challan.

Test check (July-August 2019) of records of the Deputy Commissioner of State Tax (DCST), Lunglei Zone, Lunglei revealed that 18 cable operators did not file their monthly returns ranging from four months to 133 months till June 2017 as thereafter the Act was subsumed in Goods and Service Tax, 2017. As the returns were not furnished, entertainment tax amounting to ₹ 38.41 lakh was not paid and thus evaded as shown in **Appendix-4.11.1**. The reason for non-payment/ non-furnishing of the return was not found on record. Record of notices issued or any action taken against the defaulting cable operators to realise the evaded tax were also not available.

The Assessing Officer was requested (October 2019) to assess the proprietors on the tax leviable and realise the evaded tax of ₹ 38.41 lakh. However, action taken in this behalf was not intimated.

The matter was brought to the notice of the Department and Government in July 2021 and the Government while agreeing to the Audit observation stated (September 2021) that notice was issued to all the cable operators but no reply was received from them. It was also stated that out of the 18 cable operators, twelve of them were referred to the Bakijai⁹⁴ officer (without stating the time of reference) for recovery of their dues but no action was taken by the certificate officer.

Thus, there was non-realisation of tax of ₹ 38.41 lakh, due to non-filing of returns by Cable TV/ DTH Operators.

Recommendation: *The Department needs to put in place an institutionalised mechanism to ensure that the non-filing of returns are tracked and taxes to the Government are recovered on priority.*

⁹⁴ Bakijai/ Certificate Officer is an officer appointed for recovery of public demands in the State of Mizoram as per Mizoram Public Demands Recovery Act, 2001

4.12 Short levy of tax

4.12.1 Short levy of tax of ₹ 20.82 lakh by the Assessing Officer due to incorrect determination of tax rates

As per Section 34(1) of the Mizoram Value Added Tax (MVAT) Act, 2005 where, after a dealer is assessed under section 31 or section 32 for any year or part thereof, the Commissioner has reason to believe that the whole or any part of the turnover of the dealer in respect of any period has escaped assessment, been under assessed and assessed at a lower rate, he may serve a notice on the dealer and, after giving a reasonable opportunity of being heard, proceed to assess to the best of his judgement and the provisions of this act will apply accordingly.

Test check (July-August 2019) of records of the DCST, Lunglei Zone, Lunglei revealed that a dealer⁹⁵ was assessed (July 2016 and July 2018) by the assessing officer (AO) for the years 2011-15 and 2015-18 (upto June 2017). The AO did not provide the detailed calculation and amount of dealer's purchase for the year 2014-15 but worked out the tax payable due on the dealer for the years 2014-15 to 2017-18 (upto June 2017) at ₹ 1,043.94 lakh⁹⁶ out of which the dealer paid ₹ 865.44 lakh⁹⁷ in his returns leaving a balance of ₹ 178.90 lakh including penalty of ₹ 0.40 lakh. From this assessed tax balance of ₹ 178.90 lakh, the dealer paid ₹ 32.50 lakh after assessment leaving a balance of ₹ 146.40 lakh as of July 2019.

Scrutiny of waybills, revealed that the dealer purchased taxable goods worth ₹ 5,564.80 lakh⁹⁸ during the years 2014-18 (upto June 2017) and the dealer was liable to pay a total tax of ₹ 1,064.76 lakh⁹⁹. However, while assessing the dealer the AO decreased the taxable turnover of goods with higher tax rate (20 per cent and 30 per cent) and increased the turnover of goods with lower tax rate (5 per cent and 13.5 per cent) resulting in short levy of tax amounting to ₹ 20.82 lakh (₹ 1,064.76 lakh minus ₹ 1,043.94 lakh) as detailed in **Appendix-4.12.1**.

The matter was brought to the notice of the Department and Government in July 2021 and the Government while agreeing to the Audit observation stated (September 2021) that the dealer was re-assessed with a tax of ₹ 21.12 lakh. Further report is awaited from the Department (September 2021).

Recommendation: *The Department may initiate appropriate action for early recovery of the re-assessed tax and may fix responsibility of the officials for incorrect assessment.*

⁹⁵ M/s LZ Traders TIN 15160502034

⁹⁶ ₹ 201.94 lakh during 2014-15 + ₹ 325.76 lakh during 2015-16 + ₹ 357.01 lakh during 2016-17 + ₹ 159.23 lakh during 2017-18

⁹⁷ ₹ 195.63 lakh during 2014-15 + ₹ 314.01 lakh during 2015-16 + ₹ 275.80 lakh during 2016-17 + ₹ 80.00 lakh during 2017-18

⁹⁸ ₹ 781.61 lakh taxable at five per cent, ₹ 1,592.65 lakh taxable at 13.5 per cent, ₹ 2,048.58 lakh taxable at 20 per cent and ₹ 1,141.96 lakh taxable at 30 per cent

⁹⁹ ₹ 39.63 lakh at five per cent + ₹ 259.92 lakh taxable at 13.5 per cent, ₹ 409.90 lakh taxable at 20 per cent and ₹ 355.31 lakh taxable at 30 per cent

4.12.2 Under assessment by Assessing Officer resulted in short levy of tax of ₹ 11.14 lakh

Test check (July-August 2019) of records of the DCST, Lunglei Zone, Lunglei, revealed that a dealer¹⁰⁰ was assessed (September 2017) by the assessing officer (AO) relating to the year 2014-15 wherein the dealer's purchase was determined at ₹ 38.17 lakh¹⁰¹ and opening stock at ₹ 82.46 lakh¹⁰² and worked out the taxable turnover with a profit of five *per cent* at ₹ 88.66 lakh¹⁰³ after deducting the closing stock at ₹ 36.19 lakh¹⁰⁴. As per the assessment order, the tax payable was assessed at ₹ 11.85 lakh¹⁰⁵ and out of this, the dealer paid ₹ 2.25 lakh leaving a balance tax due of ₹ 9.61 lakh including penalty of ₹ 0.01 lakh.

Scrutiny of records, however, revealed that the dealer actually purchased goods worth ₹ 117.26 lakh¹⁰⁶ as per manual waybill and e-waybill records during 2014-15 resulting in under-assessment of purchase by ₹ 79.09 lakh¹⁰⁷ taxable at 13.5 *per cent*. The dealer was liable to pay a tax of ₹ 11.14 lakh from the unreported purchase as worked out in **Table-4.12**.

Table-4.12: Detail calculation of tax due

(₹ in lakh)				
Sl. No.	Particulars	5 per cent taxable goods	13.5 per cent taxable goods	Total
1.	Opening stock	1.66	80.80	82.46
2.	Purchase as per manual waybill and e-way-bill	0.30	116.96	117.26
3.	Total stock (1+2)	1.96	197.76	199.72
4.	Less: Closing stock	0.59	35.60	36.19
5.	Taxable turnover at purchase value (3-4)	1.37	162.16	163.53
6.	Add: Five <i>per cent</i> profit	0.07	8.11	8.18
7.	Taxable turnover of sale (5+6)	1.44	170.27	171.71
8.	Tax payable (Sl. no.7 x tax rate)	0.07	22.99	23.06
9.	Tax paid as per return	0.07	2.25	2.32
10.	Balance tax payable (9-10)	0.00	20.74	20.74
11.	Tax balance payable assessed by AO	0.07	9.53	9.60
12.	Tax under-assessed by AO (10-11)	(-) 0.07	11.21	11.14

The Assistant Commissioner of State Tax, Lunglei Zone, Lunglei while agreeing to the fact stated (January 2021) that re-assessment of the dealer has been completed and the dealer was issued (7 September 2020) notice of demand to pay a tax ₹ 11.21 lakh.

¹⁰⁰ M/s Zohills Store TIN 15160002078

¹⁰¹ ₹ 0.30 lakh at five *per cent* plus ₹ 37.87 lakh at 13.5 *per cent*

¹⁰² ₹ 1.66 lakh at five *per cent* plus ₹ 80.80 lakh at 13.5 *per cent*

¹⁰³ ₹ 1.44 lakh at five *per cent* plus ₹ 87.22 lakh at 13.5 *per cent*

¹⁰⁴ ₹ 0.59 lakh at five *per cent* plus ₹ 35.60 lakh at 13.5 *per cent*

¹⁰⁵ ₹ 0.07 lakh at five *per cent* plus ₹ 11.78 lakh at 13.5 *per cent*

¹⁰⁶ ₹ 0.30 lakh at five *per cent* plus ₹ 116.96 lakh at 13.5 *per cent*

¹⁰⁷ Purchase as per waybills ₹ 117.26 lakh - ₹ 38.17 lakh purchase as per AO

The matter was brought to the notice of the Department and Government in July 2021 and the Government while agreeing to the Audit observation stated (September 2021) that though notice was served to the dealer, payment was not received. Further report is awaited from the Department.

Recommendation: The Department may fix responsibility of the officials for under assessment of tax.

4.12.3 Incorrect assessment by Assessing Officer resulted in short levy of tax of ₹ 10.59 lakh

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. The Commissioner of State Tax, Government of Mizoram (GoM) vide notification in March 2017 directed all assessing authorities to complete all pending Audit Assessment cases under MVAT Act before 08 September, 2017.

Test check (July-August 2019) of records of the DCST, Lunglei Zone, Lunglei revealed that a dealer¹⁰⁸ was assessed (May 2018) for the assessment period 2015-17. In the assessment order, the following irregularities were noticed:

- i) In the assessment order for the year 2016-17, the assessing officer (AO) wrongly worked out the taxable turnover with a profit of five *per cent* at ₹ 263.05 lakh instead of the correct amount of ₹ 271.37 lakh resulting in under-assessment of ₹ 8.32 lakh taxable at five *per cent* having tax effect of ₹ 0.42 lakh as worked out in **Table-4.13**.

Table-4.13: Detailed calculation of tax due

		(₹ in lakh)
Sl. No.	Particulars	Amount
1.	Opening Stock	80.91
2.	Purchase	288.30
3.	Total stock (sl. no. 1+2)	369.21
4.	Less: Closing stock	110.76
5.	Taxable turnover at purchase value (sl. no. 3-4)	258.45
6.	Add: profit of five <i>per cent</i>	12.92
7.	Taxable turnover (sl. no. 5+6)	271.37
8.	Taxable turnover determined by AO	263.05
9.	Difference (sl. no. 7-8)	8.32
10.	Tax under-assessed by AO (five <i>per cent</i> of sl. no. 9)	0.42

- ii) For the year 2016-17, as per assessment order tax payable was ₹ 13.15 lakh whereas the dealer paid tax as per tax returns filed was ₹ 7.49 lakh, leaving a balance tax amount of ₹ 5.66 lakh. However, in the assessment order itself the AO wrongly mentioned the tax paid by the dealer as ₹ 12.68 lakh and the balance tax payable

¹⁰⁸M/s EL&TY Autocare TIN 15160025017

was ₹ 0.47 lakh. Thus, the dealer was given tax credit of ₹ 5.19 lakh erroneously resulting in undue favour to the dealer and short levy of tax to this extent.

- iii) Further, the AO in the notice of demand for the assessed years 2015-17 wrongly included the period upto June 2017 which, however, is not correct. Sales turnover for the period April 2017 to June 2017 was not considered in the assessment order. The tax payable for this period is worked out at ₹ 6.98 lakh, of which a sum of ₹ 2.00 lakh only was paid by the assessee. Thus, non-assessing of turnover for this quarter resulted in further short levy of tax of ₹ 4.98 lakh as shown in **Table-4.14**.

Table-4.14: Detailed calculation of tax due

		(₹ in lakh)
Sl. No.	Particulars	Amount
1.	Opening stock as per AO	110.76
2.	Purchase as per form-5 in the return	79.04
3.	Total (sl. no.1+2)	189.80
4.	Taxable stock (70 per cent of total stock i.e. opening stock plus purchase as was adopted by the AO in the previous years assessment)	132.86
5.	Taxable turnover with 5 per cent profit margin as was adopted by AO in the previous years	139.50
6.	Tax payable at five per cent	6.98
7.	Tax already paid in the return	2.00
8.	Tax balance payable	4.98
9.	Closing stock (30 per cent)	56.94

In all, the short levy of tax works out to ₹ 10.59 lakh¹⁰⁹.

While agreeing to the Audit observation (September 2021), the Department rectified the mistakes and confirmed tax demand of ₹ 12.86 lakh including penalty of ₹ 0.01 lakh. Further, report on recovery is awaited from the Department.

Recommendation: The Department may fix responsibility of the officials for incorrect assessment of tax.

TRANSPORT DEPARTMENT

4.13 Non-realisation of Mizoram Passengers and Goods Tax

Mizoram Passengers and Goods Tax of ₹ 1.64 crore from 3,004 vehicle owners was not levied and realised

Section 4 of the Mizoram Passengers and Goods (Taxation) Act, 2005 provides that the Mizoram Passengers and Goods Tax (MPGT) shall be paid by the owner (of the taxable vehicle) to the Government in the prescribed manner provided that in case of any taxable vehicle the Government may accept a lump sum in lieu of the tax chargeable on fare in the manner prescribed. No vehicle shall ply in the State without payment of tax or

¹⁰⁹ ₹ 0.42 lakh + ₹ 5.19 lakh during 2016-17 and ₹ 4.98 lakh during 2017-18 (April-June quarter)

penalty as per Section 10, however, the Government may by general or special order and subject to specific conditions, if any, exempt any owner or class of owners from the operation of all or any provisions of the Act as per section 18. For failure to pay the tax in respect of any period, penalty not exceeding ₹ 1,000 is leviable in addition to the tax due as per Section 9 of the Act *ibid*. Government of Mizoram fixed the rate¹¹⁰ of MPGT in March 2005 and revised¹¹¹ the annual tax rate in November 2015.

Test check (March 2020) of the records of the District Transport Officer (DTO), Champhai showed that the DTO collected MPGT in cash at the office's cash counters through Vahan Software system and later deposited the amount into the treasury by challans. Further scrutiny and analysis of Vahan data revealed that 3,004 vehicles¹¹² had defaulted in payment of MPGT of ₹ 1.34 crore against which penalty of ₹ 0.30 crore was leviable additionally as of February 2020. This resulted in non-realisation of revenue to the tune of ₹ 1.64 crore as detailed in the following **Table-4.15**.

Table-4.15: Number of vehicles and amount of MPGT not paid by the vehicle owners

(₹ in lakh)

Sl. No.	Types of vehicles	No. of defaulting vehicles	MPG Tax due	Penalty leviable at the rate of ₹ 1,000 per vehicle	Total tax and penalty due for collection
(1)	(2)	(3)	(4)	(5)	(6) = (4) + (5)
Passenger Vehicle					
1.	Three-Wheeler	606	10.91	6.06	16.97
2.	Maxi Cab	401	8.78	4.01	12.79
3.	Motor Cab	371	5.23	3.71	8.94
4.	Bus	44	4.32	0.44	4.76
Sub-total (A)		1,422	29.24	14.22	43.46
Goods Vehicle					
5.	Three-wheeler	10	0.89	0.10	0.99

¹¹⁰ **Annual rate of MPG Tax:**

- (1). HMV (Goods) above 9 MT payload (₹ 2,900) and HMV 8 years completed (₹ 2,600)
- (2). HMV (Goods) above 5-9 MT payload (₹ 2,500) and HMV 8 years completed (₹ 2,200)
- (3). LMV (Goods) above 1-5 MT payload (₹ 1,300) and LMV 8 years completed (₹ 1,200)
- (4). Bazar Bus/ Night Bus (₹ 1,800)
- (5). Town/ City Bus (₹ 1,400)
- (6). Maxi Cab (Inter State) (₹ 900)
- (7). Maxi Cab (All Mizoram) (₹ 800)
- (8). Taxi (₹ 600)
- (9). Auto Rickshaw (₹ 400)
- (10). Jeep/ Gypsy/ Pickup/ 207/ below 1MT payload (₹ 700) and 8 years completed (₹ 500)

¹¹¹ **Annual Tax for Goods Carrier:**

- (1). 1 MT or less (₹ 1,400) (2). More than 1 MT but less than 4 MT (₹ 2,500) (3). More than 4 MT but less than 9 MT (₹ 3,000) (4). More than 9 MT (₹ 3,000 plus ₹ 300 for every additional 1 MT)

Annual Tax for Passenger carrying vehicle:

- (1). Carrying capacity of 3 persons or less (₹ 450) (2). Carrying capacity of more than 3 but less than 6 (₹ 650)
- (3). Carrying capacity of more than 6 but less than 12 (₹ 950) (4). Carrying capacity of more than 12 but less than 20 (₹ 1,500) (5). Carrying capacity of more than 20 but less than 30 (₹ 2,000) (6). Carrying capacity more than 30 (₹ 2,000 plus ₹ 50 for every additional one seat)

¹¹² 1,422 Passenger vehicles and 1,550 Goods carriage vehicles and 32 unclassified vehicles

Sl. No.	Types of vehicles	No. of defaulting vehicles	MPG Tax due	Penalty leviable at the rate of ₹ 1,000 per vehicle	Total tax and penalty due for collection
(1)	(2)	(3)	(4)	(5)	(6) = (4) + (5)
6.	Goods Carrier with pay load below one MT	143	4.81	1.43	6.24
7.	Goods Carrier with pay load 1-5 MT	1,081	70.13	10.81	80.94
8.	Goods Carrier with pay load 5-9 MT	155	15.32	1.55	16.87
9.	Goods Carrier with pay load above 9 MT	147	12.07	1.47	13.54
10.	Tractor (Commercial)	14	1.10	0.14	1.24
Sub-total (B)		1,550	104.32	15.50	119.82
11.	Other vehicles ¹¹³ (C)	32	NA	0.32	0.32
Grand Total(A)+(B)+(C)		3,004	133.56	30.04	163.60

From the table above, it was seen that 3,004 vehicles were plying for a period ranging from one month to 171 months without payment of MPGT to the tune of ₹ 1.34 crore and penalty of ₹ 0.30 crore totalling ₹ 1.64 crore, without exemption from the Government and in violation of the provisions of the Act.

Scrutiny of the Vahan data also revealed that of these 3,004 vehicles, MPGT was not paid by 56 vehicles for more than 10 years, 656 vehicles for more than five years to 10 years and 2,292 vehicles for less than or upto five years as shown in the **Table-4.16**.

Table-4.16: Number of vehicles not paying MPGT group by years

Sl. No	Type of vehicle	Number of vehicles not paying MPG Tax			
		≤ 5 years	> 5 years & ≤ 10 years	> 10 years	Total
(1)	(2)	(3)	(4)	(5)	(6)=(3)+(4)+(5)
Passenger vehicle					
1	Three-Wheeler (Passenger)	394	198	14	606
2	Maxi Cab	334	62	5	401
3	Motor Cab	325	44	2	371
4	Bus	21	21	2	44
Total Passenger vehicles(A)		1,074	325	23	1,422
Goods vehicles					
1	Three-wheeler Goods	1	5	4	10
2	Goods Carrier with pay load below one MT	116	25	2	143
3	Goods Carrier with pay load 1-5 MT	834	224	23	1,081

¹¹³ 32 vehicles category/ class was not specified and thus the tax leviable was also not calculated

Sl. No	Type of vehicle	Number of vehicles not paying MPG Tax			
		≤ 5 years	> 5 years & ≤ 10 years	> 10 years	Total
4	Goods Carrier with pay load 5-9 MT	112	42	1	155
5	Goods Carrier with pay load above 9 MT	116	28	3	147
6	Tractor (Commercial)	7	7	0	14
7	Other Goods vehicles	32	0	0	32
Total Goods vehicles (B)		1,218	331	33	1,582
Grand Total (A) +(B)		2,292	656	56	3,004

Audit observed that there was laxity in the enforcement of the provisions of the Act as can be seen from the fact that there are no record of any demand notice issued to the defaulting vehicle owners and also from the fact that some of the defaulting taxable vehicles were plying for more than 14 years without being pulled up by the enforcement staff. It was also observed that there could be little motivation or deterrence on the part of the vehicle owners to pay up MPGT on time as the late fee was limited to ₹ 1,000 for any period of delays, in this case, more than 14 years.

Thus, failure to enforce the provisions of the Act led to non-realisation of MPGT of ₹ 1.64 crore which was also susceptible to loss of revenue as duration of non-payment in respect of 56 cases was more than 10 years.

On this being pointed out, the DTO, Champhai while agreeing to the audit observation stated (March 2020) at the Exit Meeting that enforcement staff strength was not sufficient and demand notices were directly issued from the Directorate level. He further stated that due to problems like change of ownership, non-existence of vehicle, only a few vehicle owners responded to their notices. It was also stated that vehicles were sold and disposed off in other States without obtaining NOC and without being off Road. The contention of the DTO, Champhai could not be accepted by Audit as the Directorate of Transport, Mizoram clarified (September 2021) that it does not issue demand notices and stated that the DTO, being the registering authority was to issue demand notice for payment of taxes/ fees of motor vehicles. Further, there was poor enforcement of the provisions of Act as discussed above.

The matter was brought to the notice of the Department and Government in July 2021 and the Government stated (September 2021) that as soon as loss of revenue was detected list of all defaulters were worked out and circulated to all DTOs in March 2020 and demand notices were served to all defaulters and 40 defaulters cleared the taxes. It was further stated that while the Department was still working diligently, due to shortage of enforcement staff, covid-19 pandemic, change of ownership and non-existence of the vehicles, *etc.*, only few defaulters responded to the notices.

The reply of the Government was not tenable as the stated departmental circular (31.12.2019) was regarding expiry of vehicle registration and the demand notices issued were also related to payment of road tax and none of the stated 40 defaulters clearing their taxes pertained to payment of MPGT. Action taken by the Department for realisation of the MPGT was not stated to Audit.

Recommendations:

- 1. Department may strictly implement the provisions of the Act and Rules in force to prevent loss of revenue to the Government.*
- 2. It is recommended to increase the penalty amount from the existing ceiling for cases involving non-payment of tax to ensure better compliance.*

