

**CHAPTER – V**  
**REVENUE SECTOR**



## CHAPTER-V

### REVENUE SECTOR

#### 5.1 Trend of revenue receipts

**5.1.1** The tax and non-tax revenue raised by the Government of Mizoram, State's share of net proceeds of divisible Union taxes and duties and Grants-in-aid from the Government of India (GoI) during the years 2020-21 and 2021-22 and corresponding figures for the preceding four years are given in the following **Table-5.1**.

**Table-5.1: Trend of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
1.	<b>Revenue raised by State Government</b>						
	Tax revenue	441.81	545.91	726.69	730.98	647.56	853.94
	Non-tax revenue	365.22	390.65	449.95	522.35	561.76	622.12
	<b>Total</b>	<b>807.03</b>	<b>936.56</b>	<b>1,176.64</b>	<b>1,253.33</b>	<b>1,209.32</b>	<b>1,476.06</b>
2.	<b>Receipts from GoI</b>						
	State's share of net proceeds of divisible Union taxes and duties	2,800.63	3,097.05	3,502.96	3,017.80	3,010.55	4,222.86
	Grants-in-aid	3,790.64	4,546.59	4,359.88	5,387.13	3,520.80	3,460.82
	<b>Total</b>	<b>6,591.27</b>	<b>7,643.64</b>	<b>7,862.84</b>	<b>8,404.93</b>	<b>6,531.35</b>	<b>7,683.68</b>
3.	<b>Total Revenue Receipts of State Government (1 + 2)</b>	<b>7,398.30</b>	<b>8,580.20</b>	<b>9,039.48</b>	<b>9,658.26</b>	<b>7,740.67</b>	<b>9,159.74</b>
4.	<b>Percentage of 1 to 3</b>	<b>10.91</b>	<b>10.92</b>	<b>13.02</b>	<b>12.98</b>	<b>15.62</b>	<b>16.11</b>

Source: Finance Accounts, Vol-I of respective years

In the years 2020-21 and 2021-22, the State Government's revenue constituted 15.62 per cent (₹ 1,209.32 crore) and 16.11 per cent (₹ 1,476.06 crore) respectively of its total revenue receipts, while the balance receipts (84.38 per cent in 2020-21 and 83.89 per cent in 2021-22) came from the Government of India (GoI) with ₹ 6,531.35 crore and ₹ 7,683.68 crore respectively.

**5.1.2** Details of Budget Estimates (BEs) and tax revenue raised during the period from 2017-18 to 2021-22 are given in the following **Table-5.2**.

**Table-5.2: Details of tax revenue**

(₹ in crore)

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20	Percentage of increase (+)/ decrease (-) in 2021-22 over 2020-21
	2017-18		2018-19		2019-20		2020-21		2021-22			
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual		
Taxes on Sales, Trade, etc.	285.00	242.85	307.80	135.93	150.06	117.61	81.00	113.66	95.00	150.75	(-) 3.36	(+)32.63
State Goods and Services Tax	---	169.76	50.00	454.73	355.03	532.22	504.00	457.91	538.00	632.34	(-) 13.96	(+)38.09
State Excise	51.50	65.83	59.40	65.34	5.00	2.73	1.00	0.96	1.00	1.79	(-) 64.84	(+)86.46

Head of Accounts	Year										Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20	Percentage of increase (+)/ decrease (-) in 2021-22 over 2020-21
	2017-18		2018-19		2019-20		2020-21		2021-22			
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual		
Taxes on Vehicles	23.84	31.58	25.74	38.36	27.06	40.66	32.27	29.01	34.35	27.90	(-)28.65	(-) 3.83
Land Revenue	10.01	8.29	10.81	8.64	11.00	9.05	15.00	20.74	18.00	13.04	(+) 129.17	(-) 37.13
Stamps and Registration fees	9.16	3.20	9.89	4.43	5.92	5.85	7.01	4.73	11.16	7.48	(-) 19.15	(+)58.13
Taxes on Goods and Passengers	3.20	7.83	3.50	4.71	2.75	7.44	6.40	4.85	5.03	5.39	(-) 34.81	(+)11.13
Other Taxes	15.00	16.57	16.20	14.55	16.87	15.42	15.01	15.70	17.46	15.25	(+) 1.82	(-) 2.87
<b>Total</b>	<b>397.71</b>	<b>545.91</b>	<b>483.34</b>	<b>726.69</b>	<b>573.69</b>	<b>730.98</b>	<b>661.69</b>	<b>647.56</b>	<b>720.00</b>	<b>853.94</b>	<b>(-) 11.41</b>	<b>31.87</b>

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

The State's own tax revenue saw a decrease of 11.41 per cent in 2020-21 compared to 2019-20, due to a decrease of ₹ 3.95 crore (3.36 per cent) in Taxes on sales, trades, etc., and receipts on account of GST decreased by ₹ 74.31 crore (13.96 per cent) to ₹ 457.91 crore. However, in 2021-22, the State's own tax revenue increased by ₹ 206.38 crore compared to 2020-21, with an increase of ₹ 37.09 crore (32.63 per cent) in Taxes on sales, trades, etc., and an increase of ₹ 174.43 crore (38.09 per cent) in GST receipts to ₹ 632.34 crore.

In 2020-21, the tax on Vehicles decreased by ₹ 11.65 crore (28.65 per cent) due to a decrease in the number of registered vehicles. Taxes on Goods and Passengers saw a decrease of ₹ 2.59 crore (34.81 per cent) and State Excise saw a decrease of ₹ 1.77 crore (64.84 per cent) primarily because of decreased revenue from "Foreign Liquors and Spirits" and "Fines and Confiscations". In 2021-22, the tax revenue on Vehicles decreased by ₹ 1.11 crore (3.83 per cent), again due to a decrease in the number of registered vehicles. However, Taxes on Goods and Passengers increased by ₹ 0.54 crore (11.13 per cent), and State Excise increased by ₹ 0.83 crore (86.46 per cent).

### 5.1.2.1 State Goods and Services Tax

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

The Central Goods and Services Tax (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 Company set up by Government of India provides both front-end and back-end services to Mizoram, being a Model-II<sup>83</sup> 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.

#### 5.1.2.1.1 Registrations under GST

As per the GST Act, every taxpayer with turnover of above ₹ 10 lakh (enhanced to ₹ 20 lakh with effect from 01 April 2019 in respect of 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 2021 and March 2022 are given in **Table-5.3**:

**Table-5.3: Registered taxpayers under GST**

Types of Taxpayers	Number of dealers		Percentage of total	
	2020-21	2021-22	2020-21	2021-22
Normal Taxpayers <sup>84</sup>	10,842	7,409	70.40	93.33
Tax Deductors at source (TDS)	4,212	290	27.35	3.65
Tax Collectors at source (TCS)	84	67	0.55	0.84
Composition Taxpayers	255	169	1.66	2.13
Input Service Distributors (ISD)	6	4	0.04	0.05
<b>Total Registrants</b>	<b>15,399</b>	<b>7,939</b>	<b>100</b>	<b>100</b>

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

As of 31 March 2021, there were 15,399 GST registrations in Mizoram, with normal taxpayers accounting for 70.40 *per cent*, tax deductors at source accounting for 27.35 *per cent*, and others (including TCS, Composition taxpayers and ISD) accounting for 2.25 *per cent*.

As of 31 March 2022, there were 7,939<sup>85</sup> GST registrations in Mizoram, with normal taxpayers accounting for 93.33 *per cent*, tax deductors at source accounting for 3.65 *per cent*, and others (including TCS, Composition taxpayers and ISD) accounting for 3.02 *per cent*.

#### 5.1.2.1.2 Division of Dealers between Central and State Government

As per the recommendation<sup>86</sup> of the GST Council, administrative control of over 90 *per cent* of the dealers with turnover less than ₹ 1.50 crore shall vest with the State

<sup>83</sup> States depending on GSTN to manage back-end task such as tax settlement, assessment, refunds, *etc.*

<sup>84</sup> Including casual taxpayers

<sup>85</sup> Includes only data from State Taxation Department. Information could not be provided by CGST, Aizawl as the data was not available in their system

<sup>86</sup> Circular dated 20 September 2017

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 2021 and March 2022 are shown below.

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

Jurisdiction	Number of dealers				Total	
	Turnover above ₹ 1.5 crore		Turnover below ₹ 1.5 crore			
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
Centre	Not Available*	Not Available*	Not Available*	Not Available*	Not Available*	Not Available*
State	786	926	6,000	6,375	6,786	7,301
<b>Total</b>	<b>786</b>	<b>926</b>	<b>6,000</b>	<b>6,375</b>	<b>6,786</b>	<b>7,301</b>

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

\* Could not be provided by CGST, Aizawl as the figures could not be generated from their system dashboard

### 5.1.2.1.3 Filing of Returns under GST

As per Mizoram Goods and Services Tax Rules<sup>87</sup>, 2017 (MGST Rules, 2017), regular taxpayers were required to file monthly returns<sup>88</sup> 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 (self-declaration) and composition dealers were to file GSTR-4 quarterly.

The trends of filing of GSTR-1 and GSTR-3B in Mizoram during 2020-21 and 2021-22 are depicted in **Table-5.5 (A)** and **Table-5.5 (B)** respectively:

**Table-5.5 (A): Filing pattern of GSTR-1**

Month	GSTR 1	
	2020-21	2021-22
April	4,712	4,671
May	4,721	4,666
June	4,739	4,672
July	4,791	4,643
August	4,855	4,668
September	4,842	4,729
October	4,889	4,719
November	4,976	4,820
December	5,080	4,871
January	3,685	4,889
February	3,690	4,956
March	4,758	5,014
<b>Total</b>	<b>55,738</b>	<b>57,318</b>

<sup>87</sup> Rule 59, 60 and 61

<sup>88</sup> 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-5.5 (B): Filing pattern of GSTR-3B

GSTR-3B		
Month	2020-21	2021-22
April	6,564	4,676
May	6,594	4,669
June	6,618	5,400
July	6,718	4,647
August	6,819	4,669
September	6,813	5,455
October	6,936	4,720
November	7,055	4,821
December	7,196	5,654
January	5,263	4,889
February	5,291	4,956
March	7,161	5,821
<b>Total</b>	<b>79,028</b>	<b>60,377</b>

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

**5.1.3** The details of non-tax revenue receipts during the period 2017-18 to 2021-22 are given in the following **Table-5.6**:

Table-5.6: Details of non-tax revenue

(₹ in crore)

Head of account	2017-18		2018-19		2019-20		2020-21		2021-22		Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20	Percentage of increase (+)/ decrease (-) in 2021-22 over 2020-21
	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual		
Interest receipts	22.26	51.14	24.04	57.68	25.96	32.84	50.27	19.12	53.07	41.83	(-) 41.78	(+) 118.72
Power	181.00	213.10	198.70	270.23	300.00	373.61	330.00	398.01	625.00	401.90	(+) 6.53	(+) 0.98
Others	93.67	126.41	101.11	122.04	132.06	115.90	202.80	144.63	174.19	178.39	(+) 24.79	(+) 23.35
<b>Total</b>	<b>296.93</b>	<b>390.65</b>	<b>323.85</b>	<b>449.95</b>	<b>458.02</b>	<b>522.35</b>	<b>583.07</b>	<b>561.76</b>	<b>852.26</b>	<b>622.12</b>	<b>(+) 7.54</b>	<b>(+) 10.74</b>

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

Over the past five years, non-tax revenue has made up between 4.55 per cent and 8.10 per cent of the total revenue receipts. In 2020-21, non-tax revenue recorded a growth of 7.54 per cent compared to the previous year, and in 2021-22 it saw a growth of 10.74 per cent compared to 2020-21. There has been a steady increase in non-tax revenue, from ₹ 390.65 crore in 2017-18 to ₹ 622.12 crore in 2021-22, with the major contributors being Power (₹ 401.90 crore) and Interest Receipts (₹ 41.83 crore).

## 5.2 Analysis of arrears of revenue

As of 31 March 2021, the arrears of revenue on some principal heads amounted to ₹ 23.01 crore, with ₹ 1.39 crore of that amount being overdue for more than five years. By 31 March 2022, the arrears of revenue had increased to ₹ 36.76 crore, with ₹ 2.50 crore being overdue for over five years as detailed below:

Table-5.7: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on		Amount outstanding for more than five years as on	
		31 March 2021	31 March 2022	31 March 2021	31 March 2022
1.	Taxes/ VAT on Sales, Trades, GST etc.	22.76	36.11	1.39	2.50
2.	Taxes on Professions, Trades, Callings and Employment, etc.	0.19	0.36	0.00	Nil
3.	Taxes on Entertainment	0.08	0.29	0.00	Nil
<b>Total</b>		<b>23.03</b>	<b>36.76</b>	<b>1.39</b>	<b>2.50</b>

Source: Information furnished by the Taxation Department

### 5.3 Arrears in assessment

The Taxation Department provided the following information on Sales Tax, Motor Spirit Tax, Luxury Tax, Tax on Works Contracts, and Professional Tax for 2020-21 and 2021-22, including the number of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year, and cases pending finalisation at the end of the year:

Table-5.8: Arrears in assessments

2020-21						
Head of account	Opening balance as on 01 April 2020	New cases due for assessment during 2020-21	Total assessments due	Cases disposed of during 2020-21	Closing balance as on 31 March 2021	Percentage of disposal
Taxes/VAT on Sales, Trades etc., & GST	2,488	16	2,504	23	2,481	0.92
Taxes on Professions, Trades, Callings and Employment, etc.	-	78	78	78	-	100.00
<b>Total</b>	<b>2,488</b>	<b>94</b>	<b>2,582</b>	<b>101</b>	<b>2,481</b>	<b>3.91</b>

Source: Information furnished by the Taxation Department

2021-22						
Head of account	Opening balance as on 01 April 2021	New cases due for assessment during 2021-22	Total assessments due	Cases disposed of during 2021-22	Closing balance as on 31 March 2022	Percentage of disposal
Taxes/VAT on Sales, Trades etc., & GST	2,481	13	2,494	2,487	7	99.72
Taxes on Professions, Trades, Callings and Employment, etc.	Nil	6,723	6,723	6,723	Nil	100
<b>Total</b>	<b>2,481</b>	<b>6,736</b>	<b>9,217</b>	<b>9,210</b>	<b>7</b>	<b>99.92</b>

Source: Information furnished by the Taxation Department



As seen in the **Table-5.8**, only 3.91 *per cent* (101 out of 2,582) of the assessments due were disposed of in 2020-21. However, 99.92 *per cent* (9,210 out of 9,217) were disposed of in 2021-22.

#### 5.4 Evasion of tax detected by the Department

The details of cases of tax evasion detected by the Taxation Department, cases finalised and demands for additional tax raised as reported by the Department are given below in **Table-5.9**:

**Table-5.9: Evasion of tax**

2020-21						
Name of tax/ duty	Opening balance as on 01 April 2020	Cases detected during the year 2020-21	Total	Cases in which assessments/ investigation completed and additional demand including penalty, etc., raised during 2020-21		Number of cases pending on 31 March 2021
				No. of cases	₹ in crore	
Sales Tax/ VAT	391	16	407	16	4.20	391
Taxes on Entertainment	2	-	2	2	-	-
<b>Total</b>	<b>393</b>	<b>16</b>	<b>409</b>	<b>18</b>	<b>4.20</b>	<b>391</b>

Source: Departmental figures

2021-22						
Name of tax/ duty	Opening balance as on 01 April 2021	Cases detected during the year 2021-22	Total	Cases in which assessments/ investigation completed and additional demand including penalty, etc., raised during 2021-22		Number of cases pending on 31 March 2022
				No. of cases	₹ in crore	
Sales Tax/ VAT	391	13	404	401	91	3
Taxes on Entertainment	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>391</b>	<b>13</b>	<b>404</b>	<b>401<sup>89</sup></b>	<b>91</b>	<b>3</b>

Source: Departmental figures

#### 5.5 Pendency of refund cases

Details reported by the Taxation Department on the number of pending refund cases at the start of 2020-21 and 2021-22, claims received during the year, refunds allowed during the year and the cases pending at the close of 2020-21 and 2021-22 respectively are shown in **Table 5.10**.

**Table-5.10: Details of pendency of refund cases**

(₹ in crore)

2020-21			
Sl. No.	Particulars	Sales Tax/ VAT	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	20	0.03
2.	Claims received during the year	44	2.12

<sup>89</sup> High rate of assessments/ investigation completed is due to re-evaluation done by Zonal Offices, wherein cases disposed in previous years were adjusted

2020-21			
Sl. No.	Particulars	Sales Tax/ VAT	
		No. of Cases	Amount
3.	Refunds made during the year	20	1.15
4.	Balance outstanding at the end of year	44	1.00

Source: Information furnished by the Taxation Department

(₹ in crore)

2021-22			
Sl. No.	Particulars	Sales Tax/ VAT	
		No. of Cases	Amount
1.	Claims outstanding at the beginning of the year	44	1.00
2.	Claims received during the year	39	5.43
3.	Refunds made during the year	32	5.13
4.	Claims rejected during the year	32	1.29
5.	Balance outstanding at the end of year	19 <sup>90</sup>	0.01

Source: Information furnished by the Taxation Department

The Department should examine the claims and dispose the cases on top priority to avoid future liability on payment of interest.

## **5.6 Audit planning**

There are 144 auditable units under Revenue Sector of the State Government. The units 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.

Out of the 144 auditable units, 28 units were planned for audit in 2020-21 and 19 units audited, and 12 units were planned for audit in 2021-22, all of which were audited during the year.

## **5.7 Results of audit**

### **Position of local audit conducted during the year**

In 2020-21, records of 19 units of Taxation, Land Revenue & Settlement, and Geology & Mineral Resources Departments were test-checked, revealing short levy of penalties, mutation fees, MVAT, and license fees totalling ₹ 2.93 crore in 52 of 84 cases. The Departments made recovery of ₹ 0.29 crore from 2020-21 cases and from 13 pending cases from previous years.

Similarly short levy of penalties, mutation fees, MVAT, and license fees totalling ₹ 18.71 crore in 16 of 57 cases was noticed on test-check of records of 12 units of Taxation, Forest & Environment, Transport, and Excise & Narcotics Departments during the year 2021-22. The Departments made recovery of ₹ 0.44 crore from 2021-22 cases and from 8 pending cases from previous years.

<sup>90</sup> 32 claims rejected

## 5.8 Coverage of this Report

This Chapter contains four Compliance Audit Paragraphs involving a money value of ₹ 2.90 crore. The Departments/ Government have accepted audit observations involving ₹ 1.26 crore. However, no recovery was made.

### COMPLIANCE AUDIT PARAGRAPHS

#### TAXATION DEPARTMENT

## 5.9 Under assessment of tax

### A dealer was under-assessed of tax to the tune of ₹ 17.94 lakh due to under-assessment of turnover and application of incorrect tax rate

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 46 records out of 379 records of dealers' assessed by the Dy. Commissioner of State Tax (DCST), Lunglei Zone, Lunglei revealed that a dealer<sup>91</sup> was assessed (July 2017 and May 2019) by the Assessing Officer for the years 2009-10 to 2013-14, 2014-15 to 2016-17 and 2017-18 (upto June 2017). For the years 2012-13 to 2017-18 (upto June 2017), the Assessing Officer determined the purchase value of goods at ₹ 124.66 lakh taxable at five *per cent* and ₹ 378.58 lakh taxable at 13.5 *per cent* and worked out tax payable due at ₹ 54.31 lakh after taking profit margin of five *per cent*. The dealer paid tax of ₹ 7.59 lakh against the due amount of ₹ 61.90 lakh as detailed in **Appendix-5.9.1**.

Scrutiny of waybill/ c-form records, however, revealed that the dealer actually purchased goods worth ₹ 56.52 lakh and ₹ 530.32 lakh taxable at five and 13.5 *per cent* respectively during the same period *i.e.*, 2012-13 to 2017-18 (upto June 2017) resulting in excess determination of goods taxable at the rate of five *per cent* by ₹ 68.14 lakh and short determination of goods taxable at the rate of 13.5 *per cent* by ₹ 151.74 lakh by the Assessing Officer. After adding five *per cent* profit margin as was done by the Assessing Officer, the dealer was liable to pay tax of ₹ 79.84 lakh (₹ 3.09 lakh taxable at five *per cent* and ₹ 76.75 lakh taxable at 13.5 *per cent*).

Thus, due to failure of the Assessing Officer to cross verify the records while assessing returns of the dealer, the dealer suppressed taxable goods which resulted in evasion of tax of ₹ 17.94 lakh as detailed in **Appendix-5.9.1(A)**.

The matter was reported to the Department (October 2019) and Government (August 2022). The Department informed (September 2021) that the dealer was

<sup>91</sup> M/s Jenny Cosmetics TIN 15160020064

re-assessed in March 2021 and an additional tax of ₹ 11.78 lakh was levied instead of leviable tax of ₹ 17.94 lakh. The re-assessment order of the Assessing Officer is not acceptable to audit as on further verification of the re-assessment order, audit noticed that the dealer paid tax of ₹ 6.16 lakh for the period 2014-15 to 2016-17 which was deducted twice as tax already paid and hence, the difference arose. The Government informed (September 2022) that re-assessment of the dealer incorporating the double deduction will be done. Current status of re-assessment and recovery is awaited (February 2023).

#### **5.10 Under assessment of tax**

##### **Due to adoption of incorrect rate of tax and under assessment of turnover, there was short payment of tax of ₹ 31.27 lakh by a dealer**

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 (January 2021) of 24 records out of 62 dealers' assessed records in the office of the Dy. Commissioner of State Tax (DCST), Aizawl West Zone, Aizawl revealed that a dealer<sup>92</sup> dealing with biscuits, confectionaries, cosmetics, processed or preserved vegetables & fruits, soap & detergents, tobacco products, etc., was assessed (July 2020) by the Assessing Officer for the years 2013-14 to 2017-18 (upto June 2017). For the years 2016-17 and 2017-18 (upto June 2017), the Assessing Officer took the purchase value of goods at ₹ 36.42 lakh taxable at five *per cent*, ₹ 33.07 lakh taxable at 13.5 *per cent* and ₹ 218.11 lakh taxable at 20 *per cent* as per the dealer's return in Form-5. The Assessing Officer finalised his assessment after deducting damaged goods worth ₹ 24.39 lakh taxable at 20 *per cent* and worked out tax payable due at ₹ 1.91 lakh at five *per cent*, ₹ 4.68 lakh at 13.5 *per cent* and ₹ 40.68 lakh at 20 *per cent* with a profit margin of five *per cent* on sale.

Scrutiny of the assessment order revealed that there was under assessment of turnover and application of incorrect tax rate in respect of tobacco products which were taxable at the rate of 30 *per cent*. Government of Mizoram had revised (8 January 2016) the rate of tobacco products from the existing 20 *per cent* to 30 *per cent* with effect from 1 April 2016. However, the Assessing Officer failed to adopt the correct rate of 30 *per cent* and wrongly calculated the tax payable at ₹ 40.68 lakh at the rate of 20 *per cent* instead of the correct amount at ₹ 61.02 lakh resulting in under assessment of tax of ₹ 20.34 lakh.

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<sup>92</sup> M/s LMP Store TIN 15500275048

Further scrutiny of the dealer's return in Form-5 relating to the period 2016-17 to 2017-18 (upto June 2017) revealed that the dealer actually declared purchase of tobacco products worth ₹ 252.82 lakh thereby leading to concealment of purchase by ₹ 34.71 lakh. Adding a profit margin of five *per cent* as adopted by the Assessing Officer, the taxable turnover that escaped assessment was ₹ 36.45 lakh resulting in further evasion of tax to the tune of ₹ 10.93 lakh.

On this being pointed out (February 2021), the Government stated (September 2022) that the dealer was re-assessed (March 2021) with a tax of ₹ 33.70 lakh including penalty of ₹ 0.77 lakh. It was also stated that the dealer was issued notice of demand in March 2021 to pay the assessed tax including penalty on or before 30 April 2021 and was reminded in September 2021 and August 2022 but, no information on payment was received till date (February 2023).

Thus, there was under assessment of tax of ₹ 31.27 lakh due to under-assessment of turnover and application of incorrect tax rate.

**Recommendation: Responsibility may be fixed for the under-assessment.**

#### 5.11 Loss of revenue

**Due to non-assessment of a dealer by the Assessing Officer within the timeframe, there was non-levy of tax of ₹ 1.62 crore resulting in loss of revenue to the Government**

Section 33(1) of the Mizoram Value Added Tax (MVAT) Act, 2005 provides that no assessment under section 31 or section 32 shall be made after expiry of five years from the end of the tax period to which the assessment relates.

Test-check (January 2021) of records of 24 out of 62 dealers' assessed under the Dy. Commissioner of State Tax (DCST), Aizawl West Zone, Aizawl revealed that a dealer<sup>93</sup> dealing with carpet, HDPE silpauline, PVC laminated sheet, taxable at 12.5 *per cent* (upto 31 December 2011) or 13.5 *per cent* (*w.e.f.* 01 January 2012) and sewing machine taxable at four or five *per cent* and exempted goods – textile, *etc.*, was assessed by the Assessing Officer for the years 2005-06 to 2006-07 on 29 June 2009 and for the period October 2014 to June 2017 on 16 July 2017. For the period between April 2007 and September 2014, however, no tax was assessed by the Assessing Officer. The reason for the non-assessment as recorded in the assessment order was that the dealer's supply of a cross laminated plastic sheet called HDPE silpauline to Disaster Management and Rehabilitation Department did not include the provision of VAT in the approved supply rate.

Scrutiny of the dealer's return revealed that the dealer declared purchase of goods, taxable at four *per cent*, worth ₹ 76.20 lakh and goods, taxable at 12.5 *per cent*, worth ₹ 167.91 lakh during the period April 2007 to March 2011 as per the dealer's return in Form-5. The DCST, Aizawl West Zone, did not maintain any waybill record and as such audit could not scrutinise the correctness of the returns during this period. During

<sup>93</sup> M/s Floria Glamour TIN 15110404059

the period April 2011 to December 2011 the dealer purchased and imported goods like carpet, silpauline, tarpauline, PVC laminated sheet, etc., taxable at 12.5 per cent, worth ₹ 221.88 lakh (silpauline ₹ 63.34 lakh + other items ₹ 158.54 lakh) on inter-state trade through waybills of which the dealer declared goods taxable at four per cent worth ₹ 5.30 lakh only. Further, during the period January 2012 to September 2014, the dealer also imported goods like carpet, silpauline, tarpauline, PVC laminated sheet, etc., taxable at the rate of 13.5 per cent worth ₹ 734.83 lakh (silpauline ₹ 380.73 lakh + other items ₹ 354.10 lakh) on inter-state trade through waybills, of which the dealer again declared goods worth ₹ 20.22 lakh only and taxable at just five per cent. The dealer paid tax of ₹ 2.05 lakh on his turnover between April 2007 and September 2014.

Taking the dealer's purchase volume as per her returns (in absence of any waybill) during April 2007 to March 2011 and waybill values from April 2011 to September 2014 and subtracting the tax paid of ₹ 2.05 lakh for the period between April 2007 and September 2014, there was evasion of tax resulting in revenue loss of ₹ 1.62 crore due to non-assessment of the dealer by the Assessing Officer as per the details given below:

**Table-5.11: Details of evasion of tax**

(₹ in lakh)

Sl. No.	Particulars	Goods taxable at 4 per cent	Goods taxable at 12.5 per cent	Goods taxable at 5 per cent	Goods taxable at 13.5 per cent	Total evasion
1.	Opening stock	0.00	51.51 <sup>94</sup>	0.86 <sup>95</sup>	0.00	52.37
2.	Purchase	76.20 <sup>96</sup>	389.79 <sup>97</sup>	0.00	734.83	1,200.82
3.	Total (1 + 2)	76.20	441.30	0.86	734.83	1,253.19
4.	Less: Closing stock as per return	0.86 <sup>98</sup>	0.00	0.00	6.84 <sup>99</sup>	7.70
5.	Taxable turnover at purchase (3-4)	75.34	441.30	0.86	727.99	1,245.49
6.	Add: Profit margin of 5 per cent as per pre and post period assessment (5)*5/100	3.77	22.06	0.04	36.40	62.27
7.	Taxable turnover of sale (6+7+8)	79.11	463.36	0.90	764.39	1,307.76
8.	Tax payable	3.16	57.92	0.05	103.19	164.32
9.	Tax paid in the returns	0.53	0.68	0.84	0.00	2.05
10.	Tax not paid = Loss of revenue (8-9)	2.63	57.24	(-) 0.79	103.19	162.27

<sup>94</sup> As on 01 April 2007

<sup>95</sup> As on 01 January 2012 where the rate of tax was revised from 4 per cent to 5 per cent

<sup>96</sup> ₹ 76.20 lakh as per returns during April 2007 to March 2011 of goods taxable at four per cent

<sup>97</sup> ₹ 167.91 lakh as per returns during April 2007 to March 2011 + ₹ 221.88 lakh during April 2011 to December 2011 as per manual waybill of goods taxable at 12.5 per cent

<sup>98</sup> As on 31 December 2011 where the rate of tax was revised from 4 per cent to 5 per cent w.e.f. 01 January 2012

<sup>99</sup> As on 30 September 2014

The matter was reported to the DCST, Aizawl West Zone, Aizawl (February 2021) and the Government (August 2022). The DCST in its reply stated (September 2021) that the dealer was not assessed as the dealer supplied HDPE silpauline to Disaster Management Department without billing VAT as quotation was submitted in 2004 before implementation of VAT. However, the DCST did not furnish documentary evidences on the quantity supplied by the dealer to the Disaster Management Department and also on the continued supply of silpauline at the quoted rate of 2004 till September 2014. The reply is not acceptable as the dealer imported carpet, PVC laminated sheet, silpauline and tarpauline as per his way-bills/ returns which are taxable but not accounted for by the Assessing Officer.

Thus, due to non-assessment by the Assessing Officer within the permissible time of five years relating to the period for assessment, there was non-levy of the evaded tax resulting in loss of revenue of ₹ 1.62 crore to the State exchequer.

### 5.12 Short levy and evasion of tax

**Due to erroneous determination of opening stock during assessment of the dealer there was short levy of tax by ₹ 0.12 crore. Further, the dealer also evaded tax of ₹ 0.67 crore.**

As per Section 31(1) (b) of the Mizoram Value Added Tax (MVAT) Act, 2005, if a registered dealer is selected for audit assessment by the Commissioner, the Commissioner may serve notice to the dealer to appear and produce books of accounts in support of his returns. Further, as per Section 31(6) of the MVAT Act, if any dealer has not furnished returns in respects of any period by the prescribed date or furnished incomplete and incorrect returns, the Commissioner can assess the dealer to the best of his judgement the amount of tax due from such dealer. If the dealer, in order to evade or avoid payment of tax, has failed to furnish returns or furnished incomplete returns for any period, the Commissioner, after giving the dealer reasonable opportunity may direct to pay as penalty a sum not exceeding twice the amount of tax assessed as per Section 31 (7) of the said Act.

Test-check (November – December 2019) of the records of 20 out of 50 dealers assessed under Dy. Commissioner of State Tax (DSCT), Aizawl, West Zone revealed that a dealer's<sup>100</sup> returns were assessed by the Assessing Officer for the years 2013-14 and 2014-15 on 20 July 2016 and for the years 2015-16 and 2016-17 on 08 March 2017 under Section 31(1) (b) and 31 (6) of MVAT Act. In the assessment order of 2015-17, the opening stock was taken as ₹ 4.31 crore (₹ 1.96 crore taxable at five *per cent* and ₹ 2.35 crore taxable at 13.5 *per cent*). The dealer's total purchase during 2015-16 and 2016-17 was determined as ₹ 20.04 crore (₹ 10.51 crore taxable at five *per cent* and ₹ 9.53 crore taxable at 13.5 *per cent*) based on the waybills utilisation by the dealer. The turnover of the dealer was taken at a minimum of 60 *per cent* of the total stock during 2015-17. The taxable turnover was determined by the Assessing Officer as ₹ 24.36 crore (₹ 12.47 crore taxable at five *per cent* and ₹ 11.89 crore taxable at

<sup>100</sup> M/s Modernes TIN 15110524095

13.5 per cent). The Assessing Officer worked out the taxable sale after adding five per cent profit margin. Accordingly, the total tax payable by the dealer was determined at ₹ 1.40 crore (₹ 0.39 crore @ five per cent and ₹ 1.01 crore @ 13.5 per cent).

Out of total tax of ₹ 1.40 crore as per the assessment order, the Assessing Officer found that the dealer already paid tax of ₹ 0.73 crore and evaded tax of ₹ 0.67 crore. Due to less payment of tax, penalty of ₹ 0.05 lakh was imposed by the Assessing Officer under Section 31(7) of MVAT Act. Notice of demand was issued by the Assessing Officer to the dealer in March 2018, however, payment was not received (February 2023).

Audit cross-verified the records of the dealer and found that the closing stock as per assessment order for the year 2014-15 was not taken as opening stock in the assessment order of 2015-17. Further examination of assessment order of 2013-15 revealed that the assessing officer erroneously took closing stock as on 31 March 2014, as the opening stock as on 1 April 2015 instead of the closing stock as on 31 March 2015. As per the assessment order, the closing stock for the year 2014-15 was ₹ 5.31 crore (₹ 2.16 crore taxable at five per cent and ₹ 3.15 crore taxable at 13.5 per cent) which should have been brought forward as the opening stock for the assessment year 2015-16. However, the assessing officer took the opening stock for the year 2015-16 incorrectly as ₹ 4.31 crore (₹ 1.96 crore taxable at five per cent and ₹ 2.35 crore taxable at 13.5 per cent) resulting in less determination of stock by ₹ 1.00 crore (₹ 0.20 crore taxable at five per cent and ₹ 0.80 crore taxable at 13.5 per cent) at purchase value.

Due to erroneous determination of opening stock during assessment of the dealer for the year 2015-17, there was short levy of tax by ₹ 0.12 crore (₹ 0.01 crore at the rate of five per cent and ₹ 0.11 crore at the rate of 13.5 per cent). Further, the dealer also evaded tax of ₹ 0.67 crore.

The matter was reported to the Department (February 2020) and Government (August 2022). The Department informed (September 2022) that re-assessment of the dealer was done (March 2020) and notice served to the dealer for payment of tax of ₹ 0.80 crore alongwith a penalty of ₹ 0.15 lakh. The Government informed (September 2022) that reminders were issued in July 2020 and August 2021. However, the current status of recovery of the tax due is awaited (February 2023).