

CHAPTER – V
REVENUE RECEIPTS
GENERAL

5.1 Trend of revenue receipts

Tax and non tax revenue raised by the Government of Arunachal Pradesh during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below :

Table 5.1

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05
I.	Revenue raised by State Government					
(a)	Tax revenue	20.63	30.89	37.26	43.73	50.11
(b)	Non tax revenue	63.65	70.91	76.30	120.57	170.20
	Total	84.28	101.80	113.56	164.30	220.31
II.	Receipts from Government of India					
(a)	State's share of divisible Union taxes	115.67	90.93	121.68	160.60	191.95
(b)	Grants in aid	761.46	892.57	873.05	1251.46	1089.58
	Total	877.13	983.50	994.73	1412.06	1281.53
III.	Total receipts of State (I + II)	961.41	1085.30	1108.29	1576.36	1501.84
IV.	Percentage of (I to III)	9	9	10	10	15

Non plan grants received by the State from Government of India during the period from 2000-01 to 2004-05 are given below :

Table 5.2

(Rupees in crore)

Year	2000-01	2001-02	2002-03	2003-04	2004-05
Non plan grants	169.48	246.76	242.83	300.04	299.64

It would be seen that in comparison with 2000-01, non plan grants received by the State during 2004-05 increased by 77 per cent.

The details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below :

Table 5.3

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.	(a) Sales Tax	8.19	16.78	17.62	21.79	28.25	(+) 29.65
	(b) Central Sales Tax	...	...	...	...	...	...
2.	State Excise	9.02	10.55	14.26	15.42	17.79	(+) 15.37
3.	Stamps and Registration fees	0.25	0.27	2.10	0.31	0.46	(+) 48.39
4.	Taxes and Duties on Electricity	...	...	...	...	0.01	(+) 100
5.	Taxes on Vehicles	1.12	1.61	1.75	2.02	2.21	(+) 9.41
6.	Taxes on Goods and Passengers	...	...	...	...	...	...
7.	Land Revenue	1.45	1.00	0.81	3.57	0.76	(-) 78.71
8.	Taxes on Agricultural Income	...	...	...	...	...	...
9.	Others	0.60	0.68	0.72	0.62	0.63	(+) 1.61
	Total	20.63	30.89	37.26	43.73	50.11	(+) 14.59

The reasons for decrease under the head 'Land Revenue' was due to decrease in other receipts. Increase in sales tax was due to more receipts under 'Other Receipts'.

The details of the major non tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below :

Table 5.4

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.	Interest Receipts	8.99	6.36	5.97	8.45	5.07	(-) 40.00
2.	Dairy Development	0.02	0.02	0.01	0.01	0.03	(+) 200
3.	Other Non-tax receipts	17.78	15.75	24.25	30.60	29.08	(-) 4.97
4.	Forestry and Wild Life	13.00	25.24	15.61	9.62	10.53	(+) 9.46
5.	Non-Ferrous Mining and Metallurgical Industries	5.18	4.48	7.44	17.39	28.26	(+) 62.51
6.	Miscellaneous General Services (including lottery receipts)	3.27	3.66	6.73	15.64	8.61	(-) 44.95
7.	Power	12.08	11.86	12.17	33.62	83.65	(+) 148.81
8.	Major and Medium Irrigation	...	...	...	...	...	...

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
9.	Medical and Public Health	0.04	0.10	0.13	0.27	0.18	(-) 33.33
10.	Co-operation	0.02	0.02	0.03	0.02	0.10	(+) 400
11.	Public Works	1.58	1.77	2.18	1.90	2.35	(+) 23.68
12.	Police	0.91	0.87	0.71	1.81	0.83	(-) 54.14
13.	Other Administrative Services	0.78	0.78	1.07	1.24	1.51	(+) 21.77
	Total	63.65	70.91	76.30	120.57	170.20	(+) 41.16

The reasons for decrease in 'Interest Receipts' was due to less interest realised under investment of cash balance. Increase in power and nonferrous Mining and Metallurgical Industries was due to more receipts under 'Other Receipts'.

5.2 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax and non tax revenue are given below:

Table 5.5

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-) with reference to actuals	Percentage of variation
1.	Sales Tax	20.50	28.25	(+) 7.75	(+) 37.80
2.	State Excise	14.00	17.79	(+) 3.79	(+) 27.07
3.	Stamps and Registration Fees	2.10	0.46	(-) 1.64	(-) 78.10
4.	Land revenue	2.00	0.76	(-) 1.24	(-) 62.00
5.	Forestry and Wildlife	11.00	10.53	(-) 0.47	(-) 4.27
6.	Geology and Mining	11.00	28.26	(+) 17.26	(+) 156.91

Reasons for variations between budget estimates and actuals though called for had not been furnished (October 2005).

5.3 Cost of collection

The gross collection under taxes on vehicles, expenditure incurred on collection and the percentage of such expenditure during the year 2002-03 to 2004-05 along with all India average percentage of expenditure on collection of gross collection were as under:

Table 5.6

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure	All India average
			(Rupees in crore)			
1	Taxes on vehicles	2002-03	1.75	0.49	28	2.86
		2003-04	2.02	0.50	25	2.57
		2004-05	2.21	Awaited	-	-

Cost of collection, in respect of other principal heads of revenue though called for (September 2005) had not been received (October 2005).

It will be seen from above that expenditure on collection was much higher as compared to the all India average.

5.4 Arrears of revenue

The arrears of revenue in respect of some principal heads of revenue amounted to Rs.9.07 crore of which Rs.7.23 crore was outstanding for more than five years as detailed below:-

Table 5.7

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than five years as on 31 March 2005
1.	Land Revenue	9.07	7.23
2.	Motor Vehicles Taxes	Awaited	Awaited
3.	Forest and Environment	Awaited	Awaited

Particulars of arrears of revenue as on 31 March 2005 in respect of State Excise, Sales Tax and Motor Spirits are nil.

5.5 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicle Tax (MVT), Forest receipts and other receipts conducted during 2004-05 revealed under – assessment, non-levy, short levy, loss of revenue of Rs.19.91 crore in 154 cases. During the year, the departments accepted short/non levy and under assessments of Rs.2.69 crore in 48 cases pointed out in 2004-05 and in earlier years and recovered Rs.6.92 lakh. No reply has been received in respect of remaining cases.

This report contains 13 paragraphs involving Rs.5.43 crore. The Departments/Government have accepted four cases involving Rs.1.90 crore. The report on recovery in these cases and reply in other cases had not been received (October 2005).

5.6 Failure of senior officials to enforce accountability and protect interests of Government

The Principal Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong arranges to conduct periodical inspection of various offices of the Government/departments to test check the correctness of assessments, levy and collection of tax and non tax receipts and verify the maintenance of accounts and records as per Acts, Rules and procedures prescribed by the Government/departments from time to time. These inspections are followed by Inspection Reports (IRs) issued to the heads of office inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/heads of the Department, by the Office of the Principal Accountant General (Audit), Meghalaya, Arunachal Pradesh and Mizoram, Shillong. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned Department to facilitate monitoring and settlement of audit objections raised in these IRs through intervention of the Government.

Inspection Reports issued upto December 2004 pertaining to offices under Sales Tax, State Excise, Land Revenue, Motor Vehicles Taxes and Forest departments disclosed that 437 observations relating to 145 IRs involving money value of Rs.116.48 crore remained outstanding at the end of June, 2005. Of these, 37 IRs containing 68 observations involving money value of Rs.8.28 crore had not been settled for more than five years. The year-wise position of outstanding IRs and paragraphs is detailed in **Appendix – XXXIII**.

In respect of 47 observations relating to 19 IRs involving a money value of Rs.9.47 crore issued upto March 2005, even first reply required to be received from the departments/Government had not been received (October 2005).

It is recommended that the Government prescribe a time schedule for regular submission of reply to IRs/paragraphs for settlement.

The position of old outstanding IRs/paragraphs was reported to the Government in August and September 2005; their reply had not been received (October 2005).

5.7 Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments have not been received are invariably indicated at the end of each such paragraph included in the Audit Report.

Fifteen draft paragraphs proposed for inclusion in this Report were forwarded demi officially to the Secretaries of the respective departments during May 2005 and July 2005. Besides, the Chief Secretary to the State Government was also requested to arrange for discussion of the issues raised in the draft audit paragraphs for effective inclusion of the views/comments of the Government

in the Audit Report. Despite these efforts, no response was received in respect of nine draft paragraphs and these have been included in this Report without the response of the Government/departments.

5.8 Follow up on Audit Report – summarised position

With a view to ensure accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, had recommended (March 1993), *inter alia* that the concerned departments of the State Government should (i) without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and, (ii) submit action taken notes (ATN) in respect of recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months whichever is earlier.

While accepting the recommendations (1996), the Government specified the time frame of three months for submission of *suo motu* replies by the concerned departments. The Public Accounts Committee specified the time frame for submission of ATN on their recommendations as one month upto 49th Report.

Reviews of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1987-88 to 2003-04 revealed that the concerned administrative departments were not complying with these instructions. As of September 2005, *suo motu* explanatory notes on 57 paragraphs of these audit reports were outstanding from various departments as detailed in **Appendix – XXXIV**.

Review of four reports of the PAC containing recommendations on 15 paragraphs in respect of Forest Department, Finance Department and Excise Department presented to the Legislature between September 2001 and March 2003 revealed that the department failed to submit ATN on the recommendations made by the PAC as detailed below :

Table 5.8

Year of Audit Report	Paragraph numbers on which recommendations were made by the PAC but ATNs are awaited	Number of PAC Report on which recommendations were made	Date of presentation of the Report of the PAC to the State Legislature
1986-87	6.4, 6.6, 6.7 and 6.8	49 th Report	3 rd March 2003
1991-92	6.4, 6.5 and 6.6	44 th Report	21 st September 2001
1994-95	6.4	44 th Report	21 st September 2001
1995-96	6.4, 6.5 and 6.6	46 th Report	19 th March 2002
	6.7, 6.8 and 6.10	48 th Report	19 th March 2002
1996-97	6.7	46 th Report	19 th March 2002

Thus, due to failure of the department to comply with the instructions of the PAC the objective of ensuring accountability remained unfulfilled.

PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

5.9 Unauthorised extraction/removal of forest produces

The Border Road Task Force unauthorisedly extracted and removed forest produces[#] without permission from the Forest Department and without payment of royalty of Rs.74.62 lakh.

Under the Assam Forest (AF) Regulations, 1891 (as adopted by the Government of Arunachal Pradesh) and the Arunachal Pradesh Forest Manual 1980, no forest produce shall be extracted/removed from any forest area unless a written permission is granted and royalty charges are realised in full by the Forest Department.

Test check of records of the Principal Chief Conservator of Forests (PCCF), Arunachal Pradesh, Itanagar revealed in January–February 2004 that the Border Road Task Force (BRTF) extracted and removed seven categories[#] of forest produces during 2000-01 from forest areas under the Lohit Forest Division, Tezu during construction of roads without obtaining written permission of Forest Department. The Forest Department did not initiate any action to prevent such un-authorized extraction nor did they realise the royalty. This resulted in unauthorised extraction and removal of forest produce without payment of royalty of Rs.74.62 lakh.

The matter was reported to the Department/Government in April 2005; their reply had not been received (October 2005).

5.10 Failure to detect illicit removal of timber

Failure to detect illicit removal of 218.121 cum of timber led to loss of revenue of Rs.21.50 lakh.

Test check of records of the Divisional Forest Officer (DFO), Namsai revealed in February 2004 that a licensee of Veneer Mill was permitted to convert 187.612 cum of green veneer into dry veneer between April and June 2003. The Licensee, however, converted and despatched 405.733 cum of dry veneer outside the State against receipt of 187.612 cum of green veneer during the period between April and September 2003. The differential quantity between actual receipt of green veneer and despatch of dry veneer by the licensee escaped the notice of the Department. Thus failure of the Department to

[#] 4515 (4437.09 cum) trees of mixed species, 2795 poles, 5049.985 cum fire wood, 7000 bamboos, 20 kaps of cane, 10000 bundles Reed and 11400 cum shingle/boulder.

detect illicit dispatch of at least 218.121 cum dry veneer led to loss of revenue of Rs.21.50 lakh by way of royalty.

After this was pointed out in audit in June 2004 the DFO while admitting the facts stated in August 2005 that the license of the mill had been cancelled and penalty of Rs.47.25 lakh was imposed. The report on recovery has not been received (October 2005).

The matter was reported to the Government in June 2004 and July 2005; reply had not been received (October 2005).

5.11 Short realisation of royalty

Incorrect application of rate on 360.75 cum of sand and 7,135.618 cum of stone and failure to realise royalty on 195.68 cum of sand and 1,397.98 cum of stone led to short/non-realisation of royalty of Rs.3.91 lakh.

Under the AF Regulations, 1891, the Government of Arunachal Pradesh, Environment and Forest Department in their notification of 15 March 2001 revised the rate of royalty on sand and stone from Rs.16.35 and Rs.31.95 to Rs.40 and Rs.79 per cum respectively with immediate effect.

Cross check of records of two Executive Engineers PWD Yomcha and Pasighat with those of the records of the DFO, Along and Pasighat disclosed that 556.43 cum of sand and 8533.598 cum of stone were extracted and utilised in the works by the contractors between October 2001 and October 2003. However, Executive Engineer, PWD, Yomcha, realised royalty of Rs.3.05 lakh on 360.75 cum of sand and 7135.618 cum of stone at pre-revised rate from the contractors' bills instead of Rs.5.78 lakh at revised rate and the Executive Engineer, PWD, Pasighat did not realise royalty of Rs.1.18 lakh on the balance sand and stone from the contractors' bills. This resulted in non/short realisation of royalty of Rs.3.91 lakh.

The matter was reported to the Department and the Government in June 2005; their reply had not been received (October 2005).

EXCISE DEPARTMENT

5.12 Non realisation of licence fee

Failure of the Department to realise licence fee and penalty before cancellation of six licences led to loss of revenue of Rs.37.44 lakh.

Under the Arunachal Pradesh Excise Act, 1993 and Rules made thereunder, licence granted for dealing in India Made Foreign Liquor (IMFL) shall remain

valid for one year from the date of issue. On expiry of its validity period, the licensee shall either return the licence or get it renewed on payment of prescribed annual fee in advance. If he fails to get the licence renewed on payment of the prescribed fee before expiry of validity period of licence, he shall be liable to pay penalty, in addition to the fee, a sum ranging from Rs.25 to Rs.100 per day for the period of default in payment of fee.

Test check of records of the Commissioner of Excise, Itanagar in January 2004 revealed that licences of six wholesale vends of IMFL were valid upto different dates between December 1999 and February 2003. On expiry of the validity periods of licences between January 2000 and February 2003 the owners neither got their licences renewed nor returned the same though all the licensees continued their business till audit. The Department also did not initiate any action either to cancel the licences or to realise the prescribed fee and penalty. Thus, inaction of the Department led to non-realisation of licence fee of Rs.37.44 lakh inclusive of penalty.

After this was pointed out in audit in May 2004 the Department stated in March 2005 that the licences had been cancelled between May and August 2004. No reasons were cited for non-realisation of the fee and penalty.

The matter was reported to the Government in May 2004; their reply had not been received (October 2005).

GEOLOGY AND MINING DEPARTMENT

5.13 Loss of revenue

Execution of faulty agreement resulted in undue financial benefit to the lessee and loss of revenue of Rs.50.16 lakh.

The Petroleum and Natural Gas Rules, 1959 provides that royalties *etc.*, if not paid to the Government within the stipulated time, shall be increased by 10 *per cent* for each month or portion of a month during which such royalty *etc.*, remains unpaid.

Test check of records of the Director of Geology and Mining, Itanagar revealed in March 2005 that an agreement was entered in October 1997 between Government of Arunachal Pradesh and M/s Geo-Enpro Petroleum Limited for exploration of crude oil stipulating *inter alia* payment of additional royalty at the rate of 10 *per cent* per annum instead of 10 *per cent* per month for delayed payment of royalty as per provisions of the Rules *ibid*. It was further seen that the lessee paid royalty of Rs.3.63 crore due between November 2002 and December 2004, belatedly between January 2003 and January 2005. Additional royalty of Rs.54.72 lakh was payable by him as per provisions of the Rules. But due to faulty agreement the additional royalty was reduced to Rs.4.56 lakh resulting in loss of revenue of Rs.50.16 lakh.

The matter was reported to the Government/Department in May 2004; reply had not been received (October 2005).

LAND MANAGEMENT DEPARTMENT

5.14 Short realisation of revenue

Erroneous fixation of rate for allotment of 60,694 square metres of land to NEEPCO led to short realization of land revenue of Rs.14.56 lakh and recurring loss of revenue of Rs.1.21 lakh every year.

The Government of Arunachal Pradesh, Land Management Department instructed (June 1986 and July 1994) all the Deputy Commissioners (DCs) to realise value of land allotted to Central Government Departments at Rs.5 and Rs.10 per square metre as one time payment with effect from June 1986 and April 1994 respectively. However, if any land in the capital complex is allotted to any organization other than Central Government departments for industrial purpose, the land revenue should be realised as premium (one time payment) at the rate of Rs.3 and Rs.5 per square metre plus annual lease rent at Re.1 and Rs.2 per square metre with effect from July 1986 and April 1994 respectively.

Test check of records of the Deputy Commissioner (DC), Land Revenue, Papumpare, Yupia revealed in July 2004 that land measuring 60,694 square metre at Nirjuli was allotted to North Eastern Electric Power Corporation Limited (NEEPCO) in May, 1988 on realisation of Rs.3.04 lakh being value of the land. NEEPCO not being a Central Government Department was liable to pay premium including annual lease rent of Rs.17.60 lakh on the aforesaid land for the period from May 1988 to April 2004. But the DC, Yupia treated NEEPCO as a Central Government Department and collected (June 1989) Rs.3.04 lakh only as one time payment for price of the aforesaid land. This erroneous fixation of rate resulted in short realisation of land revenue of Rs.14.56 lakh upto April 2004. Further, there will be an annual recurring loss of Rs.1.21 lakh towards lease rent till the allotment is rectified.

After this was pointed out in audit in November 2004; the DC, Land Revenue, Yupia stated in July 2005 that demand notice was served on NEEPCO for payment of dues. The report on recovery has not been received (July 2005).

The matter was reported to the Government in November 2004 and July 2005; their reply had not been received (October 2005).

5.15 Loss of revenue

Delay in regularisation of unauthorised occupation of land led to loss of revenue of Rs.6.25 lakh.

Consequent upon report of large scale unauthorised occupation of Government land, the Government of Arunachal Pradesh directed in October 1994 all the Deputy Commissioners (DCs) to regularise such unauthorised occupation of land by realising penalty at the rate of Rs.100 and Rs.200 per sq.mtr. for residential and commercial purposes respectively in addition to the premium and annual lease rent. The aforesaid provision was, however, revoked by the Government with effect from 30 January 2001.

Test check (July 2004) of records of the DC, Land Revenue, Papumpare, Yupia revealed that proposal for 27 cases of unauthorised occupation of Government land measuring 3,354 sq. mtrs and 1,446 sq. mtrs for residential and commercial purposes respectively were submitted to the Government of Arunachal Pradesh in December 1999 for allotment on payment of penalty along with premium and annual lease. But, these cases were regularized only in August 2001 after penal provision was revoked. This resulted in loss of revenue of Rs.6.25 lakh.

The matter was reported to the Department/Government in November 2004; their replies had not been received (October 2005).

STATE LOTTERY DEPARTMENT

5.16 Loss of revenue

Execution of faulty agreement without including any penal clause led to loss of revenue of Rs.83.25 lakh.

The Government of Arunachal Pradesh, State Lotteries Department executed an agreement in October 2001 with a New Delhi based sole distributor for organising and operating the State run online lotteries. As per the agreement, the distributor was to organise a minimum of one draw every week under each scheme and pay a lumpsum of Rs.75,000 per draw to the State Government as fees towards cost of participation in draw (CPD). No penal clause for failure of the distributor to organise the stipulated number of draws was included in the agreement.

Test check of records of the Secretary, State Lotteries Department, Government of Arunachal Pradesh (December 2004) revealed that the Government launched seven online lottery schemes[#] during the year 2004-05.

[#] Max –3 silver, Max – 3 Gold, Mac – 3, Max – lotto, Boom Gold Pawan, Boom Gold Pukhraj, Boom Gold Diamond.

The distributor organised three lottery schemes as per the agreement and paid fees toward CPDs between 1 April and 17 November 2004. In respect of the remaining four lottery schemes^Ψ, however, the distributor organised and operated only 21 draws against the minimum of 132 draws required to be operated as per the agreement during the aforesaid period. The agreement was suspended by the Government with effect from 18 November 2004 due to the allegation that the distributor had sold counterfeit tickets in the State of Kerela. Thus, in the absence of any penal clause in the agreement, the sole distributor organised 111 less draws resulting in loss of revenue of Rs.83.25 lakh.

The matter was reported to the Department and the Government in February 2005; their reply had not been received (October 2005).

TAXATION DEPARTMENT

5.17 Non realisation of tax

Failure to assess a dealer on best judgment basis led to non realisation of tax of Rs.1.16 crore.

Under the Arunachal Pradesh Sales Tax (APST) Act, 1999, a return filed without payment of admitted tax as per return is invalid. Further, if any dealer fails to furnish return alongwith payment of admitted tax as per return or fails to comply with the requirements of notice served on him, the assessing officer may assess the dealer on best judgment basis and determine the tax payable by him on the basis of such assessment. This provision of the Act, applies *mutatis mutandis* in the case of assessment and re-assessment under the Central Sales Tax (CST) Act, 1956. Further, under the CST Act, sales turnover of declared goods are taxable at the rate of four *per cent* if such sales are supported by declaration in Form 'C'. Otherwise, such sales are taxable at the rate of eight *per cent*.

Test check of records of the Director of Geology and Mining, Itanagar revealed that a Changlang based dealer sold 125449.76 tonnes of crude oil (declared goods) involving royalty of Rs.14.50 crore to Assam in course of inter State trade during April 2002 to December 2004. Cross check of records of the Commissioner of Taxes disclosed in April 2005 that the dealer filed invalid return for the aforesaid period without payment of admitted tax on the plea that tax is not payable on sale of crude oil in course of inter State trade. It was further noticed that another dealer M/s Oil India Limited a Central Public Sector Undertaking filed return, paid tax and was assessed regularly since April 2002 for sale of crude oil in course of inter State trade. As such the dealer's plea was incorrect and he was to be assessed on best judgement basis as he filed invalid return without payment of tax. But based on dealer's plea

^Ψ Max – lotto, Boom Gold Pawan, Boom Gold Pukhraj, Boom Gold Diamond.

the assessing officer did not assess the dealer on best judgement basis. Thus, failure to assess the dealer on best judgement basis as required under the Act led to non realisation of tax of Rs.1.16 crore.

After this was pointed out the Department confirmed in June 2005 that the dealer had not paid any tax and no assessment was completed.

The matter was reported to the Government in May and June 2005; their reply had not been received (October 2005).

5.18 Turnover escaped assessment

A dealer sold cement valued at Rs.12.05 crore but disclosed turnover of Rs.9.34 crore and evaded tax of Rs.21.66 lakh and penalty of Rs.32.49 lakh.

Under Section 18 of the Arunachal Pradesh Sales Tax Act (APST Act), if the assessing officer (AO) has reason to believe that the whole or any part of the turnover of a dealer in respect of any period has escaped assessment to tax, he may, after giving the dealer reasonable opportunity of being heard and making such enquiry as he considers necessary, proceed to determine to the best of his judgment, the amount of tax due from the dealer in respect of such turnover. Further, if a dealer conceals any part of his turnover, the AO may direct that in addition to the amount so assessed, a sum not exceeding one and half times the tax due shall be recovered from the dealer by way of penalty.

Test check of records of the Superintendent of Taxes, Papumpare district, Yupia revealed in October 2004 that a registered dealer sold cement valued at Rs.12.05 crore during the period April 2002 to March 2004 but disclosed turnover of Rs.9.34 crore only in his returns for the aforesaid period and was assessed (July 2004) accordingly. Thus turnover of Rs.2.71 crore escaped assessment and tax of Rs.21.66 lakh was evaded by the dealer. Besides, penalty of Rs.32.49 lakh was also leviable.

The matter was reported to the Department/Government in January 2005; reply had not been received (October 2005).

5.19 Evasion of tax by a registered dealer

A dealer concealed sale turnover of Rs.1.84 crore and evaded tax of Rs.17.03 lakh and penalty of Rs.25.55 lakh.

Under Section 22(I) (g) of the APST Act, if a dealer conceals any part of his gross turnover or furnishes incorrect particulars of such turnover, the AO may, after giving such dealer a reasonable opportunity of being heard, direct that in addition to the amount so assessed, a sum not exceeding one and half times the tax due shall be recovered from the dealer by way of penalty.

Test check of assessment records of the Superintendent of Taxes, Papumpare District, Yupia in October 2004 revealed that a dealer sold 6,61,124[#] bags of cement during 2002-03 and 2003-04, but disclosed sale of 5,73,667 bags of cement in his returns which was accepted and assessed accordingly. The dealer thus concealed sale turnover of 87,457 bags of cement valued at Rs.1.84 crore and evaded tax of Rs.14.69 lakh. Besides, penalty of Rs.22.04 lakh was also be leviable.

Similarly, the dealer imported cement valued at Rs.29.24 lakh purchased against a declaration of form 'C' by the dealer from an Assam dealer in December 2002 was not disclosed in the turnover filed by the assessee. This resulted in short levy of tax of Rs.2.34 lakh. Besides, penalty of Rs.3.51 lakh was also leviable.

The matter was reported to the Government/Department in January 2005; reply had not been received (October 2005).

5.20 Non levy of penalty for misuse of 'C' forms

Three registered dealers purchased goods valued Rs.1.93 crore from outside the State by misusing 14 'C' forms for which penalty of Rs.17.35 lakh was leviable but not levied.

Under the Central Sales Tax Act, 1956, inter-state sales of goods are taxable at concessional rate of four *per cent* if the purchaser furnishes to the seller a declaration in Form 'C' certifying that the goods are of the classes specified in his certificate of registration. Further, if a dealer purchases goods not specified in his certificate of registration, at a concessional rate, he is deemed to have falsely represented that the goods are specified in his certificate of registration. Such a violation attracts imposition of penalty not exceeding one and a half times of the tax due in lieu of prosecution.

Test check of records of the Commissioner of Taxes, Itanagar, in April 2005 revealed that three registered dealers purchased goods valued at Rs.1.93 crore from outside the State between April 2001 and March 2003 at concessional rate through 14 declarations in Form 'C' even though these items were not specified in their certificates of registration. For such misuse of 'C' Forms, maximum penalty of Rs.17.35 lakh was leviable but not levied.

The matter was reported to the Department and the Government in May 2005; their reply had not been received (October 2005).

[#] $Opening\ stock + Purchase - closing\ stock = Sale$
 $3478\ bags + 657651\ bags - 5\ bags = 661124\ bags$

5.21 Non levy of interest

Non levy of interest of Rs.3.81 lakh for default in payment of tax.

Under Section 25 of the APST Act, if a dealer fails to pay full amount of tax due within specified time, he shall be liable to pay simple interest ranging between 12 for first month and 24 *per cent* thereafter for the period of default on the amount by which the tax paid falls short.

Scrutiny of records of Superintendent of Taxes, Tawang revealed in June 2004 that though tax of Rs.71.70 lakh was assessed in May 2004 for the year 2002-03, the dealer paid Rs.56.47 lakh leaving a balance amount of Rs.15.23 lakh unpaid till the date of audit (June 2004). However, interest amounting to Rs.3.81 lakh during the period from May 2003 to May 2004 was neither levied nor realised from the dealer.

The matter was reported to the Department/Government in August 2004; their replies had not been received (October 2005).

5.22 Evasion of tax by unregistered dealers

Failure to register seven dealers by the concerned assessing officers led to evasion of tax of Rs.2.69 lakh.

Under Section 10 (1) of the APST Act, no dealer liable to pay tax shall carry on business as a dealer unless he is registered and possesses a certificate of registration. The Act empowers the assessing officer to register a dealer if he fails to apply for registration. The Act further provides that tax payable by a dealer in respect of any sale or supply of goods to a Department of the Government shall be deducted from bills, cash, etc. in the prescribed manner at the specified rate.

Cross check of records of the Executive Engineers, Public Works Divisions, Changlang and Daporijo with those of the Superintendents of Taxes, Along, Changlang and Daporijo revealed in July 2005 that seven unregistered dealers sold motor vehicles spare parts valued at Rs.33.67 lakh between March 2001 and March 2004. The dealers did not apply for registration nor were they registered by the assessing officers as required under the Act. The amount of tax was also not deducted by the Public Works Department at the time of making payment. Thus failure to register the dealer by the assessing officer and to deduct tax by the Executive Engineers of Public Works Divisions resulted in evasion of tax of Rs.2.69 lakh.

The cases were reported to the Department and the Government in July 2005; their reply had not been received (October 2005).

TRANSPORT DEPARTMENT

5.23 Non realisation of revenue

Failure of enforcement staff to detect commercial vehicles plying without permits led to non realisation of revenue of Rs.14.32 lakh.

Under the Motor Vehicles Act, 1988, no vehicle can be used as transport vehicle unless a permit is granted or countersigned by the competent authority. Government of Arunachal Pradesh fixed in July 2000 the rate of permit fees at Rs.300 per permit. In case any one drives a motor vehicle without permit he shall be punishable with a minimum fine of Rs.2000 for the first offence and Rs.5000 for the subsequent one.

Cross verification of records of Secretary, State Transport Authority, with those of the police check-post at Banderdewa disclosed in January 2004, that 164 commercial vehicles (maxi cab) plied through the check-post without valid permits. But the enforcement staff of Transport Department failed to detect the unauthorised plying of vehicles resulting in non realisation of revenue (penalty and permit fees) of Rs.14.32 lakh.

The matter was reported to the Government/Department in June 2004; their replies had not been received (October 2005).