

## CHAPTER VI REVENUE RECEIPTS

### 6. General

#### 6.1 Trend of Revenue receipts

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

(Rupees in crore)

		2000-01	2001-02	2002-03	2003-04	2004-05
I.	<b>Revenue raised by the State Government</b>					
	Tax revenue	49.07	51.01	65.16	68.24	81.40
	Non tax revenue	41.66	28.73	56.49	49.33	69.75
	<b>Total:</b>	<b>90.73</b>	<b>79.74</b>	<b>121.65</b>	<b>117.57</b>	<b>151.15</b>
II.	Receipts from Government of India					
	State's share of net proceeds of divisible Union Taxes	163.52	142.14	188.12	240.89	287.02
	Grants in aid	790.37	954.90	1,018.22	1,061.25	1,304.59
	<b>Total:</b>	<b>953.89</b>	<b>1,097.04</b>	<b>1,206.34</b>	<b>1,302.14</b>	<b>1,591.61</b>
III.	<b>Total receipts of State Government (I+II)</b>	<b>1,044.62</b>	<b>1,176.78</b>	<b>1,327.99</b>	<b>1,419.71</b>	<b>1,742.76</b>
IV.	Percentage of I to II	10	7	10	9	9

(Source: Finance Accounts)

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

(Rupees in crore)

Sl. No.	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+)/decrease(-) in 2004-05 over 2003-04
1.	Sales tax	31.30	29.52	43.18	46.12	54.73	(+) 18.67
2.	State excise	1.24	1.46	2.29	2.96	3.05	(+) 3.04
3.	Stamps and registration fees	1.80	1.48	1.90	2.33	2.20	(-) 5.58
4.	Taxes and duties on electricity	0.97	2.17	<sup>1</sup>	0.49	4.95	(+) 910.20
5.	Taxes on vehicles	2.80	2.77	3.44	3.38	3.35	(-) 0.89
6.	Taxes on goods and passengers	0.48	0.44	0.67	0.62	0.71	(+) 14.52
7.	Other taxes on Income and expenditure	9.61	12.64	12.68	11.66	11.52	(-) 1.20
8.	Other taxes and duties on commodities and services	0.50	0.13	0.17	0.11	0.21	(+) 90.91
9.	Land revenue	0.37	0.40	0.83	0.57	0.68	(+) 19.30
	<b>Total :</b>	<b>49.07</b>	<b>51.01</b>	<b>65.16</b>	<b>68.24</b>	<b>81.40</b>	<b>(+) 19.28</b>

(Source: Finance Accounts)

<sup>1</sup> Rs.0.37 lakh only.

The tax revenue of the State Government increased from Rs.68.24 crore in 2003-04 to Rs.81.40 crore in 2004-05 registering an increase of 19.28 per cent as compared to the previous year. The increase was largely contributed by significant increase in sales tax collections and taxes and duties on electricity and marginal increase in State excise duty and land revenue. The revenue from stamps and registration fees, taxes on vehicles and other taxes on income and expenditure declined during the year.

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

**(Rupees in crore)**

Sl. No.	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+)/ decrease(-) in 2004-05 over 2003-04
1.	Interest Receipts	0.76	1.00	0.61	1.39	6.40	(+) 360.43
2.	Housing	0.58	1.00	0.75	0.93	0.98	(+) 5.38
3.	Water Supply and Sanitation	0.66	0.67	1.43	2.46	1.58	(-) 35.77
4.	Forestry and Wild Life	0.97	0.75	0.81	1.01	0.74	(-) 26.73
5.	Education, Sports and Art and Culture	2.16	1.03	1.13	0.97	0.82	(-) 15.46
6.	Miscellaneous General Services	1.67	0.05	1.59	0.57	(A)	(-) 99.89
7.	Power	26.33	19.73	43.90	36.77	54.41	(+) 47.97
8.	Major and Medium Irrigation	0.31	0.31	0.24	0.34	1.13	(+) 232.35
9.	Medical and Public Health	0.26	0.32	0.34	0.30	0.25	(-) 16.67
10.	Cooperation	0.05	0.04	0.42	0.10	0.13	(+) 30.00
11.	Public Works	2.19	1.23	3.18	2.73	1.60	(-) 41.39
12.	Police	0.97	0.59	0.56	0.37	0.34	(-) 8.11
13.	Other Administrative Services	0.68	1.20	0.49	0.53	0.51	(-) 3.77
14.	Crop Husbandry	0.07	0.03	0.08	0.03	0.04	(+) 33.33
15.	Social Security and Welfare	3.16	0.02	0.01	0.19	(B)	(-) 99.36
16.	Others	0.84	0.76	0.95	0.64	0.82	(-) 28.13
<b>Total :</b>		<b>41.66</b>	<b>28.73</b>	<b>56.49</b>	<b>49.33</b>	<b>69.75</b>	<b>(+) 41.39</b>

(Source: Finance Accounts)

(A) Rs.6,413 only = Rs.0.06 lakh, (B) Rs.12,471 only = 0.12 lakh.

Non tax revenue registered a substantial increase of 41.39 per cent during the year increasing from Rs.49.33 crore in 2003-04 to Rs.69.75 crore in 2004-05. The increase in non tax revenue was mainly on account of higher collections of energy charges by Power Department and interest realised on investment of cash balances.

Significant decline in non tax revenue was recorded under water supply and sanitation, public works and forestry and wild life. Government needs to take immediate steps to investigate reasons for decline in revenue and improve collections in these areas especially of water charges by better monitoring and strict enforcement.

## 6.2 Variations between budget estimates and actuals

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

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations increase(+)/ decrease(-)	Percentage of variation
<b>A. Tax Revenue</b>					
1.	Sales Tax	45.00	54.73	(+) 9.73	(+) 21.62
2.	Other Taxes on Income and Expenditure (Taxes on Professions, Trades, Callings and Employment)	14.00	11.52	(-) 2.48	(-) 17.71
3.	Other Taxes and Duties on Commodities and Services	1.14	0.21	(-) 0.93	(-) 81.58
4.	Stamps and Registration Fees	2.53	2.20	(-) 0.33	(-) 13.04
5.	Taxes on Vehicles	4.32	3.35	(-) 0.97	(-) 22.45
6.	State Excise	2.80	3.05	(+) 0.25	(+) 8.93
7.	Land Revenue	0.71	0.68	(-) 0.03	(-) 4.23
8.	Taxes on Goods and Passengers	0.85	0.71	(-) 0.14	(-) 16.47
9.	Taxes and Duties on Electricity	1.12	4.95	(+) 3.83	(+) 341.96
	<b>Total:</b>	<b>72.47</b>	<b>81.40</b>	<b>(+) 8.93</b>	<b>(+) 12.32</b>
<b>B. Non tax Revenue</b>					
1.	Miscellaneous General Services	4.00	(A)	(-) 4.00	(-) 100.00
2.	Power	45.00	54.41	(+) 9.41	(+) 20.91
3.	Public Works	4.00	1.60	(-) 2.40	(-) 60.00
4.	Forestry and Wild Life	1.27	0.74	(-) 0.53	(-) 41.73
5.	Police	0.90	0.34	(-) 0.56	(-) 62.22
6.	Interest Receipts	1.14	6.40	(+) 5.26	(+) 461.40
7.	Water Supply and Sanitation	1.68	1.58	(-) 0.10	(-) 5.95
8.	Education, Sports, Art and Culture	1.70	0.82	(-) 0.88	(-) 51.76
9.	Other Administrative Services	1.00	0.51	(-) 0.49	(-) 49.00
10.	Major and Medium Irrigation	0.40	1.13	(+) 0.73	(+) 182.50
11.	Medical and Public Health	0.45	0.25	(-) 0.20	(-) 44.44
12.	Social Security and Welfare	0.01	B	(-) 0.01	(-) 100.00
13.	Crop Husbandry	0.10	0.04	(-) 0.06	(-) 60.00
14.	Housing	1.27	0.98	(-) 0.29	(-) 22.83
15.	Cooperation	0.10	0.13	(+) 0.03	(+) 30.00
16.	Others	1.03	0.82	(-) 0.21	(-) 20.39
	<b>Total:</b>	<b>64.05</b>	<b>69.75</b>	<b>(+) 5.70</b>	<b>(+) 8.90</b>

(Source: Budget document/Finance Accounts)

(A) Rs.6,413 (B) Rs.12,471,

The reasons as furnished by the departments for the variation in receipts during 2004-05 against budget estimates were as under:

**Taxes on Vehicles:** Decrease (22.45 per cent) was due to decreasing trend in the registration of new vehicles.

**Taxes on Goods and Passengers:** Decrease (16.47 per cent) was due to decreasing trend in the registration of new vehicles.

**State Excise:** Increase (8.93 per cent) was due to deployment of more armed forces in the State who procured liquor on payment of excise duty.

**Public Works:** Decrease 60 *per cent* was due to non realisation of hire charges of machinery.

**Forestry and Wild Life:** Decrease (41.73 *per cent*) was due to ban on felling of trees.

**Police:** Decrease (62.22 *per cent*) was due to non receipt of cost of armed guards deployed at various banks.

**Education, Sports, Arts and Culture:** Decrease (51.76 *per cent*) was due to decrease in the enrolment of students in Government colleges.

**Major and Medium Irrigation:** Increase (182.50 *per cent*) was due to collection of hire charge of machineries and realisation of interest on mobilisation advance from contractors.

**Medical and Public Health:** Decrease (44.44 *per cent*) was mainly due to machines like CT Scan, ECG, Ultrasonography *etc.* remaining out of order frequently.

**Housing:** Decrease (22.83 *per cent*) was mainly due to shortfall in collection of house rent.

Reasons for variation under remaining heads of account of tax and non tax revenue though called for in August 2005 had not been received from the respective departments (October 2005).

### 6.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and percentage of such expenditure to gross collection during the year 2002-03, 2003-04 and 2004-05 alongwith all India average percentage of expenditure on collection to gross collection for 2002-03 and 2003-04 are given below:

(Rupees in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of expenditure to gross collection
Sales Tax	2002-03	43.18	1.16	2.69	
	2003-04	46.06	1.09	2.37	1.15
	2004-05	54.73	1.02	1.86	
Taxes on Vehicles	2002-03	3.44	1.19	34.59	
	2003-04	3.36	1.13	33.63	2.57
	2004-05	3.35	1.26	37.61	

(Source: Finance Accounts)

The cost of collection in respect of taxes on vehicles was higher in the State than the all India average. For every Rs.100 of taxes on vehicles collected by

the State Government, it spent Rs.33 to Rs.35 towards the cost of collection as compared to all India average of less than Rs.3. The cost of collection in respect of sales tax was also more than double the all India average. Abnormal high cost of collection highlights inefficiency of the tax administration and the Transport Department and calls for immediate remedial measures including computerisation of Taxation and Transport departments for better monitoring of revenue collections and improving efficiency of their operations.

Specific reasons for high cost of collection though called for from the departments (September 2005) were not received (October 2005).

## 6.4 Outstanding Inspection Reports and Audit observations

**6.4.1** Audit observations on incorrect assessments, underassessments, non/short levy of taxes and other revenue receipts and defects in the maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the departmental authorities and heads of departments through inspection reports. The more important irregularities are also reported to Government for taking prompt remedial measures. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of two months.

**6.4.2** The number of inspection reports and audit observations issued up to December 2004 but pending settlement by the departments as on 30 June 2005 along with corresponding figures for the preceding two years are given below:

(Rupees in crore)

Department	Number of Inspection Reports			Number of Audit observations			Money value		
	Up to 2002-03	2003-04	2004-05	Up to 2002-03	2003-04	2004-05	Up to 2002-03	2003-04	2004-05
Taxation	31	8	—	181	19	—	4.94	0.97	—
Excise	11	—	2	28	—	2	1.53	—	3.08
Land Revenue	58	5	8	167	12	23	3.40	0.40	1.21
Motor Vehicle	36	4	3	117	11	12	0.95	0.34	0.80
Electricity	55	9	6	146	26	24	62.34	25.87	47.34
Fisheries	20	—	1	59	—	3	0.54	—	0.06
Lotteries	8	1	1	45	3	2	23.16	0.16	0.74
Forest	49	7	2	122	6	10	10.91	0.12	0.55
Registration	10	—	—	15	—	—	0.03	—	—
PHED/Water Tax	12	3	1	27	6	1	1.30	0.20	0.06
Medical	1	1	1	5	1	1	0.18	0.03	0.01
<b>Total :</b>	<b>291</b>	<b>38</b>	<b>25</b>	<b>912</b>	<b>84</b>	<b>78</b>	<b>109.28</b>	<b>28.09</b>	<b>53.85</b>

Out of 354 inspection reports with money value of Rs.191.22 crore pending settlement, even the first reply has not been received in respect of 83

inspection reports containing 298 audit observations with money value of Rs.141.93 crore. Further, 103 inspection reports up to 2004-05 containing 297 audit observations with money value of Rs.16.13 crore have been pending settlement for more than 10 years.

### **6.5 Results of audit**

Test-check of the records of power, forest, taxation, transport, excise, fishery and Manipur State lottery departments conducted during 2004-05 revealed short demand/underassessment/loss of revenue *etc.* amounting to Rs.4.49 crore in 29 cases.

This chapter contains seven paragraphs relating to non realisation of tax, short realisation of energy charges, underassessment of tax, non realisation of show tax/taxes on vehicles, non levy of penalty *etc.* involving Rs.63.09 lakh of which audit observations for Rs.25.47 lakh were accepted by the departments.

**SECTION “A”  
(AUDIT REVIEWS)**

**NIL**

**SECTION “B”  
(AUDIT PARAGRAPHS)**

**EDUCATION DEPARTMENT**

**6.6 Non deduction of sales tax at source**

**Inadequate internal control resulted in non deduction of sales tax from the supplier’s bill thereby leading to non realisation of tax of Rs.10.72 lakh including penalty of Rs.6.43 lakh.**

Under the State Government notification dated 10 December 1990, any person responsible for paying any sum to a dealer on behalf of any department of the State Government shall deduct the amount of tax payable from the bill of the selling dealer and deposit the same in Government treasury by challan within seven days from the date of deduction. If the person referred to above fails to deduct the tax, he shall be liable to pay by way of penalty one and a half times of tax in addition to tax payable.

Test-check of records of the office of Director of Education (S), Manipur in June 2005 revealed that an amount of Rs 40.05 lakh was drawn by them through abstract contingent bills in March 2004 for procurement of furniture and disbursed to the supplier between April and October 2004 in five instalments on the basis of stock receipt certificates furnished by the school authorities. While making payment to the supplier, sales tax at the rate prescribed was not deducted. However, the Department did not initiate any action to recover the same from the defaulting official/officer and levy penalty thereof. This resulted in non realisation of tax of Rs.10.72 lakh including penalty of Rs 6.43 lakh.

After this was pointed out, the Department stated in October 2005 that steps were being taken to recover the tax. Further reply had not been received (October 2005).

The matter was referred to Government in August 2005; reply had not been received (October 2005).

**FOREST DEPARTMENT**

**6.7 Non levy of penalty for illegal removal of forest produce**

**Charging of royalty at the rate of Rs.10 per cum of earth extracted without permit instead of royalty at increased rate by 100 per cent resulted in non levy of penalty and sales tax of Rs.20 lakh and Rs.1.60 lakh respectively.**

According to the Manipur Forest Rules, 1971, no forest produce shall be removed from the forest areas without a permit and a transit pass issued by an authorised forest officer in token of full payment of the amount due to Government on account of the forest produce being removed. In absence of any permit the rate of royalty on minor forest produce shall be increased by 100 per cent in accordance with notification issued by the Forest Department, Government of Manipur in December 1992. Sales tax at prescribed rate shall also be leviable on sale of forest produce under the above said notification.

Test-check of records in March 2005 of the divisional forest officer (DFO), Central forest division revealed that during November and December 2004, two lakh cubic metre (cum) of earth was removed from the Langol reserved forest without valid authorisation by the contractors of the PWD building Division No.I for filling up low lying areas of the Capitol Project Manipur. The DFO requested in January 2005 the Executive Engineer, PWD, building Division No. I to pay royalty at the rate of Rs.10 per cum of earth extracted without permit and sales tax on royalty instead of royalty at increased rate by 100 per cent. This resulted in non levy of penalty of Rs.20 lakh and sales tax of Rs 1.60 lakh thereon.



**POWER DEPARTMENT**

**6.8 Short realisation of energy charges due to incorrect billing**

**Application of incorrect rates of billing on account of non providing of meter resulted in short realisation of revenue of Rs 4.73 lakh.**

Under the provisions of Manipur Electricity supply (Amendment) Regulation 2002, minimum tariff rates of energy charges in respect of bulk consumer were revised with effect from 3 September 2002 to Rs.273 per kw of contract demand per month in case of metered supply of energy. Where electric supply to the consumer had been given without a meter for any reason, the consumer was required to pay flat rate of Rs.458.50 per kw of contract demand per month as energy charges.

Test-check of records in September 2004 of office of the Executive Engineer (EE), Rural Electrification Division No. I, Kakching revealed that the connected load of a consumer was increased to 212.50 kw with effect from 1 August 2003 against 100 kw. The divisional authority however, incorrectly realised the energy charges at minimum rate of Rs.273 per kw instead of the flat rate of Rs 458.50 per kw from the consumer receiving electric supply without meter during the period between August 2003 and July 2004. This resulted in short realisation of energy charges of Rs.4.73 lakh.

After this was pointed out, the EE raised the demand of Rs.4.73 lakh against the consumer. Report on realisation was however, awaited (October 2005).

The matter was referred to Government in May 2005; reply has not been received (October 2005).

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## TAXATION DEPARTMENT

### 6.9 Underassessment of tax due to suppression of purchase turnover

#### Concealment of purchase turnover led to underassessment of tax of Rs.4.60 lakh.

The Manipur Sales Tax Act, (MST Act), 1990 provides that if a dealer fails to furnish returns of his transactions containing such particulars as may be prescribed to the authority concerned, the Commissioner of Taxes shall assess him to the best of his judgement and determine the tax payable by him on the basis of such assessment. The dealer shall also be liable to pay penalty not exceeding one and a half times the amount of tax due.

Test-check of records of the Superintendent of Taxes, Sekmai revealed that a dealer of liquefied petroleum gas (LPG) did not furnish correct returns for the quarters ending March 2003 to June 2004. The assessing authority while finalising the assessment between October 2003 and September 2004 on the best judgement basis determined the taxable turnover of the dealer at Rs.67.73 lakh against returned figure of Rs.53.97 lakh and levied tax accordingly. Cross check of records with details relating to the taxation check post at Sekmai maintained in his office, however, disclosed that the dealer had imported LPG valued Rs.1.25 crore during the above period. This indicated that not only the dealer concealed the turnover to evade tax but the Superintendent of Taxes, also could not detect the same though the information of imports made by the dealer was available with his office. This resulted in underassessment of tax of Rs.4.60 lakh besides penalty.

After this was pointed out, the Department stated in August 2005 that the dealer had been reassessed and additional demand of Rs.4.44 lakh including penalty of Rs.0.12 lakh had been raised against the dealer. Report on recovery was awaited (October 2005).

Since minimum quantum of penalty for violation of the provisions of Act has not been prescribed and the assessing authority levies penalty at different scales without recording any reason, Government may consider introducing minimum quantum of penalty in such cases.

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

**6.10 Non realisation of show tax**

**Non raising of demand resulted in non realisation of Rs.2.44 lakh from four cinematograph owners.**

The Assam Amusements and Betting Tax Act, 1939 as extended to the State of Manipur provided that in the case of cinematograph exhibition, in addition to entertainments tax there shall be levied a tax at the rate of Rs.5 per show which was enhanced to Rs.100 with effect from 1 August 1998. In the meantime, the Hon'ble Guwahati High Court, Imphal passed an interim order on 7 June 1999 in a writ petition filed by Cine Exhibitors Association of Imphal directing the petitioners to pay 50 *per cent* of the enhanced tax subject to final outcome of the writ petition which is still pending (October 2005). Any sum due on account of entertainments tax shall be recoverable as an arrear of land revenue.

Test-check of records in March 2005 of the Superintendent of Taxes, Amusement Tax Zone, Imphal revealed that four cinematograph owners organised 4,883 shows during the years 2003-04 and 2004-05 but did not deposit the show tax. The assessing authority has also failed to raise the demand and recover the tax as arrears of land revenue. This resulted in non-realisation of tax of Rs.2.44 lakh.

After this was pointed out, the Commissioner of Taxes, Manipur raised the demand in June and July 2005 against the owners of cinematograph. On their failure to pay the dues within prescribed period, the Commissioner further requested in August 2005 the Deputy Commissioner, Imphal West to recover the show tax from the owners as arrears of land revenue. Report on recovery was awaited (October 2005).

The matter was reported to Government in July 2005; reply has not been received (October 2005).

## TRANSPORT DEPARTMENT

### 6.11 Non realisation of taxes on vehicles

#### **Non realisation of goods tax and road tax in respect of 24 vehicles led to blockage of Government revenue amounting to Rs.2.98 lakh.**

Under the Manipur Motor Vehicles Taxation Act, 1998, there shall be levied and collected on all motor vehicles used or kept for use in Manipur a tax at the prescribed rate payable in advance either annually or quarterly on or before last day of March, June, September and December respectively. Further, under the provision of Manipur Passengers and Goods Taxation Act, 1977, Government of Manipur by a notification issued in May 2002, fixed lumpsum tax as specified in the notification payable with effect from 1 July, 2002 in respect of different categories of passenger and goods vehicles.

Test-check of records of the District Transport Officer (DTO), Imphal East in November 2004 revealed that owners of 24 vehicles of different types did not pay road tax and goods tax for the period from January 2001 to December 2004 and July 2002 to December 2004 respectively. However, the Department did not initiate any action to raise the demand and recover the dues as arrears of land revenue. This resulted in non realisation of tax of Rs.2.98 lakh (road tax : Rs.1.72 lakh and goods tax: Rs.1.26 lakh).

After this was pointed out, Government stated in September 2005 that payment of tax could be made in any DTO's office of the State and the work of reconciliation of actual realisation of the tax from the defaulters was being taken up with the DTOs of other districts to ascertain the latest position of non payment of tax. Further reply has not been received (October 2005). Government may consider computerisation and linking of DTOs for online monitoring and reconciliation of collection of such taxes.

### 6.12 Non collection of professional tax

#### **Professional tax amounting to Rs.16.02 lakh for the period from April 2002 to November 2004 was not realised from 1,602 permit holders of goods vehicles, trucks and three wheelers by District Transport officer, Imphal West.**

Under the provisions of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, the Government of Manipur, by a notification issued in October 2000 appointed DTO posted in various districts of the State as additional taxation officers for collection of professional tax in their administrative jurisdiction. Person(s) holding permit(s) for taxies, goods

vehicles, trucks, buses and three wheelers were required to pay professional tax at the rate of Rs.1,000 per annum from 1 January 2001 and to deposit the same into Government account.

Test-check of records of DTO, Imphal West in December 2004 revealed that DTO had issued 1,602 permits during April 2002 to November 2004 in respect of various vehicles but professional tax of Rs.16.02 lakh was not collected from the permit holders of these vehicles.

After this was pointed out, Government stated in September 2005 that a decision was being taken for rationalisation of tax structure in terms of size of the vehicles and their earning capacity. The reply is not acceptable as any change in tax structure will not affect the liability of the existing defaulters. The final decision in this regard and the progress of realisation of professional tax is awaited (October 2005).