

CHAPTER-VI

REVENUE RECEIPTS

6.1 GENERAL

6.1.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Nagaland during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given in **Table 6.1**.

Table 6.1

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	Tax revenue	54.90 ¹	62.00	68.55	78.31 ²	105.53 ³
	Non tax revenue	43.41	43.94	60.91	77.90	96.82
	Total: I	105.80	105.94	129.46	156.21	202.35
II.	Receipts from the Government of India					
	State's share of divisible Union taxes	30.71	46.01	256.97 ⁴	160.15	248.50
	Grants in aid	1195.51	1194.95	1973.36	1523.16	1816.35
	Total: II	1218.73	1240.96	2230.33	1683.31	2064.85
III	Total receipts of the State Government (I plus II)	1324.53	1346.90	2359.79	1839.52	2267.20
IV	Percentage of I to III	8	8	5	8	9

(Source: Finance Accounts)

¹ Components of net share of divisible Union taxes i.e., corporation tax – Rs.7.90 crore, tax on wealth – Rs.0.09 crore and service tax-Rs.0.31 crore which were included in Table 6.1 and 6.2 as State's own tax revenue in the Audit Report for the year 2001-02 have been rectified and included in the State's share of divisible Union taxes.

² Figures under the share of net proceeds assigned to States under the following major heads booked in the Finance Accounts under 'A'-tax revenue have been excluded from revenue raised by the State Government and included in State's share of divisible union taxes in this table. (0020- Corporation tax, 0021- taxes on income other than corporation tax, 0028- Other taxes on income and expenditure, 0032- taxes on wealth, 0037- customs, 0038- union excise duties, 0044- service taxes, 0045- other taxes and duties on commodities and services).

³ For details see Statement no. 11-detailed accounts of revenue by minor heads of the Finance Accounts of Government of Nagaland for 2005-06. Figures under major heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 showing State's share of divisible union taxes booked in the Finance Accounts under A-tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible union taxes in this table.

⁴ The figures for 2003-04 include unadjusted share of central taxes of Rs.52.15 crore and Rs.52.02 crore for the years 2001-02 and 2002-03 respectively.

6.1.2 The details of tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given in **Table 6.2**.

Table 6.2

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.	34.42	41.15	45.63	53.08	77.16	(+) 45
2.	Taxes on vehicles	5.35	4.74	6.00	7.30	8.71	(+) 19
3.	Other taxes on income and expenditure	11.32	12.23	12.63	13.56	14.89	(+) 10
4.	State excise	1.87	1.98	1.99	2.07	1.96	(-) 5
5.	Stamp duty registration fees	0.91	0.57	0.66	0.73	0.89	(+) 22
6.	Other taxes and duties	0.30	0.10	0.06	0.03	0.01	(-) 67
7.	Land revenue	0.62	0.41	0.54	0.43	0.55	(+) 28
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.01	-
9.	Taxes on goods and passengers	0.10	0.81	1.03	1.10	1.35	(+) 23
	Total:	54.90⁵	62.00	68.55	78.31	105.53	(+) 35

(Source: Finance Accounts)

Reasons for variations, though called for, have not been intimated by concerned departments (November 2006).

6.1.3 The details of the major non-tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given in **Table 6.3**.

Table 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	1.62	1.72	5.61	3.27	5.60	(+) 71
2.	Public service commission	0.06	0.13	0.23	0.13	0.01	(-) 92
3.	Police	0.51	0.56	0.17	0.41	1.56	(+) 280
4.	Stationery and printing	0.01	0.01	0.01	0.01	0.05	(+) 400
5.	Public works	0.97	0.62	0.75	0.22	0.17	(-) 23
6.	Other administrative services	3.14	3.14	3.96	5.54	7.10	(+) 28
7.	Contribution and recoveries towards pension & other retirement benefits	1.04	0.11	0.12	0.10	0.40	(+) 300
8.	Miscellaneous general services	0.44	2.11	2.10	11.70	15.64	(+) 34
9.	Education, sports, art and culture	0.46	0.15	0.19	0.19	0.22	(+) 16
10.	Medical and public health	0.12	0.15	0.06	0.06	0.07	(+) 17
11.	Water supply and sanitation	0.36	0.63	0.80	0.97	1.06	(+) 9
12.	Housing	2.22	2.25	2.19	2.18	2.23	(+) 2

⁵ Components of net share of divisible Union Taxes i.e., Corporation Tax-Rs.7.09 crore, Tax on Wealth – Rs.0.09 crore and Service Tax – Rs.0.31 crore which were included in Table 6.1 and 6.2 as state's own tax revenue in the Audit Report for the year 2001-02 have been rectified and included in the State's share of divisible Union taxes.

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
13.	Social security and welfare	0.01	0.13	0.56	0.03	0.31	(+) 933
14.	Crop husbandry	0.10	0.10	0.06	0.09	0.06	(-) 33
15.	Animal husbandry	0.22	0.20	0.22	0.33	0.37	(+) 12
16.	Forestry and wildlife	2.04	3.54	3.43	3.88	6.21	(+) 60
17.	Food storage and warehousing	0.07	0.01	0.05	0.02	0.02	-
18.	Co-operation	1.30	0.97	0.42	0.84	0.89	(+) 6
19.	Other agricultural programmes	0.03	0.02	0.04	0.05	0.04	(-) 20
20.	Minor irrigation	0.01	---	0.01	0.03	0.01	(-) 67
21.	Power	22.93	19.59	29.30	39.66	42.71	(+) 8
22.	Village and small industries	0.18	0.62	0.25	0.46	1.30	(+) 183
23.	Nonferrous mining and metallurgical industries	0.02	0.01	0.05	0.10	0.05	(-) 50
24.	Road transport	5.10	5.52	5.75	6.79	7.34	(+) 8
25.	Tourism	0.10	0.16	0.20	0.17	0.26	(+) 53
26.	Other general economic services	0.05	0.06	0.07	0.06	2.57	(+) 4184
27.	Miscellaneous	0.30	1.43	4.31	0.61	0.57	(-) 7
	Total	43.41	43.94	60.91	77.90	96.82	(+) 24

(Source: Finance Accounts)

The reasons for variations, though called for, have not been intimated by concerned departments (November 2006).

6.1.4 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non tax revenue are given in Table 6.4.

Table 6.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
1.	Other taxes on income and expenditure	13.00	14.89	(+) 1.89	(+) 15
2.	State excise	2.50	1.96	(-) 0.54	(-) 22
3.	Taxes on sales, trade etc.	85.00	77.16	(-) 7.84	(-) 9
4.	Taxes on vehicles	6.80	8.71	(+) 1.91	(+) 28
5.	Interest receipts	3.50	5.60	(+) 2.10	(+) 60
6.	Police	0.47	1.56	(+) 1.09	(+) 232
7.	Stationery and printing	0.22	0.05	(-) 0.17	(-) 77
8.	Public works	1.10	0.17	(-) 0.93	(-) 85
9.	Other administrative services	4.00	7.10	(+) 3.10	(+) 78
10.	Contribution and recoveries and other retirement benefits	0.18	0.40	(+) 0.22	(+) 122
11.	Miscellaneous general services	10.00	15.64	(+) 5.64	(+) 56
12.	Social security and welfare	0.17	0.31	(+) 0.14	(+) 82
13.	Forestry & wildlife	3.50	6.21	(+) 2.71	(+) 77

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
14.	Co-operation	0.05	0.89	(+) 0.84	(+) 1680
15.	Power	38.00	42.71	(+) 4.71	(+) 12
16.	Village and small industries	0.18	1.30	(+) 1.12	(+) 622
17.	Roads and bridges	0.11	0.38	(+) 0.27	(+) 245
18.	Road transport	7.85	7.34	(-) 0.51	(-) 6
19.	Other general economic services	0.08	2.57	(+) 2.49	(+) 3113
	Total	176.71	194.95	(+) 18.24	

(Source: Budget documents and Finance Accounts)

The reasons for variations though called for, have not been intimated by concerned departments (November 2006).

6.1.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2003-04, 2004-05 and 2005-06 along with the relevant all India average percentage of expenditure to gross collection for the year 2004-05 are given in **Table 6.5**.

Table 6.5

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2004-2005
1.	Taxes on sales, trade etc.	2003-04	45.63	3.44	8	0.95
		2004-05	53.08	3.57	7	
		2005-06	77.16	4.58	6	
2.	State excise	2003-04	1.99	4.73	238	3.34
		2004-05	2.07	4.70	227	
		2005-06	1.96	5.78	295	
3.	Taxes on vehicles	2003-04	6.00	1.98	33	2.74
		2004-05	7.30	2.00	27	
		2005-06	8.71	2.36	27	
4.	Stamp duty and registration fees	2003-04	0.66	0.08	12	3.44
		2004-05	0.73	0.17	23	
		2005-06	0.89	0.07	8	

(Source: Finance Accounts)

The State is facing an anomalous situation where the cost of collection of State excise is more than twice the collection. The reasons for increased expenditure under the head State excise though called for have not been intimated by the concerned department (November 2006). It is also seen that percentage of expenditure to gross collection is abnormally high compared to all India average. The reasons for such high cost of collection though called for have not been intimated by the State Government (November 2006).

6.1.6 Analysis of arrear of revenue

The arrears of revenue as on 31 March 2006 in respect of the Commissioner of Taxes was Rs.19.35 crore of which Rs.10.62 crore had been outstanding for more than five years as detailed in **Table 6.6**.

Table 6.6

(Rupees in crore)

Sl. No	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than five years as on 31 March 2006
1.	Sales tax	11.95	6.77
2.	Central sales tax	4.45	3.13
3.	Purchase tax	1.71	0.62
4.	Petroleum tax	1.05	0.02
5.	Professional tax	0.19	0.08
	Total	19.35	10.62

Out of Rs.19.35 crore, an amount of Rs.5.55 crore was covered by revenue recovery process and Rs.1.92 crore was under appeal. Balance amount of Rs.11.88 crore was pending due to other reasons.

6.1.7 Write off and waiver of revenue

During the year 2004-05, demands for Rs.0.05 crore in three cases was written off by the department as irrecoverable as the whereabouts of the defaulters were not known. No cases of write off or waiver had been reported during the year 2005-06.

6.1.8 Outstanding audit reports and audit observations

Audit observations on incorrect assessments, short levy of taxes/duties/fees etc., and other irregularities noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports (IRs). The more important irregularities are reported to the heads of departments and Government.

The heads of offices are required to furnish replies to the IRs through the respective heads of departments within a period of six weeks. The replies however, have not been forthcoming in a number of cases.

Reviews of IRs upto September 2006 pertaining to receipt items revealed that 328 paragraphs involving Rs.293.58 crore remained outstanding at the end of November 2006 as given in **Table 6.7**.

Table 6.7

Sl No.	Nature of irregularities	Number of paragraphs	Amount (Rupees in crore)
1	Loss of revenue	98	29.64
2.	Misappropriation of Government money	17	6.49
3.	Non realisation of Sales Tax	37	8.69
4.	Evasion of tax	43	82.42
5.	Revenue outstanding for collection	26	8.95
6.	Others	107	157.39
	Total	328	293.58

6.1.9 Results of Audit

This audit report contains four paragraphs on non remittance/short remittance/misappropriation of Government revenue amounting to Rs.1.71 lakh which had been accepted by the Government. Report on recovery is awaited (November 2006).

PARAGRAPHS

PUBLIC WORKS DEPARTMENT

6.2 Unauthorised retention/misappropriation of Government receipts

Non remittance of revenue receipts of Rs.33.41 lakh.

Rule 6 of the Receipts and Payments Rules, 1983 states that all moneys received by or tendered to Government offices on account of revenue or receipts or dues of Government shall, without delay, be paid in full into the accredited bank for inclusion in Government account. Moneys received shall not be utilised to meet departmental expenditure nor kept apart from Government account except in the case of four Departments where receipts can be utilised for meeting departmental expenditure of the same is unauthorised by competent authority.

Test check in June 2005 of the deposit register of the Executive Engineer, Public Works Department (PWD) R&B, NH division Mokokchung revealed

that the Department received Rs.47.18 lakh⁶ being recoveries during 2001-02 to 2004-05, of this, the EE deposited Rs.15.20 lakh only into treasury between August 2001 and March 2005 and retained the balance amount of Rs.31.98 lakh collected during the period.

Further scrutiny revealed that the Department also realised Rs.3.29 lakh from contractors for petty repair works and remitted Rs.1.86 lakh between March 2004 and March 2005 to the treasury and retained the balance receipts amounting to Rs.1.43 lakh collected during 2004-05.

After these were pointed out, the Department while accepting the fact in July 2006 stated that an amount of Rs.1.43 lakh had already been deposited in Government account. The treasury challans submitted in support of the claim were however, not authenticated by the treasury officer.

The Government in August 2006 stated that steps had been initiated to deposit the revenue into Government account. Report on remittance of balance receipts has not been received (November 2006).

INDUSTRIES & COMMERCE DEPARTMENT

6.3 Non remittance of revenue

According to the State Finance Department (Revenue Branch), order issued in July 2002, in addition to sub section 5 of Section 36 of Nagaland Sales Tax (NST) Act, 1967 read with NST Rules 1970, as amended from time to time, all Heads of Department/Heads of Offices/Drawing and Disbursing Officers are required to deduct at source, the full amount of sales tax (as specified in Schedule-III attached to NST Act) on supply of materials at the time of payment and to deposit the amount into treasury under sales tax head within seven days.

Test check in January 2006 of records for the period from April 2003 to March 2005) of two hotels⁷ under Nagaland Hotels Limited revealed that an amount of Rs.9.44 lakh deducted as sales tax at source from the suppliers for supply of various items was not deposited into the treasury even after a lapse of two to three years in violation of Government order. This resulted non remittance of revenue of Rs.9.44 lakh.

⁶ Forest royalty: Rs.7.52 lakh, Nagaland sales tax: Rs.0.54 lakh, Works contract tax:Rs.20.14 lakh, Hire charges of road roller/Power Tiller etc.: Rs.18.98 lakh=Rs.47.18 lakh
2001-02:Rs. 2.36
2002-03:Rs.17.52
2003-04:Rs.10.68
2004-05:Rs.16.62

⁷ Hotel Saramati, Dimapur and Hotel Japfu Ashok, Kohima

Government in July 2006 stated that steps have been initiated to deposit the revenue into Government account.

**VETERINARY AND ANIMAL HUSBANDRY
DEPARTMENT**

6.4 Non remittance/misappropriation of revenue

(i) Test check in May 2006 of records of the Deputy Director of Veterinary and Animal Husbandry, Dimapur revealed that revenue collection of Rs.5.21 lakh between April 2002 and February 2004 received from four quarantine check posts was accounted for in the cash book. Of this, Rs.3.05 lakh was deposited during the above period to Government account and balance amount of Rs.2.16 lakh was retained in cash. The deposit was also delayed ranging between 1 and 24 months.

Detailed scrutiny of the cash book further revealed that the closing balance of March 2004 of unremitted revenue of Rs.1.71 lakh was not taken as opening balance in the new cash book of (April 2004) resulting in defalcation of Rs.1.71 lakh. No steps were taken by the department to rectify the discrepancy for the last two years till the same was detected and pointed out in audit (May 2006).

After this was pointed out, the Department admitted the misappropriation in May 2006 and stated that action has been initiated for recovery of the amount from the defaulter. Government also endorsed (October 2006) the views of the department.

(ii) Similarly test check of records of the Deputy Director, Veterinary and Animal Husbandry, Dimapur revealed that revenue receipt of Rs.27.91 lakh was collected from the hatchery units being sale proceeds of chicks, eggs and feeds etc., during the period from July 2002 to April 2006 and an amount of Rs.23.56 lakh was incurred towards meeting departmental expenditure during the aforesaid period. Of the balance amount of Rs.4.35 lakh, the Farm Manager deposited Rs.2.40 lakh into Government account and remaining Rs.1.95 lakh was retained in cash in contravention of rules.

In reply the Government stated October 2006 that the Farm Manager has been directed to deposit the outstanding revenue of Rs.1.95 lakh immediately. Report on remittance is however awaited (November 2006).