

CHAPTER – VI REVENUE RECEIPTS

6.1 Trend of revenue receipts

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

Table-6.1

(Rupees in crore)

		2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
(a)	Tax Revenue	80.39	105.53	108.00	116.95	147.23
(b)	Non-tax revenue	1,128.21 (71.12)	1,315.84 (143.36)	537.29 (95.04)	992.47 (111.36)	990.10 (113.94)
	Total	1,208.60 (151.51)	1,421.37 (248.89)	645.29 (203.04)	1,109.42 (228.31)	1,137.33 (261.17)
II.	Receipts from the Government of India					
(a)	State's share of divisible Union taxes	84.83	77.20	112.33	107.35*	182.13
(b)	Grants-in-aid	513.75	581.95	583.56	675.63	644.90
	Total	598.58	659.15	695.89	782.98	827.03
III.	Total receipts of the State	1,807.18 (750.09)	2,080.52 (908.04)	1,341.18 (898.93)	1,892.40 (1,011.29)	1,964.36 (1,088.20)
IV.	Percentage of I to III	67	68	48	59	58

The figures shown in brackets are net of expenditure of lotteries conducted by the Government. For details, please see 'Statement No.11 – Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

6.1.1 Tax Revenue

The details of tax revenue raised during the year 2005-06 along with the figures for the preceding four years are given below:

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.	Sales tax	34.97	41.42	48.87	48.18	56.65	(+)17.58
2.	Taxes on income other than corporation tax	22.03	32.67	26.76	29.09	47.82	(+)64.39
3.	State excise	17.59	22.45	25.25	32.69	32.96	(+)0.83
4.	Stamps and Registration fees	1.30	3.45	1.14	1.43	2.27	(+)58.74
5.	Taxes on vehicles	1.97	2.35	2.74	3.24	4.24	(+)30.86
6.	Other taxes and duties on commodities and services	2.02	2.79	3.06	1.88	2.68	(+)42.55
7.	Land revenue	0.51	0.40	0.18	0.44	0.61	(+)38.64
	Total	80.39	105.53	108.00	116.95	147.23	(+)25.89

The reasons for variations were as under:

Taxes on income other than corporation tax: The increase was due to more realisation of Income tax levied under State law.

State excise: The increase in revenue realisation was due to better management of revenue collection.

Stamps & registration: The increase was due to upward revision of registration fee and increase in sale of stamp documents.

Taxes on vehicles: The increase was due to registration of more number of vehicles.

Land revenue: The increase was due to upward revision of land rent.

Reasons for variation in respect of Sales tax and Other taxes and duties on commodities and services were not furnished by the concerned departments (November 2006).

6.1.2 Non-tax Revenue

The details of the non-tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given below:

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	6.02	7.17	2.73	8.03	6.31	(-)21.42
2.	Road transport	15.56	17.26	17.33	21.52	13.67	(-)36.48
3.	Plantations	2.01	1.78	1.92	1.63	2.01	(+)23.31
4.	Dividends & profits	0.01	1.76	0.74	0.92	1.14	(+)23.91
5.	Forestry and wild life	6.65	7.15	7.24	7.92	9.97	(+)25.88
6.	Tourism	0.67	0.54	0.79	0.78	0.81	(+)3.85
7.	Crop husbandry	0.43	0.50	0.31	0.31	0.36	(+)16.13
8.	Power	11.84	12.97	13.67	21.41	28.00	(+)30.78
9.	Printing & stationery	0.98	1.12	1.04	1.07	1.65	(+)54.21
10.	Medical and public health	0.35	0.36	0.44	0.98	0.91	(-)0.07
11.	Village & small industries	0.64	0.63	0.58	0.08	0.14	(+)75.00
12.	Public works	0.99	2.41	1.64	2.46	3.09	(+)25.61
13.	Police	3.86	1.40	10.20	4.38	14.14	(+)222.83
14.	Animal husbandry	0.24	0.24	0.23	0.31	0.41	(+)32.26
15.	Industries	0.01	0.01	0.02	0.01	0.19	(+)1800.00
16.	State lotteries [†]	1,074.40 (17.31)	1,256.72 (84.24)	473.72 (31.47)	912.27 (31.16)	898.35 (22.19)	(-)1.53 (-)28.79
17.	Others	3.55	3.82	4.69	8.39	8.95	(+)6.67
	Total	1,128.21	1,315.84	537.29	992.47	990.10	

The reasons for variations for the following items as stated by the departments were as under:

Interest receipts: The decrease was due to less realisation of interest from investment of cash balance.

[†] Figures in brackets represent net receipts.

Road transport: The decrease was due to less realisation of passenger fare and dip in sale of POL.

Plantations: The increase was due to enhancement of realisation from Temi Tea Estate on account of sale of tea leaves.

Forestry and wild life: The increase was due to more realisation under other receipts.

Crop husbandry: The increase was due to imposition of token fees on all CS schemes.

Tourism: The increase was due to leasing out of way side amenities, cafeterias etc.

Power: The increase was due to more realisation on account of sale of power.

Printing & stationery: The increase was due to realisation of outstanding dues.

Public works: The increase was due to more realisation on account of hire charges of machinery and equipments.

Police: The increase was due to more realisation under miscellaneous receipts of the Department.

Industries: The increase was due to leasing out of Sikkim Flour Mill, Tadong.

State lotteries: The decrease was due to non-stability of lottery market owing to ban on sale of lottery tickets in certain states and higher incidence of sales tax on sale of lottery tickets by some states.

Reasons for variations in respect of the remaining heads of revenue were not received (November 2006) though called for in June 2006.

6.2 Analysis of budget preparation

Budget estimate, revised estimate and actuals in respect of principal heads of revenue for the last five years are as below:

Table-6.4

(Rupees in crore)

Head	2001-02			2002-03			2003-04			2004-05			2005-06		
	BE	RE	Act-uals	BE	RE	Act-uals	BE	RE	Act-uals	BE	RE	Act-uals	BE	RE	Act-uals
Sales Tax	18.00	21.50	34.97	21.50	21.50	41.42	27.00	27.00	48.87	35.00	35.00	48.18	40.00	47.00	56.65
State Excise	16.00	17.00	17.59	19.50	20.57	22.45	22.00	22.81	25.25	26.00	29.47	32.69	26.48	26.60	32.96
Taxes on vehicles	1.20	1.20	1.97	1.38	1.38	2.35	1.45	1.45	2.74	1.75	1.80	3.24	2.00	2.00	4.24
Stamps and Registration	0.56	0.56	1.30	0.57	0.61	3.45	0.66	0.67	1.14	0.71	1.09	1.43	1.28	1.54	2.27

Analysis of above table indicate that though the departments met the targets fixed, budget estimates in almost all the cases were made without considering the actuals of preceding year and were thus unrealistic.

6.3 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 below:

Table-6.5

(Rupees in crore)

	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
A	Tax revenue				
1.	Land revenue	0.81	0.61	(-)0.20	(-) 24.69
2.	Stamps & registration Fees	1.54	2.27	(+)0.73	(+) 47.40
3.	State excise	26.60	32.96	(+)6.36	(+) 23.91
4.	Sales tax	47.00	56.65	(+)9.65	(+)20.53
5	Taxes on vehicles	2.20	4.24	(+)2.04	(+)92.73
6	Service tax	12.03	16.97	(+)4.94	(+)41.06
7	Other taxes and duties on commodities and services	5.02	2.68	(-)2.34	(-)46.61
B	Non-tax revenue				
8	Interest	3.57	6.31	(+)2.74	(+)76.75
9	Dividends & profits	0.72	1.14	(+)0.42	(+)58.33
10	Police	12.50	14.14	(+)1.64	(+)13.12
11	Printing & stationery	1.20	1.65	(+)0.45	(+)37.50
12	Public works	1.77	3.09	(+)1.32	(+)74.58
13	Other administrative services	1.21	2.92	(+)1.71	(+)141.32
14	Education, sports, art & culture	0.55	0.95	(+)0.40	(+)72.73
15	Medical & public health	0.79	0.91	(+)0.12	(+)15.19
16	Water supply & sanitation	0.77	1.16	(+)0.39	(+)50.65
17	Urban development	0.43	0.68	(+)0.25	(+)58.14
18	Forestry & wild life	7.00	9.97	(+)2.97	(+)42.43
19	Road transport	11.28	13.66	(+) 2.00	(+)21.07

The reasons for variations between budget estimates and actuals were as follows:

State excise: The increase was due to better management of revenue collection.

Taxes on vehicles: The increase was due to increase in number of vehicles in the State.

Stamps & registration: The increase was due to revision of registration fee and increase in sale of stamp documents.

Land revenue: The decrease was due to less transaction.

Forestry and wild life : The increase was due to receipt of fund from NHPC for crop compensation.

Printing & stationery: The increase was due to realisation of outstanding dues.

Public works: The increase was due to more tender works, receipt of lease rent, settlement of pending final bills, receipt of more hire charges of machinery and equipment.

Other administrative services: The increase was stated to be due to more receipt of charges from guest house & hostels etc.

Police: The increase was due to receipt of reimbursement by the Government of India during 2005-06 against the expenditure for 2003-04.

Road Transport: The revenue increase was due to unusual demand of NHPC as the project was at completion stage.

Reasons for variations in respect of the remaining heads of revenue were not received (October 2006) though called for in June 2006.

6.4 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 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2004-05 were as follows.

Table-6.6

(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 2004-05
1.	Sales tax	2003-04	48.87	1.09	2.23	0.95
		2004-05	48.18	1.10	2.28	
		2005-06	56.65	1.66	2.93	
2.	State excise	2003-04	25.25	1.37	5.43	3.34
		2004-05	32.69	1.49	4.56	
		2005-06	32.96	1.76	5.34	
3.	Taxes on vehicles	2003-04	2.74	0.43	15.69	2.74
		2004-05	3.24	0.43	13.27	
		2005-06	4.24	0.58	13.68	

It would be seen from the table that the percentage of expenditure to gross collection during 2005-06 as compared to the corresponding all India average percentage for 2004-05 was high in the case of sales tax, State excise and taxes on vehicles due to lower rate of tax coupled with high establishment expenditure.

6.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2006 in respect of some principal heads of revenue amounted to Rs. 32.97 crore of which Rs. 0.03 crore were outstanding for more than 5 years as detailed below:

Table-6.7

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than 5 years as on 31 March 2006
1.	Public Works (Bldgs)	0.11	Nil
2.	Road Transport – SNT	3.20	Nil
3.	Hire charges of machinery & equipment	2.82	Nil
4.	Tourism-rent & catering receipt	0.02	Nil
5.	Power	26.73	*Not Available
6.	Printing & stationery	0.09	0.03
	Total	32.97	0.03

*Figures for Sl. 5 outstanding amount not received from Power Department despite repeated reminders.

6.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2005-06, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2005-06 as furnished by the Income & Commercial Tax Division of Finance, Revenue & Expenditure Department in respect of State income tax was as follows:

Table-6.8

Name of tax	Opening balance	New cases due for assessment during 2005-06	Total assessments due	Cases disposed of during 2005-06	Balance at the end of the year	Percentage of Column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
State Income Tax	1,962	26	1,988	719	1,269	36.16

It would be seen that the percentage of disposal under State income tax was 36.16 *per cent* only. Figures for other heads were not furnished by the concerned departments despite repeated reminders.

6.7 Failure of senior officials to enforce accountability and protect interest of Government

Audit observations on loss of revenue/short levy of demand & energy charges/under valuation/short assessment/irregular waiver etc. noticed during local Audit are intimated through inspection reports (IRs) to departmental officers, heads of departments and also to Government where necessary. The points mentioned in the IRs are to be settled as expeditiously as possible and first replies should be sent within four weeks from the date of receipt of IRs by the departments.

The position of IRs (with money value) in respect of revenue heads issued upto the end of December 2005 but remaining outstanding as at the end of June 2006 was as under:

Table-6.9

(Rupees in crore)

Sl. No.	Head of Revenue	No. of Inspection Reports	No. of Audit Objection	Amount
1	Sales tax	10	48	16.79
2	State income tax	11	43	11.60
3	Forestry and wild life	30	69	1.30
4	Land revenue	15	16	0.32
5	Taxes on vehicles	4	12	0.81
6	Urban development	6	14	2.17
7	Power	7	16	3.95
8	Non-ferrous mining and metallurgical industries	2	2	0.02
Total		85	220	36.96

6.8 Results of Audit

Test check of records of Income and Commercial Tax, Urban Development, Forest and Environment Management, Energy and Power, Mines, Minerals & Geology, Transport (Motor Vehicle Division), State Lotteries, State Excise, conducted during the year 2005-06 revealed loss of revenue/short levy of demand & energy charges/under valuation/short assessment/irregular waiver etc. aggregating to Rs. 28.91 crore in 69 cases. A few illustrative cases involving Rs. 8.04 crore highlighting important Audit observations are mentioned in the following paragraphs.

The Department/Government accepted one case involving money value of Rs. 59.23 lakh and recovered Rs. 47.76 lakh.

6.9 Loss of Revenue

EXCISE DEPARTMENT

6.9.1 Non-levy of excise duty on short accountal of Extra Neutral Alcohol

Failure of the Department to levy and collect excise duty on the basis of “actual” transit loss of Extra Neutral Alcohol (ENA) imported by three distilleries resulted in revenue loss of Rs. 1.49 crore.

Sikkim Excise (Distillery for manufacture of spirit and foreign liquor) Rules 2000 stipulate that an allowance shall be made for actual loss in transit by leakage and evaporation of spirits transported subject to maximum limit ranging between one and two *per cent* towards transit loss for period of journeys as specified. Besides, an additional loss of 0.05 *per cent* is also allowable for temperature variation of one degree Fahrenheit between time of despatch and receipt.

Scrutiny of records in January 2005 revealed that 289.69 lakh LPL[‡] ENA was imported by three distilleries[§] during the years 2001-02 to 2005-06. Of these, 1.67 lakh LPL was lost in transit as certified by the excise officials after proper gauging and proving of the strength of ENA on arrival. The balance 288.02 lakh LPL ENA was to be taken as stock by the distilleries against which 285.32 lakh LPL was accounted for by the distilleries. This resulted in short-accountal of 2.70 lakh LPL with consequential evasion of excise duty to the tune of Rs. 1.49 crore.

After this was pointed out, the Secretary and Commissioner, Excise Department stated between March 2005 and August 2006 that due to requirement of the rules of the exporting states, transit loss was artificially restricted to 0.5 *per cent* despite actual higher incidence. The Secretary, Excise Department further stated in October 2006 that the difference was due to allowable wastage which was upto a maximum of five *per cent* and one *per cent* for storage on account of loss during storage in metal and wooden vessels respectively.

[‡] London Proof Litre.

[§] Sikkim Distilleries Ltd., Mount Distilleries Ltd. And Himalayan Distilleries Ltd.

The replies are not acceptable as the Rules provide for maximum allowance of transit loss subject to actual loss which in these cases was 0.5 *per cent* as recorded by the excise officials and allowance of transit loss on ENA imported to the State of Sikkim is governed by Sikkim Act and Rules framed thereunder without any prejudice to provisions of Act and Rules of exporting States. Further, losses pointed out in Audit pertained to the losses occurring in transit only and not loss/wastage in the processes involved thereafter like storage, blending and bottling.

**FINANCE, REVENUE & EXPENDITURE DEPARTMENT
(INCOME AND COMMERCIAL TAX DIVISION)**

6.9.2 Non-realisation of CST

Failure to recover CST from four firms dealing in inter-State trade resulted in non-realisation of revenue of Rs. 3.99 crore.

Section 8 (5) of the Central Sales Tax (CST) Act 1956 empowers a State Government either to exempt any goods or class of goods from payment of tax or to impose lower rates of tax than those specified, for any dealer dealing in inter-State trade provided that such exemption/reduction is notified in an official gazette of that State Government. State Government of Sikkim had not issued any such notification as of September 2006.

Test check of records of the Commissioner, Income Tax and Commercial Tax Division (IT & CTD), Finance, Revenue & Expenditure Department for the period from April 2003 to March 2004 revealed in September 2005 that four industries sold goods in course of interstate trade valued at Rs. 40.02 crore during April 2001 to June 2005. Though the dealers submitted their returns, they did not pay tax of Rs. 3.99 crore as detailed below:

Table-6.10

Sl No	Name of firm	Commencement of commercial production	Period of Returns	Total turnover (Rs.)	CST due calculated at 10 per cent of turnover (Rs.)
1	M/S Akshay Ispat & Ferro alloys Pvt. Ltd.	December 2003	1.3.2004 to 30.6.2005	21,07,26,523	2,10,72,652
2	M/S Denzong Laboratories Pvt. Ltd. ♦	July 1999	1.4.2001 to 31.3.2005	5,63,07,114	56,30,711
3	M/S Sarda Boiron Sikkim Pvt. Ltd. ♦	April 1995	1.4.2001 to 31.3.2004	79,76,731	7,97,673
4	M/S Sheela Foams Pvt. Ltd.	October 2003	1.1.2004 to 31.3.2005	12,51,90,248	1,24,33,362*
	Total			40,02,00,616	3,99,34,398

* Tax for the turnover amounting to Rs. 8,56,631 was paid.

♦ In case of firms at Sl. no. 2 and 3 above, tax amounting to Rs. 1.19 crore had also not been paid since commencement of commercial production from July 1999 and April 1995 respectively.

After this was pointed out, the Department in their reply stated in April 2006 that the matter was referred to the Department of Commerce and Industries (DCI) in

April 2006 for clarification since there was inconsistency in the extent and mode of tax benefit to be granted by the State Government under the industrial policies. The reply is not tenable as exemption/reduction in rate of tax under industrial exemption scheme was also to be notified by the Taxation Department under Section 8(5) of CST Act which was not done till November 2006. The DCI, however, clarified in April 2006 that all the four units were required to pay tax.

The IT&CTD stated in April 2006 that after receiving clarification from the DCI, they had initiated the assessment process. Results of assessment along with particulars of recovery of tax are awaited (November 2006).

Irregular exemption of CST resulted in non-realisation of revenue of Rs. 82.58 lakh.

Similarly test check of records of Special Secretary, IT&CTD, Finance, Revenue and Expenditure Department for the period from April 2003 to March 2004 revealed in September 2005 that the Deputy Commissioner allowed exemption to a dealer from payment of CST amounting to Rs. 82.58 lakh[♥] on two occasions for a period of five years each from December 1993 to December 1998 and from November 1999 to November 2004 under the provisions of the State Scheme of Incentives for Small Scale Industries 1988 and Sikkim Industrial Promotion and Incentive Act 2000 respectively. Audit scrutiny revealed that the exemptions were not regular as both the incentive scheme and Act of 1988 and 2000 did not contain any provision for exemption of CST. Further, the IT&CTD also did not issue any notification under Section 8(5) of the CST Act which was mandatory for allowing such exemptions. This resulted in irregular exemption of tax of Rs. 82.58 lakh out of which Rs. 31.20 lakh pertained to the period from 1999-2000 to 2003-04.

After this was pointed out, the Special Secretary, IT&CTD while accepting Audit observation stated in August 2006 that the dealer was issued certificate allowing exemption from levy of CST on the basis of approval of the then Hon'ble Deputy Chief Minister in-charge of Finance Department and that the matter was submitted to Government for consideration and development in this regard would be intimated to Audit. The reply is not tenable as exemption of CST cannot be granted in this case without issuing notification under Section 8(5) of CST Act. Further reply is awaited (November 2006)

6.9.3 Short assessment of sales tax

Allowance of inadmissible deductions from turnover resulted in short-realisation of tax of Rs. 59.23 lakh.

Section 4A of the Sikkim Sales Tax Act 1983 read with Rules and orders issued by Government of Sikkim from time to time, requires every dealer to pay sales tax

Year	Gross Turnover	Less stock transfer etc.	Net Taxable turnover	CST (@ 10 %)
1993-94 to 1998-99	5,91,56,983	77,71,744	5,13,85,239	51,38,524
1999-00 to 2003-04	39,05,3373	78,56,017	3,11,97,356	31,19,736
Total CST due			8,25,82,595	82,58,260

each year on the taxable turnover for transfer of property in goods whether as goods or in some other form involved in the execution of works contract at the rate of four *per cent*.

Scrutiny of records in September 2005 in the IT&CTD of Finance, Revenue and Expenditure Department revealed that while finalising the assessments between September and October 2004 for the period 2001-02 to 2003-04, taxable turnover of a company* was determined by the assessing authority by allowing inadmissible deductions on account of income tax, royalty, retention money, security deposit and sales tax from the gross turnover resulting in short assessment of tax by Rs. 59.23 lakh for the period from 2001-02 to 2003-04 as detailed below:

Table -6.11

(In rupees)

Year	Gross turnover (GT)	Deductions admissible from GT for determining taxable turnover	Actual taxable turnover due to be assessed (2-3)	Taxable turnover assessed by Department	Sales tax actually payable (@ 4 per cent of col 4)	Sales tax assessed by Department	Short-assessment (6-7)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
2001-02	8,71,02,787	7,60,75,756	1,10,27,031	22,99,748	4,41,081	91,990	3,49,091
2002-03	47,41,69,871	41,57,05,283	5,84,64,588	1,26,43,118	23,38,584	5,05,725	18,32,859
2003-04	83,21,06,588	71,15,80,420	12,05,26,168	2,70,00,690	48,21,047	10,80,028	37,41,019
TOTAL	13933,79,246	1,20,30,64,299	19,00,17,787	4,19,43,556	76,00,712	16,77,743*	59,22,969

* This does not include penalty of Rs.10,000, Rs. 90,198 and Rs. 20,000 imposed during 2001-02, 2002-03 & 2003-04 respectively.

After this was pointed out, the Special Secretary, IT&CTD stated in November 2006 that the reassessment was done and tax of Rs. 47.76 lakh has also been recovered. Report on recovery of balance tax, copies of reassessment order have however, not been received (November 2006).

**TRANSPORT DEPARTMENT
(SIKKIM NATIONALISED TRANSPORT DIVISION)**

6.9.4 Non-recovery of income tax deducted from the claims of freight charges

Inadequate follow up action to get refund of income tax deducted at source from carriage bills led to non-recovery of Rs. 1.39 crore.

Central Income Tax Act stipulates that deduction of income tax at source from bills preferred by Sikkim Nationalised Transport (SNT) is not required as it is a Government Department. Also as per Central Board of Direct Taxes (CBDT)

* Contractor engaged for excavating and concreting of 13.8 kilometre Head Race Tunnel of Teesta (Stage V) Hydroelectric Power Project being executed by the National Hydroelectric Power Corporation Limited (NHPC) at Makha in East Sikkim since October 2001.

clarification^{**}, Government departments / Agencies are not liable to pay income tax.

SNT transports goods of different Central Government organisations/departments to different destinations of Sikkim and prefers bills toward freight charges to the respective organisations.

Scrutiny of records revealed in August 2005 that against Rs. 69.50 crore preferred by the SNT being freight charges during April 1994 to March 2006, the organisations^{††} paid Rs. 68.11 crore after deducting Rs. 1.39 crore at source as income tax at the rate of two *per cent* from the bills in contravention of the Central Income Tax Act.

The Department stated in November 2005 that the matter was referred to the Chairman, CBDT and the Deputy Commissioner Income Tax, Siliguri who advised the Department to file return under Section 139 of the Income Tax Act for getting refund. The State Finance Department, however, advised the Department in September 2005 to maintain *status quo*. Thereafter, the Department did not initiate appropriate action to get refund of the amount already deposited with the income tax authorities.

Thus, due to inadequate follow up action by the SNT to get refund of irregular deduction of tax at source, Government was deprived of Rs. 1.39 crore as of November 2006.

FOREST, ENVIRONMENT & WILDLIFE MANAGEMENT DEPARTMENT

6.9.5 Loss of revenue due to less realisation of Government share

Lack of concerted effort by the Department to realise appropriate Government share resulted in loss of revenue of Rs. 1.66 crore.

Forest Conservation Act, 1980 and the Sikkim Forest Water Courses and Road Reserve (Preservation and Protection) Act, 1988 forbid use of forest land for non-forest activities. The Acts, however, provided for an alternative economic base for such persons engaged in non-forest activities by associating them collectively in afforestation activities under the concept of Joint Forest Management (JFM), introduced in June 1998 in the State.

During test check of records, it was noticed that 384 hectares^{‡‡} of forest land in three^{‡‡} forest divisions were being occupied by private individuals for non-forestry purposes (cardamom growing). While in South division, individuals were illegally occupying forest land, the cardamom growers had been allowed to

^{**} CBDT circular No 715 dated 8 August 1995.

^{††} Bharat Petroleum Corporation, Food Corporation of India, Indian Army, Indo-Burma Petroleum, Indian Oil Corporation and National Hydroelectric Power Corporation.

^{‡‡} East Division: 82 ha.; North Division: 2 ha. and South Division: 300 ha.

occupy forest land by the Department on produce sharing basis in East and North divisions on the lines of the JFM. Again, in the East division, the Department sold the produce after obtaining the same from the growers, whereas the Department auctioned it to the highest bidder in the North division.

In the meeting of JFM in December 2000 in East division, it was decided that the produce sharing basis will be 50:50 between the inhabitants and Government. Scrutiny revealed that though the Department continued to receive 50 per cent of the production as reported by the lessee, it was without reference to the average cardamom yield during 2002-03 to 2005-06 as recorded by the Spices Board, Gangtok or without any other proper and independent verification of the yield by the Department/Divisional Forest Officer (DFO). On the basis of average production and selling rate of cardamom in the State as per the figures of Spices Board, Gangtok, the Department thus sustained a loss of revenue of Rs. 26.14 lakh as shown below:

Table -6.12

Year	Average production as per Spices Board, Gangtok (kg/hectare)	Total production in 82 hectares (kg)	Average sale price as per Spices Board, Gangtok (Rs./kg)	Value of total production (Rs. in lakh)	Agreed share (50 per cent) (Rs. in lakh)	Share (amount) actually received (Rs. in lakh)	Difference (Rs. in lakh)
2002-03	188	15,416	140.37	21.64	10.82	1.93	8.89
2003-04	242	19,844	115.20	22.86	11.43	1.56	9.87
2004-05	235	19,720	89.88	17.72	8.86	1.48	7.38
2005-06	201	16,482	86.22	14.21	7.11	*	
Total							26.14

* Information on quantity of produce yet to be received in Division Office and also yet to be sold.

Similarly, in North division, the DFO could only realise Rs. 65,390 during 2002-03 to 2005-06, as against Rs. 1,12,234 (worked out on the basis of rate obtained from Spices Board, Gangtok) from two hectares of land leased out, leading to short realisation of Rs. 46,844.

In South division, though the Department did not renew the lease in respect of 300 hectares of forest land under cardamom cultivation after 1999, the cultivators continued to cultivate without giving any share to Government. The Department also failed to bring them under JFM and finalise agreement for Government share of production as was done in case of East and North divisions, resulting in loss of potential revenue of Rs. 1.39 crore for the year 2002-03 to 2005-06 as shown below:

Table -6.13

Year	Average production (kg/hectare) as per Spices Board, Gangtok	Total production in 300 hectares (kg)	50 per cent Government Share (kg)	Average price (Rs./kg) as per Spices Board, Gangtok	Value of Government share (Rs. in lakh)
2002-03	188	56,400	28,200	140.37	39.58
2003-04	242	72,600	36,300	115.20	41.82
2004-05	235	70,500	35,250	89.88	31.68
2005-06	201	60,300	30,150	86.22	26.00
Total					139.08

Mention was made in the report of the Comptroller and Auditor General of India for the year 2000-01 regarding short realisation of State's share. The Public Accounts Committee had then recommended in March 2003 that Government should spell out necessary measures so that such idle portion of valuable forest land is harnessed fruitfully. Even after three years of such recommendation, Government failed to initiate action in keeping with the provisions of Forest Conservation Act to utilise the forest land to the optimum, maintaining a balance on both afforestation and revenue earnings of the State. The cardamom growers, however, continued to cultivate in forest land without giving appropriate share to Government which resulted in loss of revenue of Rs. 1.66 crore during the period 2002-03 to 2005-06.

After this was pointed out, the Department in August 2006 stated that the average production of cardamom for Government fields is low as compared to the fields maintained by Spices Board due to age of the crops, maturity of the crops, disease, etc. and the quality of harvest on leased land cannot be compared with that grown on research plots of Spices Board. The reply was not tenable as the figures of the Spices Board were also derived on the basis of harvests recorded from farmers' fields selected through proper scientific sampling techniques throughout the State and not from any fields maintained by the Spices Board.