

## CHAPTER VI

### REVENUE RECEIPTS

#### 6.1 Trend of Revenue Receipts

6.1.1 The tax and Non-tax revenue raised by the State Government, State's Share of divisible Union Taxes and Grants-in-aid from Government of India during the year 2001-02 alongwith the corresponding figures for the preceding two years are given below:

Table-6.1

(Rupees in lakh)

		1999-00	2000-01	2001-02**
<b>I</b>	<b>Revenue raised by the State Government</b>			
(a)	Tax Revenue	4907.04	6538.96	8038.70
(b)	Non-Tax Revenue*	104274.77 (6478.44)	28902.34 (6563.22)	112820.79 (7111.59)
	<b>Total</b>	<b>109181.81</b>	<b>35441.30</b>	<b>120859.49</b>
<b>II</b>	<b>Receipts from the Government of India</b>			
(a)	State's share of divisible Union taxes	9954.00	7220.00	8483.10
(b)	Grants-in-aid	32047.29	43598.36	51375.00
	<b>Total</b>	<b>42001.29</b>	<b>50818.36</b>	<b>59858.10</b>
<b>III</b>	<b>Total receipts of the State (I+II)</b>	<b>151183.10</b>	<b>86259.66</b>	<b>180717.49</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>72</b>	<b>41</b>	<b>67</b>

\* Figures in brackets indicate net receipts after deducting, Rs.977.96 crore, Rs.223.39 crore and Rs1057.09 crore on account of expenditure towards State Lotteries during 1999-00, 2000-01 and 2001-02 respectively. The steep increase in Non-Tax Revenue was due to increase in receipts from State Lotteries.

\*\* For details, please see 'Statement No. 10-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

#### Tax revenue raised by the State

6.1.2 Receipts from tax revenue constituted 7 per cent of the total revenue raised by the State during 2001-02. An analysis of the tax revenue for the year 2001-02 and the preceding two years is given below:

Table-6.2

(Rupees in lakh)

Sl. No.	Tax Revenue	1999-00	2000-01	2001-02	Increase (+) / Decrease (-) (in 2001-02 over 2000-01)	Percentage of variation
1	State Excise	1339.40	1761.13	1759.39	(-) 1.74	0.10
2	Taxes on Income other than Corporation Taxes	1784.38	1928.57	2202.90	(+) 274.33	14.22
3	Sales Tax	1363.75	2450.39	3496.63	(+) 1046.24	42.70
4	Taxes on vehicles	169.04	154.40	196.69	(+) 42.29	27.39
5	Stamps & Registration Fees	61.70	50.07	129.79	(+) 79.72	159.22
6	Land Revenue	53.73	21.66	51.44	(+) 29.78	137.49
7	Other Taxes and Duties on Commodities and Services	135.04	172.74	201.86	(+) 29.12	16.86
	<b>Total</b>	<b>4907.04</b>	<b>6538.96</b>	<b>8038.70</b>	<b>(+) 1499.74</b>	<b>22.94</b>

6.1.3 During 2001-02, tax revenue increased by Rs.15.00 crore ( 22.94 per cent). The increase of Rs.42.29 lakh under taxes on vehicles was due to the increase in fees on Registrations, Fitness, Driving Licence, Learner’s Licence and replacement fees etc.

6.1.4 The reasons for variation in respect of the remaining heads of revenue have not been received (October 2002).

**Non-tax revenue raised by the State**

6.1.5 Lotteries, Road Transport Service, Power, Forest, Interest, Police and Plantations were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 2001-02 constituted 93 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the years 1999-2000 to 2001-02 is given below:

**Table-6.3**

(Rupees in lakh)

Sl. No	Non-Tax Revenue	1999-00	2000-01	2001-02	Increase (+) / Decrease (-) in 2001-02 with reference to 2000-01	Percentage of variation
1	Road Transport	1189.16	1190.44	1555.96	(+)365.52	31
2	Power	833.03	1003.91	1184.51	(+)180.60	18
3	Forestry and Wild Life	489.69	639.32	664.77	(+)25.45	4
4	Interest Receipts	51.33	448.17	601.84	(+)153.67	34
5	Plantations	235.00	239.23	201.20	(-) 38.03	(-) 16
6	Dividends and Profits	72.39	1.58	1.06	(-) 0.52	(-) 33
7	Police	283.69	583.77	385.86	(-)197.91	(-) 34
8	Public Works	44.83	124.76	98.58	(-)26.18	(-) 21
9	Tourism	40.39	38.72	67.00	(+)28.28	73
10	Crop Husbandry	20.29	47.36	42.98	(-) 4.38	(-) 9
11	Stationery and Printing	95.84	85.95	98.32	(+) 12.37	14
12	Village & Small Industries	48.85	65.67	63.92	(-) 1.75	(-) 3
13	Animal Husbandry	15.54	15.80	23.52	(+) 7.72	49
14	Industries	-	-	1.23	(+) 1.23	-
15	Medical and Public Health	14.08	36.59	34.54	(-) 2.05	(-) 6
16	State Lotteries*	2790.25	1720.79	1730.89	(+) 10.10	0.6
17	Others	254.08	321.16	355.41	(+) 34.25	(+) 11
	<b>Total</b>	<b>6478.44</b>	<b>6563.22</b>	<b>7111.59</b>	<b>548.37</b>	<b>8.36</b>

\* Excludes Rs.977.96 crore, Rs.223.39 crore and Rs.1057.09 crore on account of expenditure towards State Lotteries during 1999-2000, 2000-01 and 2001-02 respectively which has been taken in the Finance Accounts for the purpose of calculating the non-tax revenue during the respective years.

6.1.6 During 2001-02, non-tax revenue increased by Rs.548.37 lakh (8.36 per cent). The increase of Rs.25.45 lakh under ‘Forestry and Wild Life’ was due to strict implementation of Forest Acts & Rules and Rs 28.28 lakh under Tourism was due to receipt of lease rent of Hotel Norkhill and royalty raised from mountaineering expedition and Nathula environment fee while the decrease of Rs.1.98 crore under Police department was due to non receipt of reimbursement of expenditure from Government of India and decrease of Rs.26.18 lakh under ‘Public Works’ was due to the decrease in the sale of tender forms.

6.1.7 The reasons for variation in respect of the remaining heads of revenue though called for have not been received (October 2002).

## 6.2 Variation between the budget estimates and actuals

6.2.1 In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 2001-02 was more than 10 per cent.

Table-6.4

(Rupees in lakh)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+) / Decrease(-) (Percentage)
<b>A Tax Revenue</b>				
1	Land Revenue	42.50	51.44	(+) 8.94 (21)
2	Taxes on income other than corporation tax	1900.00	2202.90	(+) 302.90 (16)
3	Stamp & registration fees	56.10	129.79	(+) 73.69 (131)
4	Sales Tax	2150.00	3496.63	(+) 1346.63 (63)
5	Taxes on vehicles	120.00	196.69	(+) 76.69 (64)
6	Other Taxes & Duties on commodities and services.	300.00	201.86	(-) 98.14 (33)
<b>B Non-Tax Revenue</b>				
7	Public Works	83.00	98.58	(+) 15.58 (19)
8	Medical and Public Health	30.00	34.54	(+) 4.54 (15)
9	Information and Publicity	6.00	16.43	(+) 10.43 (174)
10	Labours and Employment	4.00	5.03	(+) 1.03 (26)
11	Crop Husbandry	28.00	42.98	(+) 14.98 (54)
12	Animal Husbandry	30.00	23.52	(-) 6.48 (22)
13	Fisheries	1.20	1.94	(+) 0.74 (62)
14	Forestry and Wild Life	415.00	664.77	(+) 249.77 (60)
15	Food Storage and Warehousing	3.50	6.16	(+) 2.66 (76)
16	Other Rural Development Programme	2.00	20.52	(+) 18.52 (926.00)
17	Public Service Commission	1.00	1.80	(+) 0.80 (80)
18	Police	474.77	385.86	(-) 88.91 (19)
19	Water Supply and Sanitation	29.00	42.70	(+) 13.71 (47)
20	Minor Irrigation	3.00	8.24	(+) 5.24 (175)
21	Other General Economic Services	3.00	3.47	(+) 0.47 (16)
22	Miscellaneous General Services (State Lotteries)	20647.54	107441.08	(+) 86793.54 (420)
23	Social Security and Welfare	2.04	24.78	(+) 22.74 (1115)
24	Plantations	300.00	201.20	(-) 98.80 (33)
25	Power	1500.00	1184.51	(-) 315.49(21)
26	Tourism	43.00	67.00	(+) 24.00(56)

6.2.2 The increase of Rs.25.45 lakh under 'Forestry and Wild Life' was due to strict implementation of forest Acts and Rules.

6.2.3 The reasons for variation in respect of the remaining heads of revenue though called for have not been received (October 2002).

### 6.3 Cost of collection

6.3.1 Expenditure incurred on collection of revenue under the principal heads during the years 1999-2000 to 2001-02 is given below:

Table-6.5

(Rupees in lakh)

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 2001-2002
1	State Excise	1999-00	1339.40	119.81	09	3.10
		2000-01	1761.13	106.57	06	
		2001-02	1759.39	112.65	06	
2	Sales Tax	1999-00	1363.75	58.17	04	1.31
		2000-01	2450.39	64.67	03	
		2001-02	3496.63	71.83	02	
3	Taxes on vehicles	1999-00	169.04	27.05	16	3.48
		2000-01	154.40	23.56	15	
		2001-02	196.69	36.57	19	

6.3.2 It would be seen from the table that the percentage of expenditure to gross collection during 2001-02 as compared to the corresponding All India Average Percentage for 2000-01 was very high.

### 6.4 Outstanding Inspection Reports

6.4.1 Audit observations on irregularities and defects in assessment, demand and collection of State receipts noticed during local audit are intimated through Inspection Reports (IRs) to the departmental officers, heads of departments and also to the 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 the IRs by the departments.

6.4.2 The position of IRs in respect of revenue receipts issued to the end of December 2001 but remaining outstanding as at the end of June 2002 was as under:

Table-6.6

Sl. No.		At the end of		
		June 2000	June 2001	June 2002
1	Number of outstanding IRs.	161	110	134
2	Number of outstanding Audit objections	377	281	296
3	Money value of the objections (Rupees in crore)	32.51	49.20	28.84

6.4.3 Receipt-wise break-up of the IRs and objections (with money value) is given below:

Table-6.7

Sl. No.	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount (Rupees in crore)
1	Sales Tax	8	21	7.44
2	Income Tax	8	35	12.54
3	Forests	45	101	0.03
4	Land Revenue	38	78	0.69
5	Motor Vehicle	8	13	0.25
6	State Excise	3	10	1.22
7	Urban Development & Housing department	9	13	0.49
8	Power	5	15	4.11
9	Lotteries	5	05	0.20
10	Mines & Geology	5	05	1.87
	<b>Total</b>	<b>134</b>	<b>296</b>	<b>28.84</b>

6.4.4 Out of 134 IRs pending settlement, even first replies had not been received (June 2002) in respect of 69 reports containing 215 audit objections.

6.4.5 The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State Government (November 2002).

## 6.5 Results of Audit

6.5.1 Test check of the records of Forest, Power, State Excise, Motor Vehicle, Income Tax, Urban Development and Housing, Tourism and State Lotteries departments conducted during the year 2001-02 revealed under-assessment/short levy/loss of revenue amounting to Rs.3.88 crore in 14 cases. A few illustrative cases involving Rs.2.23 crore highlighting important audit observation are mentioned in the following paragraphs.

### POWER DEPARTMENT

## 6.6 Irregular exemption and loss of Government dues

**The department irregularly waived electricity dues of consumers who were being billed as per the urban tariff rates resulting in a revenue loss of Rs.16.61 lakh.**

6.6.1 The Power department issued a gazette notification (31 March 2000) notifying the waiver of all outstanding electricity arrears for all “rural domestic consumers” upto the month of February 1999, Cabinet approval for which was obtained belatedly in September 2000. The notification further defined “rural domestic consumers” as those consumers who were being charged as per the rural tariff rates notified by the department on July 3, 1999.

6.6.2 However, scrutiny of records of the electricity dues waived to the tune of Rs.2.00 crore revealed that the department extended the benefit of waiver worth Rs.16.61 lakh to the consumers residing in government quarters who were classified as urban consumers and were being billed by the department as per the urban tariff rates. The department's contention (May 2002) that these habitations were under the jurisdiction of the *panchayats* although a fact, was not germane to the issue as these government quarters were being billed at the rate applicable to urban areas and therefore, in terms of the department's notification of 31 March 2000 these cases should not have been considered.

6.6.3 Thus, irregular waiver of electricity dues allowed to the consumers residing in government quarters who were being billed as per urban tariff rates not only violated the intent of the Government to grant relief only to rural consumers but also resulted in a revenue loss of Rs.16.61 lakh.

## **6.7 Short levy of demand and energy charges**

**The department failed to realise demand and energy charges to the tune of Rs.22.04 lakh from the Sikkim Distilleries Limited for the period 1990 to 2001.**

6.7.1 In case of High Tension and Low Tension industrial supplies, there is a two-part power tariff comprising demand and energy charges. The demand charge is calculated based on the actual connected load and not the installed transformer capacity in all cases where industrial units have made capital investment in their sub-stations. However, in case of units where sub-stations have been built by Power department at government cost, the demand charges will be on the basis of installed transformer capacity.

6.7.2 Mention was made in the Audit Report of 1995-96 in respect of the Sikkim Distilleries Limited (SDL) that the department during 1991-92 to 1995-96 raised the demand charges on connected load even though the transformer were installed by the department itself, which resulted in short levy of demand and energy charges. Subsequent to this the department raised (October 1996) arrear bills amounting to Rs.9.31 lakh for the period 1990-91 to 1994-95 to make up for short billing earlier being the difference of charges as per connected load and installed capacity.

6.7.3 While the department failed to realise the arrear amount levied as above despite PAC's recommendation (September 1999) that the amounts due to the Government were to be realised promptly by special and periodical drives, it continued to short-levy demand and energy charges on SDL during 1996-97 to 2000-01 as per connected load of 150 KVA instead of installed transformer capacity of 315 KVA, resulting in further short realisation of Rs.12.73 lakh. Thus, till 2000-2001 demand and energy charges to the tune of Rs.22.04 lakh remained unrealised from SDL (excluding surcharge).

6.7.4 The matter was reported to the department (January 2002); reply was not received (October 2002).

## TOURISM DEPARTMENT

### 6.8 Loss of Government revenue

**The lackadaisical approach of the department in handling the affairs of Hotel Norkhill caused the Government a loss of Rs.19 lakh.**

6.8.1 During the audit of Tourism department it was noticed that department had leased out Hotel Norkhill, a Government property, to Shri “X” for a period of 20 years from 01 October 1976 to September 1996 at an initial rent of Rs.0.50 lakh *per annum* which was gradually increased to Rs.1.50 lakh *per annum* by the end of the lease period. As a decision to call for competitive offers to run the Hotel was taken only on 02 October 1996, the lessee “X” was allowed to manage the Hotel for a further period of eight months under the previous terms and conditions, till the finalisation of a fresh lease agreement. In the mean time, the lease was put to tender (February 1997) against which 30 offers were received.

6.8.2 The highest offer being not in order, the contract was awarded to Shri “X”, as under the previous agreement he had the first right to refusal, at the second highest offer of Rs.30 lakh *per annum* with 10 *per cent* increase compounded every three years. An agreement to this effect was signed effective June 1997 for a period of 24 years. Had the department taken timely action, the process could have been completed earlier and the lease agreement could have been made effective with enhanced lease rent from the date of expiry (01 October 1996) of the old agreement instead of from June 1997. The lackadaisical approach of the department thus caused the Government a loss of Rs.19 lakh\* in lease rent.

6.8.3 The department’s reply (January 2002) that the delay was due to time taken in completing official formalities relating to calling of tenders, obtaining legal advice etc., is not tenable as it had ample time to anticipate these requirements and take timely action. It was observed that the department initiated the proposal only on 23 July 1996 – just over two months before expiry of the lease on 30 September 1996. The department’s further reply (March 2002) that the increase of revenue from Rs.1.50 lakh to Rs.30 lakh *per annum* was itself remarkable and the Government exchequer gained 20 times more was beside the point and cannot be accepted as a convincing reason for its lapse in initiating timely action as a result of which the department lost the opportunity of entering into a new agreement at a higher lease rent 8 months earlier than it actually did.

\* Rs.30 lakh per annum for 8 months minus Rs.1 lakh realised for the period at the old rate.

Besides, the offer of Rs.30 lakh was received through open competitive tender and not by any special effort of the department.

## TRANSPORT DEPARTMENT

### 6.9 Abnormal delay in repair of vehicles and revenue loss

**Abnormal delay in the repair of vehicles which was far in excess of industry norms resulted in a revenue loss of Rs.99.63 lakh.**

6.9.1 Sikkim Nationalised Transport Division maintains a full-fledged central workshop at Jalipool for carrying out major repairs of its fleet. Despite it being pointed out earlier in the Audit Report 1994-95 and again through an Inspection Report in October 1999, the department had not considered it necessary to fix any norms of the time required by the workshop to undertake various types of repairs although this was a critical requirement as prolonged detention of vehicles affects the level of fleet availability which in turn directly impacts on the profitability of the department and thwarts the revenue realisation efforts of the State.

6.9.2 In the absence of any departmental norms, Audit adopted the standards fixed by the Association of State Road Transport Undertakings (ASRTU) to evaluate the efficiency of the Jalipool workshop. For major engine repairs of heavy vehicles, the ASRTU norms work out to 22\* days. During April 1999 to September 2001, major engine repairs of 135 buses and trucks were carried out in the workshop out of which in 126 cases (93 per cent) the detention ranged from 4 to 1230 days in excess of ASRTU norms as under:

**Table 6.8**

Sl. No.	Period of detention in excess of norms	Type of fleet	
		Buses	Trucks
1.	4 to 200 days	41	43
2.	201 to 400 days	15	11
3.	401 to 600 days	09	02
4.	601 to 800 days	02	-
5.	801 to 1000 days	01	-
6.	1001 to 1200 days	01	-
7.	1201 days and above	01	-
	<b>Total</b>	<b>70</b>	<b>56</b>

\* 104 man hours (for places other than hill stations) + 25 per cent (for hill stations)  
6 i.e. man hours available in a day.



6.9.3 In 114 cases, the delay was in excess of the ASRTU norm by hundred *per cent* and over. The abnormal holdup at the workshop far in excess of industry norms adversely affected fleet deployment and resulted in an estimated revenue loss of Rs.99.63<sup>▲</sup> lakh to the department/State.

6.9.4 The department while accepting (June 2002) that some delays in repair had occurred due to non-availability of skilled manpower in workshop and over-age of the vehicle, further argued that ASRTU norms for 22 days were meant for engine and gearbox overhauling only, whereas repairs carried out by Jalipool workshop included complete renovation of body, repainting besides major overhauling of engine and gearbox. Even after considering departmental reply, detention of 42 vehicles (33 *per cent*) beyond 200 days was incomprehensible.

### **6.10 Loss due to non-imposition of enhanced fees/tax**

**Failure of the department to impose tax/fees at enhanced rate resulted in a loss of Government revenue to the tune of Rs.7.47 lakh.**

6.10.1 Sub section (2) of section 1 of Motor Vehicles Act, 1988 stipulates that the Act extends to whole of India.

6.10.2 The Central Motor Vehicles Rules 1989 framed under the aforesaid Act was last amended under notification dated 28 March 2001, by the Ministry of Surface Transport (Transport Division), Government of India. The amendment, *inter alia*, was for upward revision of the rates of taxes/fees etc., effective from the date of notification.

6.10.3 However, till 28 August 2001 the Motor Vehicles department, Government of Sikkim continued to levy various taxes/fees on the basis of rates provided in previous notification dated 31 January 2000.

6.10.4 The non-imposition of enhanced fees/taxes with effect from 28 March 2001 to 28 August 2001 led to a loss of revenue of Rs.7.47 lakh.

6.10.5 The department's reply (April 2002) that the revised Motor Vehicles rates could be introduced in Sikkim from September 2001 only due to late receipt of the revised notification is not acceptable as all notifications from Government of India are endorsed to concerned departmental head of the State Government well in time, in accordance with standard prescribed procedure. Further, there was no

<u>BUSES</u>	Actual delay = 12,251 days (Total delay reduced by holidays on an average) Average distance covered per day per bus = 78.19 km. Average revenue earned per km. per bus = Rs.7.71 Loss of revenue = 12,251 days x 78.19 km. x Rs.7.71 = Rs.73.85 lakh. – (A)
<u>TRUCKS</u>	Actual delay = 5,819 day (Total delay reduced by holidays on an average) Average distance covered per day per truck = 31.64 km. Average revenue earned per km. per truck = Rs.14.00 Loss of revenue = 5,819 days x 31.64 km. x Rs.14.00 = Rs.25.78 lakh. – (B) Total loss of revenue (A)+(B) = Rs.99.63 lakh.

exception clause in the Notification for non-imposition of fees/tax due to its late receipt.

### **6.11 Non-realisation of commission from Railways**

**Due to failure of the department either to enter into agreement with appropriate authority or to pursue the matter, Government revenue to the tune of Rs.27.34 lakh remained unrealised.**

6.11.1 An agreement was entered into (23 November 1996), valid for five years, between Government of Sikkim and Eastern Railway (ER), Calcutta for setting up a computerised Railway booking office at Gangtok. As per the agreement, the ER was to pay Government of Sikkim 4 *per cent* commission on the total sale proceeds of tickets sold from Gangtok booking office and for this, claims should be made by the State Government within six months of its becoming due. However, considering the fact that computerised booking system in Gangtok was installed by ER and the nearest Rail head to Sikkim fell under North East Frontier Railway (NFR) in whose account income earned from PRS Gangtok was being credited, tripartite agreement was essential between NFR, ER and Government of Sikkim to enable the Government of Sikkim to claim the commission from the Railways.

6.11.2 Scrutiny of records revealed that the commission accrued on sale of tickets between January 1997 to March 2001 had not been reimbursed by the ER. The department stated (April 2002) that the commission could not be claimed/ realised from the concerned authority (NF Railway) as the agreement was entered with the ER who installed the computerised booking system in the State. It was further stated that tripartite agreement with NF Railway, Eastern Railway and Government of Sikkim was entered into in January 2002.

6.11.3 Thus, due to the failure of the department to enter into tripartite agreement in time or to pursue the matter effectively with ER, the authority liable to make commission payments as per the agreement, Government revenue amounting to Rs.27.34 lakh on account of accrued commission remained unrealised (April 2002).

6.11.4 In a further reply the department stated (May 2002) that various formalities like submission of balance sheet, bills etc. led to non-realisation of commission and added that the matter was being pursued constantly. The fact remains that Government dues of Rs.27.34 lakh which accrued from January 1997 to March 2001 were yet to be realised (September 2002), a pointer to the lackadaisical functioning of the department.