

CHAPTER VI: REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Tripura, its share of divisible Union taxes and grants-in-aid from the Government of India during 2007-08 and the corresponding figures for the preceding four years are mentioned below:

Table No. 6.1

	(Rupees in crore)				
	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue raised by the State Government					
Tax revenue	221.47	239.63	296.09	341.55	370.70
Non-tax revenue	167.78	176.85	63.62	94.97	115.41
Total (I)	389.25	416.48	359.71	436.52	486.11
II. Receipts from the Government of India					
State's share of net proceeds of divisible Union taxes	320.53	383.12	404.38	515.78	650.62
Grants-in-aid	1,457.88	1,777.30	2,260.03	2,381.06	2,561.61
Total (II)	1,778.41	2,160.42	2,664.41	2,896.84	3,212.23
III. Total receipts of the State Government (I+II)	2,167.66	2,576.90	3,024.12	3,333.36	3,698.34
Percentage of I to III	18	16	12	13	13

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 13 *per cent* of the total revenue receipts (Rs. 3,698.34 crore) which remained same compared to the previous year. The balance 87 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 The tax revenue during 2007-08 increased by nine *per cent* to Rs. 370.70 crore from Rs. 341.55 crore in 2006-07. The improvement in the collection was mainly under the heads of major taxes *viz.* sales tax (14 *per cent*), other taxes on income and expenditure (7 *per cent*) and taxes on vehicles (3 *per cent*) as shown at Table 6.2:

Table No. 6.2

Heads of revenue						(Rupees in crore)
	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
Sales tax	149.25	160.69	203.39	233.45	264.98	(+) 14
State excise	31.36	32.37	32.30	38.41	38.50	(+) 0.23
Other taxes on income and expenditure	17.28	20.47	21.91	22.19	23.73	(+) 7
Stamps and registration fees	11.17	12.07	14.21	16.61	14.98	(-) 10
Taxes on vehicles	8.01	10.45	17.43	22.51	23.20	(+) 3
Other taxes and duties on commodities and services	1.46	1.86	3.40	5.11	2.17	(-) 58
Land revenue	2.61	1.20	3.25	3.03	2.97	(-) 2
Taxes on agricultural income	0.30	0.27	0.14	0.15	0.11	(-) 27
Taxes and duties on electricity	0.01	0.01	0.02	0.01	0.01	-
Others	0.02	0.24	0.04	0.08	0.05	(-) 38
Total	221.47	239.63	296.09	341.55	370.70	(+) 9

The departments did not inform the reasons for the large variations in receipts in 2007-08 over 2006-07 despite being requested (September 2008).

6.1.2 The non-tax revenue during 2007-08 increased by 22 *per cent* to Rs. 115.41 crore, from Rs. 94.97 crore in 2006-07, mainly under the heads Interest Receipts (125 *per cent*) and Police (107 *per cent*) while there was substantial decrease under the head Miscellaneous General Services (98 *per cent*) as shown at Table No. 6.3.

Table No. 6.3

(Rupees in crore)

Heads of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
Power	121.78	105.20	1.10	0.06	0.49	(+) 717
Forestry and Wildlife	14.70	5.63	4.87	6.24	5.52	(-) 12
Education, Sports, Art and Culture	1.28	0.82	0.87	0.73	1.00	(+) 37
Crop Husbandry	1.08	1.43	1.43	1.56	1.53	(-) 2
Other Administrative Services	1.27	5.71	2.14	3.18	3.55	(+) 12
Miscellaneous General Services	-	-	0.34	25.43	0.52	(-) 98
Water Supply and Sanitation	1.95	1.11	0.75	0.68	0.62	(-) 9
Police	5.13	16.17	11.15	6.88	14.22	(+) 107
Interest Receipts	3.67	4.56	16.62	26.23	58.93	(+) 125
Stationery and Printing	0.99	0.75	2.30	2.47	1.86	(-) 25
Animal Husbandry	0.93	1.14	1.31	1.54	1.54	-
Industries	5.61	6.99	8.47	9.25	9.30	(+) 1
Public Works	2.11	1.48	2.09	3.62	3.98	(+) 10
Village and Small Industries	0.12	0.10	0.05	0.06	0.07	(+) 17
Fisheries	0.53	0.54	0.60	0.64	1.27	(+) 98
Other Rural Development Programmes	0.22	0.27	0.13	0.09	0.07	(-) 22
Others	6.41	24.95	9.40	6.31	10.94	(+) 73
Total	167.78	176.85	63.62	94.97	115.41	(+) 22

- **Interest receipts:** The increase in revenue receipts (125 *per cent*) was due to receipt of more interest on investment of treasury bills with the Reserve Bank of India.

The remaining departments did not inform (September 2008) the reasons for variation in receipts of 2007-08 over 2006-07 despite being requested (June 2008).

6.2 Initiative for mobilisation of resources

In the budget for 2007-08, the Government proposed revenue collection of Rs. 400.84 crore under tax receipts. The actual collection of Rs. 370.70 crore during the year was less than the budget estimates by Rs. 30.14 crore, and fell short of the amount by 8 *per cent*.

6.3 Variations between the budget estimates and actuals

The variations between the budget estimates and the actual receipts for the year 2007-08 in respect of some important heads of tax and non-tax revenue are mentioned below:

Table No. 6.4

(Rupees in crore)

TAX REVENUE				
Heads of revenue	Budget estimates	Actuals	Variation: Increase (+)/ decrease (-)	Percentage of variation over budget estimates
Sales tax	285.00	264.98	(-) 20.02	(-) 7.02
State excise	38.88	38.50	(-) 0.38	(-) 0.98
Stamps and registration fees	18.00	14.98	(-) 3.02	(-) 16.78
Taxes on vehicles	24.16	23.20	(-) 0.96	(-) 3.97
Land revenue	3.10	2.97	(-) 0.13	(-) 4.19
Taxes on agricultural income	0.15	0.11	(-) 0.04	(-) 26.67
Taxes and duties on electricity	-	0.01	-	-
Other taxes on income and expenditure	25.00	23.73	(-) 1.27	(-) 5.08
Other taxes and duties on commodities and services	6.55	2.17	(-) 4.38	(-) 66.87

Table No. 6.5

(Rupees in crore)

NON-TAX REVENUE				
Heads of revenue	Budget estimates	Actuals	Variation: Increase (+)/ decrease (-)	Percentage of variation over budget estimates
Power	-	0.49	-	-
Forestry and Wildlife	6.05	5.52	(-) 0.53	(-) 8.76
Other Administrative Services	2.59	3.55	(+) 0.96	(+) 37.07
Miscellaneous General Services	3.39	0.52	(-) 2.87	(-) 84.66
Interest Receipts	20.00	58.93	(+) 38.93	(+) 194.65
Stationery and Printing	2.00	1.86	(-) 0.14	(-) 7.00
Public Works	2.25	3.98	(+) 1.73	(+) 76.89
Animal Husbandry	1.50	1.54	(+) 0.04	(+) 2.67
Fisheries	0.65	1.27	(+) 0.62	(+) 95.38
Other Rural Development Programmes	0.16	0.07	(-) 0.09	(-) 56.25
Industries	16.00	9.30	(-) 6.70	(-) 41.88
Water Supply and Sanitation	-	0.62	-	-
Education, Sports, Art and Culture	1.16	1.00	(-) 0.16	(-) 13.79
Police	13.50	14.22	(+) 0.72	(+) 5.33
Village and Small Industries	0.06	0.07	(+) 0.01	(+) 16.67
Crop Husbandry	1.93	1.53	(-) 0.40	(-) 20.73

The large variations between the budget estimates and actuals in all major heads indicate that the budget estimates for collection of non-tax revenue were not prepared on realistic basis.

The increase in interest receipt (194.65 *per cent*) was due to receipt of more interest on investment of treasury bills with the Reserve Bank of India.

The remaining departments did not inform (September 2008) the reasons for the large variations despite being requested (June 2008).

6.4 Analysis of collection

Break-up of the total collection at the preassessment stage and after regular assessment of sales tax for the year 2007-08 and the corresponding figures for the preceding two years, as furnished by the Finance Department, is mentioned in Table 6.6.

Table No. 6.6

(Rupees in lakh)

Heads of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection of Taxes ¹	Percentage of collection of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
Sales tax	2005-06	20,025.72	146.44	1.04	-	20,173.20	99.27
	2006-07	22,964.06	138.63	4.84	-	23,107.53	99.38
	2007-08	26,106.42	261.37	1.14	--	26,368.93	99.00

The collection of sales tax at preassessment stage ranged between 99 and 99.38 *per cent* during 2005-06 to 2007-08 indicating that voluntary compliance for payment of tax was good.

6.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the year 2005-06, 2006-07 and 2007-08 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 are mentioned below:

Table No. 6.7

(Rupees in crore)

Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2006-07
Sales tax	2005-06	203.39	2.83	1.39	0.82
	2006-07	233.45	2.89	1.24	
	2007-08	264.98	3.05	1.15	
State excise	2005-06	32.30	0.70	2.17	3.30
	2006-07	38.41	0.82	2.13	
	2007-08	38.50	0.87	2.26	
Stamps and registration fees	2005-06	14.21	1.25	8.80	2.33
	2006-07	16.61	1.14	6.86	
	2007-08	14.98	1.93	12.88	
Taxes on vehicles	2005-06	17.43	0.68	3.90	2.47
	2006-07	22.51	0.75	3.33	
	2007-08	23.20	0.98	4.22	

The above table indicates that the percentage of expenditure on collection in respect of Sales tax, Stamp duty and registration fees and Taxes on vehicles was higher than the all India average cost of collection.

¹ The figures furnished by the department are at variance with that in the Finance Accounts. The department has not yet reconciled the figures with the Accountant General (September 2008).

6.6 Arrears of revenue

As per the information furnished by the department, the arrears of revenue as of 31 March 2008, relating to sales tax amounted to Rs. 11.16 crore, of which Rs. 1.93 crore was outstanding for more than five years.

6.7 Arrears in assessment

The details of assessments relating to sales tax and taxes on agricultural income pending at the beginning of the year, additional cases becoming due for assessment during the year, cases disposed during the year and cases pending at the end of each year, during the period 2003-04 to 2007-08 as furnished by the department are mentioned below:

Table No. 6.8

Year	Opening balance	Cases which become due for assessment	Total	Cases disposed of during the year	Cases pending at the end of the year
2003-04	22,944 ²	6,757	29,701	4,627	25,074
2004-05	25,074	7,118	32,192	7,792	24,400
2005-06	24,400	7,384	31,784	12,792	18,992
2006-07	18,992	39	19,031	8,645	10,386
2007-08	10,386	39	10,425	7,683	2,742

6.8 Results of audit

Test check of the records of sales tax, land revenue, State excise, motor vehicles, stamps and registration fees, other tax receipts, forest receipts conducted during the year 2007-08 revealed under assessment/short levy/loss of revenue amounting to Rs. 21.88 crore in 69 cases. These were pointed out in the inspection reports issued to the departments.

This chapter contains three paragraphs pointing out outstanding road tax/short levy/realisation of sales tax of Rs. 6.67 crore of which Rs. 4.20 crore has been admitted by the department.

6.9 Departmental audit committee meetings

No audit committee meeting was held during 2007-08.

6.10 Failure to enforce accountability and protect the interest of the Government

As of March 2008, 1,408 paragraphs contained in 417 IRs issued upto September 2007 and involving Rs. 93.39 crore remained outstanding. Of these, 115 IRs containing 441 paragraphs involving Rs. 4.55 crore had not been settled for more than 10 years by the Finance Department (sales tax, electricity duty, etc.) and the Forest Department (forest receipts). Even the first replies required to be received from the head of office within 30 days from the date of receipt of the IRs were not received in respect of 585 paragraphs of 123 IRs, issued between March 1994 and March 2008.

² Difference of 4,219 cases in opening balance of 2003-04 over closing balance of 2002-03 is under reconciliation.

The department-wise breakup of IRs and audit observations outstanding as on 31 August 2008 is mentioned below:

Table No. 6.9

(Rupees in crore)

Department	Position of IRs issued upto September 2007 but not settled at the end of March 2008			Position of IRs and paragraphs not settled for more than 10 years			Position of IRs in respect of which even first reply has not been received from March 1994 to March 2008		
	No. of IRs	No. of para-graphs	Money value	No. of IRs	No. of para-graphs	Money value	No. of IRs	No. of para-graphs	Money value
Finance (Excise and Taxation)									
Sales Tax	89	335	12.80	41	137	1.14	18	113	2.61
Professions Tax	3	4	0.06	-	-	-	2	3	0.06
Stamp Duty and Registration Fees	5	6	0.25	-	-	-	-	-	-
Electricity Duty	182	711	27.06	34	133	0.93	65	298	4.30
Agricultural Income Tax	2	3	-	-	-	-	-	-	-
Amusements Tax	6	10	0.14	-	-	-	1	2	0.03
State Excise	10	16	1.08	-	-	-	1	2	0.15
Forest									
Forest Receipts	99	237	16.81	40	171	2.48	22	102	2.08
Revenue (Land Records and Settlement)									
Land Revenue	3	3	0.08	-	-	-	1	1	0.04
Transport									
Motor Vehicles	18	83	35.11	-	-	-	13	64	14.99
Total	417	1,408	93.39	115	441	4.55	123	585	24.26

The above position indicates the failure of the departments concerned to initiate action in respect of the defects, omissions and irregularities pointed out in the IRs. The Principal Secretaries/Secretaries of the departments are informed of the position on 1st June each year through annual statement of outstanding IRs and paragraphs.

6.11 Response of the departments to draft audit paragraphs

Three paragraphs contained in this report were forwarded during April-June 2008 to the Secretary of the administrative departments concerned demi-officially seeking confirmation of facts and figures as well as their comments within six weeks. Replies of the Government to these paragraphs have, however, not been received (September 2008).

6.12 Internal audit

Finance (Excise and Taxation) Department had not established an internal audit wing for auditing the revenue receipts of the State Government (October 2008). Since internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives, the Government may consider establishing the system of internal audit.

6.13 Follow up on Audit Reports – summarised position

11 reviews and 120 audit paragraphs had featured in Audit Reports 1988-89 to 2006-07. Nine out of the 11 reviews and 93 out of 120 paragraphs had been

discussed by the PAC as of August 2008. Against nine reviews and 93 paragraphs already discussed in the PAC, only 35 ATNs (six against the reviews and 29 against the paragraphs) on the recommendations of the PAC had been received.

6.14 Compliance with the earlier Audit Reports

During the years 2002-03 to 2006-07, the departments/Government accepted audit observations involving Rs. 7.69 crore out of which an amount of Rs. 50.32 lakh had been recovered till September 2008. The details are mentioned below:

Table No. 6.10

(Rupees in lakh)

Sl. No.	Year of the Audit Report	Total money value of the paragraphs of Receipt Audit	Money value accepted by the State Government	Recovery made
1.	2002-03	54.17	54.17	34.60
2.	2003-04	726.40	624.40	15.01
3.	2004-05	25.06	25.06	0.71
4.	2005-06	82.15	65.71	Nil
5.	2006-07	127.96	--	--
Total		1,015.74	769.34	50.32

**FINANCE (EXCISE AND TAXATION) DEPARTMENT
(SALES TAX)**

6.15 Short levy of sales tax

Erroneous computations and inadmissible allowances by the assessing authorities together with concealment of turnover by the dealers resulted in short levy of sales tax of Rs. 34.05 lakh including penalty and interest.

According to Section 13 of the Tripura Sales Tax (TST) Act, 1976, if the commissioner in the course of any proceedings is satisfied that any dealer has concealed particulars of his turnover, he may direct that such dealer shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half times that amount (but it shall not be less than 10 *per cent* of that amount).

Test check of the records of the office of nine³ Superintendent of Taxes (ST) revealed that in 37 assessment cases for the period between 1995-96 and 2004-05 finalised between January 2005 and August 2007, there were erroneous computation of the value of sales/purchase/opening stock, inadmissible allowance of outward return of goods by the assessing authorities (AA) and concealment of turnover by the dealers which escaped notice of the AA. This resulted in short levy of sales tax of Rs. 34.05 lakh including penalty of Rs. 1.53 lakh and interest Rs. 2.77 lakh.

After the cases were pointed out, in respect of 33 cases, the AAs stated (September 2006 to November 2007) that the cases would be re-examined. In respect of the remaining four cases involving Rs. 6.47 lakh, the AAs⁴ had issued demand notices of which three notices were challenged by the dealers in the Appellate Court. The AAs stated (October-November 2007) that the Appellate Authority had upheld the re-assessment orders in two cases. Further progress and report on recovery has not been received (September 2008).

The matter was reported to the Government in June 2008; their reply had not been received (September 2008).

³ (1) Superintendent of Taxes, Charge I, Agartala, (2) Superintendent of Taxes, Charge II, Agartala; (3) Superintendent of Taxes, Charge V, Agartala, (4) Superintendent of Taxes, Charge VI, Agartala, (5) Superintendent of Taxes, Ambassa (6) Superintendent of Taxes, Belonia, (7) Superintendent of Taxes, Dharmanagar (8) Superintendent of Taxes, Kailashahar and (9). Superintendent of Taxes, Udaipur.

⁴ (1) Superintendent of Taxes, Charge I, Agartala and (2) Superintendent of Taxes, Charge II, Agartala.

FOREST DEPARTMENT

6.16 Short realisation of VAT and royalty

Non-application of rate of VAT and revised rates of royalty on timber in four forest divisions resulted in short realisation of tax of Rs. 7.52 lakh.

Value Added Tax (VAT) was introduced in Tripura with effect from 1 April 2005 and the revised rate of royalty on timber (notified in September 1999).

Test check of the records of four⁵ forest divisions between November 2005 and April 2007 revealed that non-application of VAT and the revised rate of royalty on timber from the effective date(s) resulted in short realisation of revenue amounting to Rs. 7.52 lakh as mentioned below:

(Rupees in lakh)

Sl. No.	Name of Forest Divisions	Period of realisation	Amount realisable	Amount realised	Amount short realised	Reason
1.	Kanchanpur	1.4.2005 to 11.5. 2005	5.18	4.14	1.04	Realisation of sales tax at the rate of 10 per cent instead of 12.5 per cent (VAT)
2.	Kailashahar	1.4. 2005 to 31.08 2005	6.67	5.38	1.29	-do-
3.	Bagafa	1.4. 2005 to 31.5. 2005	2.13	1.50	0.63	-do-
4.	Manu	22.6. 2004 to 15.10. 2004	5.43	0.87	4.56	Realisation of royalty on timber at pre-revised rate
Total			19.41	11.89	7.52	

After the cases were pointed out, the Deputy Conservator of Forest stated (November 2007) that the order was received by the Divisional Forest Officer (DFO), Kanchanpur on 9 May 2005 and it was difficult to realise the arrears. The reply is not tenable as it was obligatory to enforce the rate of VAT effective from 1 April 2005. The DFO, Kailashahar stated (December 2006) that efforts would be made to realise the balance amount. The DFO, Manu directed (March 2008) the foresters concerned to recover the amount. Reply in remaining case and report on recovery has not been received (September 2008).

The matter was reported to the Government in May 2008; their reply had not been received (September 2008).

⁵ Divisional Forest Offices at Kanchanpur, Kailashahar, Bagafa and Manu.

TRANSPORT DEPARTMENT

6.17 Outstanding road tax

Non-enforcement of the Act/Rules and lack of proper monitoring led to non-realisation of road tax of Rs. 17.32 crore including penalty.

Under the Tripura Motor Vehicles Act, 1972, as amended from time to time, advance road tax as per prescribed rates shall be levied for a year on every motor vehicle used or kept for use in the State unless prior intimation of keeping the vehicle off road is given to the tax authority or the vehicle is got exempted from payment of road tax.

A mention was made in paragraph 6.17.7.1 of the Report of the Comptroller and Auditor General of India, for the year ended 31 March 2006, Government of Tripura about non-collection of road tax of Rs. 4.42 crore from 17,518 vehicles as of October 2005. Subsequently, during the period from October 2005 to February 2008 a sum of Rs. 74.71 lakh was recovered from 2,704 defaulting vehicles.

Test check of the database in the offices of the Deputy Transport Commissioner (DTC), Agartala and four⁶ District Transport Officers (DTOs) revealed (April 2008) that the number of defaulting vehicles had further increased by 7,775 (total 22,589) thereby increasing the outstanding tax to Rs. 5.57 crore at the end of February 2008. Besides, penalty of Rs. 1.54 crore⁷ was also leviable for non-payment of tax within the prescribed time. Further, road tax of Rs. 10.21 crore pertaining to 5,715 vehicles owned by State Government/Government undertakings was also outstanding as of February 2008 as these vehicles had not been exempted from the payment of road tax. It was seen that the DTOs did not take adequate action by regular issue of demand notices or by initiating certificate proceedings under Section 4 of the Tripura Motor Vehicles Tax Act. No mechanism was in place for central updating/review of the database and monitoring at the State level.

Thus, failure to enforce the provisions of Act/Rules and lack of proper monitoring led to non-realisation of revenue of Rs. 17.32 crore including penalty. Of this, an amount of Rs. 6.27 crore relates to the period from 2002-03 to 2007-08 (upto February 2008).

After the cases were pointed out, the DTC, Agartala stated (April 2008) that demand notices against 5,790 vehicles for Rs. 4.14 crore were issued during 2007-08 of which Rs. 24.21 lakh in respect of 489 vehicles had been realised.

The matter was reported to the Government in May 2008; their reply had not been received (September 2008).

⁶ District Transport Offices at Ambassa, Dharmanagar, Kailashahar and Udaipur.

⁷ Calculated at the rate of 10 to 200 *per cent* of amount of tax depending on the period of delay.