

CHAPTER – V

REVENUE RECEIPTS

5.1 GENERAL

5.1.1 Trend of revenue receipts

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

Table 5.1

		(Rupees in crore)				
SI No		2000-01	2001-02	2002-03	2003-04	2004-05
I.	Revenue raised by the State Government					
	Tax revenue	46.24	54.90 ¹	62.00	68.55	78.31 ²
	Non-tax revenue	39.23	43.41	43.94	60.91	77.90
	Total: I	85.47	105.80	105.94	129.46	156.21
II.	Receipts from Government of India					
	State's share of divisible Union Taxes	96.48	30.71	46.01	256.97*	160.15
	Grants-in-aid	1072.15	1195.51	1194.95	1973.36	1523.16
	Total: II	1168.63	1218.73	1240.96	2230.33	1683.31
III.	Total receipts of the State Government (I plus II)	1254.10	1324.53	1346.90	2359.79	1839.52 ³
IV.	Percentage of I to III	7	8	8	5	8

(Source : Finance Accounts)

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

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 has 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	0037-Customs
0021-Taxes on Income other than Corporation Tax	0038-Union Excise Duties
0028-Other taxes on Income and Expenditure	0044-Service Tax
0032-Taxes on Wealth	0045-Other taxes and duties on Commodities and Services

* The figures for 2003-04 includes unadjusted share of Central taxes of Rs.52.15 crore and Rs.52.02 crore for the years 2001-02 and 2002-03 respectively.

³ For details, please see Statement No. 11 of Detailed Accounts of Revenue by Minor heads in the Finance Accounts-Government of Nagaland for the year 2004-05.

Table 5.2

(Rupees in crore)							
Sl No.	Major heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+)/ decrease (-) in 2004-05 with reference to 2003-04
1.	Taxes on sales trade etc.,	27.30	34.42	41.15	45.63	53.08	(+) 16
2.	Taxes on vehicles	5.28	5.35	4.74	6.00	7.30	(+) 22
3.	Other taxes on income and expenditure	9.63	11.32	12.23	12.63	13.56	(+) 7
4.	State excise	1.77	1.87	1.98	1.99	2.07	(+) 4
5.	Stamps and registration fees	1.77	0.91	0.57	0.66	0.73	(+) 11
6.	Other taxes and duties	0.14	0.30	0.10	0.06	0.03	(-) 50
7.	Land revenue	0.35	0.62	0.41	0.54	0.43	(-) 20
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.01	---
9.	Taxes on immovable property other than agricultural land	---	---	---	---	---	---
10.	Taxes on goods and passengers	---	0.10	0.81	1.03	1.10	(+) 7
	Total	46.25	54.90⁴	62.00	68.55	78.31	(+) 14

(Source: Finance Accounts)

Reasons for variations, though called for have not been intimated by the concerned departments (November 2005).

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

Table 5.3

(Rupees in crore)							
Sl No.	Major heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of Increase(+)/ Decrease (-) in 2004-05 with reference to 2003-04
1.	Interest receipts	3.50	1.62	1.72	5.61	3.27	(-) 42
2.	Public service commission	0.03	0.06	0.13	0.23	0.13	(-) 43
3.	Police	0.24	0.51	0.56	0.17	0.41	(+) 141
4.	Stationery and printing	0.01	0.01	0.01	0.01	0.01	---
5.	Public works	0.32	0.97	0.62	0.75	0.22	(-) 71
6.	Other administrative services	1.85	3.14	3.14	3.96	5.54	(+) 40
7.	Contribution and recoveries towards pension & other retirement benefits	0.09	1.04	0.11	0.12	0.10	(-) 17
8.	Miscellaneous general services	1.22	0.44	2.11	2.10	11.70	(+) 457
9.	Education, sports, art and culture	0.14	0.46	0.15	0.19	0.19	--
10.	Medical and public health	0.07	0.12	0.15	0.06	0.06	--
11.	Water supply and sanitation	0.29	0.36	0.63	0.80	0.97	(+) 21
12.	Housing	2.25	2.22	2.25	2.19	2.18	Negligible ⁵
13.	Social security and welfare	0.01	0.01	0.13	0.56	0.03	(-) 95
14.	Crop husbandry	0.14	0.10	0.10	0.06	0.09	(+) 50
15.	Animal husbandry	0.17	0.22	0.20	0.22	0.33	(+) 50
16.	Forestry and wildlife	2.64	2.04	3.54	3.43	3.88	(+) 13
17.	Food storage and warehousing	0.06	0.07	0.01	0.05	0.02	(-) 60

⁴ 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 has been rectified and included in the State's share of divisible Union taxes.

⁵ Less than one per cent.

18.	Co-operation	0.08	1.30	0.97	0.42	0.84	(+) 100
19.	Other agricultural programmes	0.04	0.03	0.02	0.04	0.05	(+) 25
20.	Minor irrigation	---	0.01	---	0.01	0.03	(+) 200
21.	Power	19.87	22.93	19.59	29.30	39.66	(+) 0 35
22.	Village and small industries	0.15	0.18	0.62	0.25	0.46	(+) 84
23.	Non-ferrous mining and metallurgical industries	0.10	0.02	0.01	0.05	0.10	(+) 100
24.	Road transport	5.16	5.10	5.52	5.75	6.79	(+) 18
25.	Tourism	0.09	0.10	0.16	0.20	0.17	(-) 15
26.	Other general economic services	0.05	0.05	0.06	0.07	0.06	(-) 14
27.	Miscellaneous	0.66	0.30	1.43	4.31	0.61	(-) 86
	Total	39.23	43.41	43.94	60.91	77.90	(+) 28

(Source: Finance Accounts)

Reasons for variations, though called for, have not been intimated by the concerned departments (November 2005).

5.2 Variations between budget estimates and actuals

Variations between budget estimates and actuals of revenue receipts for the year 2004-05 are given below:

Table 5.4

(Rupees in crore)

Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+) / Decrease (-) of actuals over budget estimates
1.	Other taxes on income and expenditure	13.00	13.56	(+) 4
2.	Stamps and registration fees	0.70	0.73	(+) 4
3.	State excise	2.50	2.07	(-) 17
4.	Taxes on sales trade etc.	60.36	53.08	(-) 12
5.	Taxes on vehicles	6.10	7.30	(+) 20
6.	Other taxes and duties on commodities and services	1.22	0.03	(-) 98
7.	Interest receipts	2.00	3.27	(+) 64
8.	Police	0.43	0.41	(-) 5
9.	Stationery and printing	0.20	0.01	(-) 95
10.	Public works	1.00	0.22	(-) 78
11.	Other administrative services	6.79	5.54	(-) 18
12.	Miscellaneous general services	11.08	11.70	(+) 6
13.	Education, sports, arts & culture	0.20	0.19	(-) 5
14.	Medical and public health	0.13	0.06	(-) 54
15.	Water supply and sanitation	1.00	0.97	(-) 3
16.	Housing	2.30	2.18	(-) 5
17.	Social security and welfare	0.15	0.03	(-) 80
18.	Crop husbandry	0.10	0.09	(-) 10
19.	Dairy development	---	---	---
20.	Forestry & wildlife	3.24	3.88	(+) 20
21.	Food, storage and warehousing	0.06	0.02	(-) 67
22.	Co-operation	0.04	0.84	(+) 2000
23.	Other agricultural programmes	0.03	0.05	(+) 67
24.	Power	34.00	39.66	(+) 17
25.	Village and small industries	0.16	0.46	(+) 188
26.	Non-ferrous mining and metallurgical industries	0.05	0.10	(+) 100

Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+) / Decrease (-) of actuals over budget estimates
27.	Road transport	7.00	6.79	(-) 3
28.	Tourism	0.20	0.17	(-) 15
Total		154.04	153.35	Negligible

(Source: Budget documents and Finance Accounts)

Reasons for variations though called for, have not been intimated by the concerned departments (November 2005).

5.3 Cost of collection

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

Table 5.5

(Rupees in crore)						
Sl. No.	Revenue head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-2004
1.	Taxes on sales, trade etc.	2002-03	41.15	3.01	7	1.15
		2003-04	45.63	3.44	8	
		2004-05	53.08	3.57	7	
2.	State excise	2002-03	1.98	4.36	220	3.81
		2003-04	1.99	4.73	238	
		2004-05	2.07	4.70	227	
3.	Taxes on vehicles	2002-03	4.74	1.64	35	2.57
		2003-04	6.00	1.98	33	
		2004-05	7.30	2.00	27	
4.	Stamps and registration fees	2002-03	0.57	0.09	16	3.66
		2003-04	0.66	0.08	12	
		2004-05	0.73	0.17	23	

(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 2005). It is also seen the percentage expenditure to gross collection is abnormally high when compared to all India average. The reasons for such high cost of collection though called for have not been intimated by the State Government.

5.4 Non furnishing of information by the Government

Information in respect of arrears in assessment of sales tax, collection of sales tax per assessee, frauds and evasion, arrears of revenue, write off and waivers and

refund etc., though called for (July-August 2005) from various departments of State Government, had not been received (November 2005).

5.5 Results of audit

Test check of records of sales tax, State excise, transport, State lotteries and forest offices conducted during 2004-05 revealed underassessment, short levy/non levy and loss of revenue amounting to Rs.2.10 crore in 44 cases.

This audit report contains four paragraphs relating to underassessment, short/non-levy and loss of revenue involving an amount of Rs.1.50 crore. The departments/Government have accepted audit observations in respect of three paragraphs amounting to Rs.1.37 crore, out of which Rs.0.12 crore has been recovered and had contested in case of one draft paragraph involving 0.13 crore. The department's contention is incorporated with suitable rebuttal.

5.6 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 inspections reports. The more important irregularities are reported to the heads of department and Government.

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

Review of IRs issued upto June 2005 pertaining to receipt items disclosed that 135 paragraphs involving Rs.132 crore remained outstanding at the end of June 2005. Some irregularities of serious nature in these IRs which had not been settled as of December 2005, are as under:

Table 5.6

Sl No.	Nature of irregularities	No. of paragraphs	Amount (Rupees in crore)
1	Underassessment of tax	53	23.02
2	Evasion of tax	16	85.44
3	Short/non levy of taxes and dues	32	9.98
4	Loss of revenue	17	5.99
5	Revenue outstanding for collection	17	7.57
Total		135	132.00

SECTION-‘B’ PARAGRAPHS

HIGHER & TECHNICAL EDUCATION AND WORKS AND HOUSING DEPARTMENTS

5.7 Loss of Government revenue

Government suffered loss of revenue of Rs.1.06 crore due to non deduction of tax on works contract at source.

Schedule III Section 5A (2) (e) of Nagaland Sales Tax (NST) Act, 1967 read with Nagaland Sales Tax Rules, 1970 as amended from time to time provides that tax on works contract should be deducted from the contractors bill at source at the rate of four *per cent* on the value of work done after allowing deduction of 30 *per cent* on account of labour and other charges. With effect from 1 April 2001, the rate of tax was revised from four *per cent* to eight *per cent* and the allowable deduction from 30 *per cent* to 25 *per cent* which was further revised from 1 September 2002 at the rate of two *per cent* of value of total turnover of work contract.

Test check of records of three⁶ departments between September 2003 and March 2004 revealed that Rs.28.16 crore was paid to 10 contractors between March 2000 to December 2003 for executing various civil construction and upgradation works without deducting tax on work contract at source to the tune of Rs.1.06 crore from the bills of the contractor (*Appendix-XXX*). Failure to deduct works contract tax from the contractors’ bills at source resulted in loss of revenue of Rs.1.06 crore to Government.

The Commissioner of Taxes, Nagaland in the above cases confirmed (March 2005) that seven out of eight contractors involved had not filed sales tax returns as they were not registered under the Sales Tax Registration Act, while one contractor though registered had not depicted the payments/receipts in his returns.

After this was pointed out the Executive Engineer, PWD, Kohima, Project Director, Department of Technical Education stated in November 2005 that work contract tax has since been realised and credited to Government Account. Reply in other cases was awaited.

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

⁶ Executive Engineer PWD, Kohima, Project Director, Department of Technical Education (October 2000 to December 2003)
Executive Engineer (Housing) Division No. IV. Kohima (May 1996 to June 2003)
Executive Engineer, PWD (Housing). Estate Division, Kohima (September 1999 to December 2003)

FINANCE AND TAXATION DEPARTMENT

5.8 Underassessment of tax

Incorrect computation of turnover resulted in underassessment of tax amounting to Rs.23.65 lakh.

Section 15(1) of NST Act stipulates that every registered dealer should furnish returns of his total turnover by such date and to such authority as may be prescribed. Further, Section 16(4) provides that if a dealer fails to file a return as required above, the assessing authority shall assess to the best of his judgment and determine the tax payable by the dealer on the basis of such assessment. Section 22(1) (a) further provides that if the assessing authority, in course of proceedings under this Act, is satisfied that any dealer has without reasonable cause, failed to furnish the return required under the Act, he may direct that such dealer shall pay by way of penalty, in addition to the tax payable by him a sum not exceeding three times of that amount together with interest payable under Section 22 A on assessed tax for the period of delay in payment at prescribed rate.

Test check of the assessment records (November 2004) of a cement dealer for 2003-04 made in October 2004 by the Superintendent of Taxes (SOT) Dimapur on the basis of information obtained from weigh bill (check gate) figures revealed that the dealer had procured and sold 2.24 lakh bags of cement during the year. The Superintendent of Taxes erroneously determined the dealer's turnover at Rs.16.80 lakh for 1.12 lakh bags and assessed tax whereas the actual turnover worked out to Rs.3.36 crore. The assessing officer also did not levy penalty as well as interest at the time of assessment. This led to underassessment of tax to the tune of Rs.23.65 lakh and interest of Rs.2.49 lakh. Besides penalty was also leviable.

After this was pointed out in August 2005, the Superintendent of Taxes, Dimapur stated (October 2005) that the case has been reassessed (October 2005) and demand raised. The position of recovery was awaited (November 2005).

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

5.9 Underassessment of tax resulting in loss of revenue

Incorrect application of rate of tax led to short levy of tax of Rs.4.29 lakh

Under the Nagaland (Sales of Petroleum and Petroleum products including Motor Spirit and Lubricants) Taxation Act, 1967, tax is to be levied on sale of petroleum products as per the rates prescribed by Government from time to time.

Test check of records of SOT Mokokchung (Ward –A) revealed in September 2004 that while finalizing assessment for the period from April 1999 to March 2000 in April 2000 of a dealer of petroleum products, the assessing authority assess the turnover of Rs.60.14 lakh at incorrect rates. This resulted in short levy of tax of Rs.4.29 lakh.

Government to whom the matter was referred (May 2005) stated in its reply (September 2005) that the case has been reassessed (August 2005) taking into the correct rate of tax and a demand for payment of the deficient amount of tax has already been issued to the dealer.

GENERAL ADMINISTRATION DEPARTMENT

5.10 Short realisation of revenue

In Kohima district house tax was short collected by Rs.13.21 lakh during the last three years from 2001-02 to 2003-04.

Government of Nagaland in August 1999⁷ prescribed a uniform rate of house tax at the rate of Rs.20 per house per annum from the assessment year 1999-2000. According to prevailing practice, the *Gaon Burah*⁸ of a village/area is responsible for collection of house tax from the area under his jurisdiction and depositing it with Government for which he is paid 25 per cent of the amount collected by him as commission. Government issued (May 2002) instruction to all Deputy Commissioners in the State for updating and ensuring accuracy in the list of houses/households, but no such exercise was found carried out as of March 2005.

Test check (July 2004) of records of the Deputy Commissioner, Kohima revealed that house tax totalling Rs.26.10 lakh was collected in Kohima district from 42,028, 43,098 and 45,380 houses during 2001-02, 2002-03 and 2003-04 respectively whereas as per the Census Report (2001) the number of houses in Kohima district was 65,519. Despite a steady increase in the number of houses all over the State, in the absence of any comprehensive survey, taking into account even the Census of India Report 2001 the house tax to be collected for three years worked out to Rs.39.31 lakh⁹. This resulted in short realisation of revenue amounting to Rs.13.21 lakh (as per *Appendix-XXXI*).

After this was pointed out, the Department stated in July 2005 that realisation of house tax was on the basis of the number of buildings (house) but census is done on the basis of number of families living in the same building. Again, house tax is not collected from the families living in Government quarters. The reply is not tenable as audit observation was on collection of house tax on the basis of number of houses as figured in census of India 2001 and not on the number of families living in the same building. Moreover, the Government notification prescribing uniform rate did not exempt collection of house tax from Government quarters. Final action taken in the matter was awaited (November 2005).

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

⁷ Land Revenue Department Notification No. LR/3-1/80-81 dated 31 August 1999

⁸ *Goan Burah* refers to the Headman of a village/area.

⁹ $65519 \times 3 \times \text{Rs. } 20 = \text{Rs. } 39.31 \text{ lakh}$