

CHAPTER-VI

REVENUE RECEIPTS

6.1 GENERAL

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2006-07, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table 6.1

(Rupees in crore)

Sl. No	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue ⁴⁸	62.00	68.55	78.31	105.53	119.02
	• Non-tax revenue	43.94	60.91	77.90	96.82	91.14
	Total: I	105.94	129.46	156.21	202.35	210.16
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	46.01	256.97 ⁴⁹	160.15	248.50	316.93
	• Grants-in-aid	1,194.95	1,973.36	1,523.16	1,816.35	2,245.42
	Total: II	1,240.96	2,230.33	1,683.31	2,064.85	2,562.35
III.	Total receipts of the State Government (I plus II)	1,346.90	2,359.79	1,839.52	2,267.20	2,772.51
IV.	Percentage of I to III	8	5	8	9	8

The above table indicates that during the year 2006-07 the revenue raised by the State Government was 8 *per cent* of the total revenue receipts (Rs.2,772.51 crore) against 9 *per cent* in the preceding year. The balance of 92 *per cent* of receipts during 2006-07 was from the Government of India.

6.1.2 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

⁴⁸ For details see Statement no. 11 - Detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Nagaland for the year 2006-07. Figures under Major Heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 – showing the State's share of divisible Union taxes booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union Taxes in this table.

⁴⁹ 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.

Table 6.2

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade etc.,	41.15	45.63	53.08	77.16	85.02	(+) 10
2.	Taxes on vehicles	4.74	6.00	7.30	8.71	12.26	(+) 41
3.	Other taxes on income and expenditure	12.23	12.63	13.56	14.89	16.35	(+) 10
4.	State excise	1.98	1.99	2.07	1.96	2.13	(+) 9
5.	Stamps and registration fees	0.57	0.66	0.73	0.89	1.05	(+) 18
6.	Other taxes and duties	0.10	0.06	0.03	0.01	0.00	0
7.	Land revenue	0.41	0.54	0.43	0.55	0.50	(-) 9
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.02	(+) 100
9.	Taxes on goods and passengers	0.81	1.03	1.10	1.35	1.69	(+) 25
Total:		62.00	68.55	78.31	105.53	119.02	(+) 13

The concerned departments did not inform (November 2007) the reasons for variation, despite being requested (July 2007).

6.1.3 The following table presents the details of the major non-tax revenue raised during the period from 2002-03 to 2006-07:

Table 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	1.72	5.61	3.27	5.60	5.22	(-) 07
2.	Public service commission	0.13	0.23	0.13	0.01	0.00	00
3.	Police	0.56	0.17	0.41	1.56	2.15	(+) 38
4.	Stationery and printing	0.01.	0.01	0.01	0.05	0.08	(+) 60
5.	Public works	0.62	0.75	0.22	0.17	0.31	(+) 82
6.	Other administrative services	3.14	3.96	5.54	7.10	1.46	(-) 79
7.	Contribution and recoveries towards pension & other retirement benefits	0.11	0.12	0.10	0.40	0.23	(-) 43
8.	Miscellaneous general services	2.11	2.10	11.70	15.64	14.59	(-) 07
9.	Education, sports, art and culture	0.15	0.19	0.19	0.22	1.64	(+) 645
10.	Medical and public health	0.15	0.06	0.06	0.07	0.13	(+) 86
11.	Water supply and sanitation	0.63	0.80	0.97	1.06	2.26	(+) 113
12.	Housing	2.25	2.19	2.18	2.23	2.21	(-) 01
13.	Social security and welfare	0.13	0.56	0.03	0.31	0.16	(-) 48
14.	Crop husbandry	0.10	0.06	0.09	0.06	0.15	(+) 150
15.	Animal husbandry	0.20	0.22	0.33	0.37	0.35	(-) 05
16.	Forestry and wildlife	3.54	3.43	3.88	6.21	5.95	(-) 04
17.	Food storage and warehousing	0.01	0.05	0.02	0.02	0.03	(+) 50
18.	Co-operation	0.97	0.42	0.84	0.89	0.92	(+) 03

Audit Report (Civil) for the year ended 31st March 2007

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease (-) in 2006-07 over 2005-06
19.	Other agricultural programmes	0.02	0.04	0.05	0.04	0.05	(+) 25
20.	Minor irrigation	---	0.01	0.03	0.01	0.00	00
21.	Power	19.59	29.30	39.66	42.71	41.63	(-) 03
22.	Village and small industries	0.62	0.25	0.46	1.30	0.21	(-) 84
23.	Non-ferrous mining and metallurgical industries	0.01	0.05	0.10	0.05	1.91	(+) 3720
24.	Road transport	5.52	5.75	6.79	7.34	8.03	(+) 09
25.	Tourism	0.16	0.20	0.17	0.26	0.30	(+) 15
26.	Other general economic Services	0.06	0.07	0.06	2.57	0.07	(-) 97
27.	Miscellaneous	1.43	4.31	0.61	0.57	1.10	(+) 93
Total		43.94	60.91	77.90	96.82	91.14	(-) 06

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (July 2007).

6.1.4 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table 6.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess (+) shortfall (-)	Percentage of variation
1.	Other taxes on income and expenditure	14.04	16.35	(-) 2.31	16
2.	State excise	2.70	2.13	(-) 0.57	21
3.	Taxes on sales, trade etc.	91.80	85.02	(-) 6.78	07
4.	Taxes on vehicles	7.60	12.26	(+) 4.66	61
5.	Interest receipts	3.78	5.22	(+) 1.44	38
6.	Police	0.51	2.15	(+) 1.64	322
7.	Stationery and printing	0.24	0.08	(-) 0.16	67
8.	Public works	1.19	0.31	(-) 0.88	74
9.	Other administrative services	4.32	1.46	(-) 2.86	66
10.	Contribution and recoveries and other retirement benefits	0.19	0.23	(+) 0.04	21
11.	Miscellaneous general services	10.80	14.59	(-) 3.79	35
12.	Social security and welfare	0.18	0.16	(-) 0.02	11
13.	Forestry & wildlife	4.26	5.95	(+) 1.69	40
14.	Co-operation	0.05	0.92	(+) 0.87	1740
15.	Power	48.00	41.63	(-) 6.37	13
16.	Village and small industries	0.19	0.21	(-) 0.02	11
17.	Road transport	11.15	8.03	(-) 3.12	28
18.	Other general economic services	0.08	0.07	(-) 0.01	13
19.	Land revenue	0.59	0.50	(-) 0.09	15
20.	Stamps & registration fee	0.86	1.05	(+)0.19	22
21.	Taxes and duties on electricity	0.01	0.02	(+)0.01	100
22.	Public service commission	0.18	0.00	(-) 0.18	100
23.	Education, sports, art & culture	0.24	1.64	(+)1.40	583
24.	Medical & public health	0.15	0.13	(-)0.02	13
Total		203.11	200.11	(-) 3.00	1.48

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested.

6.1.5 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 years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure of collection to gross collection for the year 2005-06, are mentioned below:

Table 6.5

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Taxes on sales, trade etc.	2004-05	53.08	3.57	6.72	0.91
		2005-06	77.16	4.58	5.93	
		2006-07	85.02	4.37	5.13	
2.	State excise	2004-05	2.07	4.70	227.05	3.40
		2005-06	1.96	5.78	294.89	
		2006-07	2.13	5.82	273.23	
3.	Taxes on vehicles	2004-05	7.30	2.00	27.39	2.67
		2005-06	8.71	2.36	27.09	
		2006-07	12.26	2.45	19.98	
4.	Stamps and registration fees	2004-05	0.73	0.17	23.28	2.87
		2005-06	0.89	0.07	7.86	
		2006-07	1.05	0.26	24.76	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the corresponding all India average percentage of expenditure of collection for 2005-06 was substantially high in the cases of taxes on sales and trade etc., state excise, taxes on vehicles and stamps and registration fees. The expenditure on collection of state excise was more than twice the revenue collected. The Government needs to look into these aspects.

6.1.6 Analysis of arrears of revenue

The arrear of revenue as on 31 March 2007 in respect of two departments was Rs.12.07 crore of which Rs.4.99 crore had been outstanding for more than five years as mentioned below:

Table 6.6

(Rupees in crore)

Sl. No	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	11.03	4.81	Out of Rs. 11.03 crore, an amount of Rs.5.70 crore was covered by revenue recovery process and Rs.2 lakh was under appeal. Balance amount of Rs.5.31 crore was pending due to other reasons.
2.	Taxes on vehicles	1.04	0.18	--
Total		12.07	4.99	

6.1.7 Write-off and waiver of revenue

The departments did not inform (November 2007) the details of amount written off, despite being requested (July 2007).

6.1.8 Results of audit

Test check of the records of sales tax, motor vehicle tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2006-07 revealed underassessments/short levy/non-levy/loss of revenue amounting to Rs.1.78 crore in 31 cases. The concerned departments did not inform (November 2007) the amount recovered despite being requested.

This report contains four paragraphs involving financial effect of Rs.1.17 crore. No reply has been received (November 2007) from the concerned departments.

6.1.9 Outstanding inspection reports and audit observations

The Accountant General (Audit) (AG), Nagaland, Kohima conducts periodical inspection of various offices of the Government departments to test check the correctness of assessments, levy and collection of taxes/duties/fees etc., and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed during audit are also brought to the notice of Government/head of the department by the AG. A half yearly report regarding pending IRs is sent to the secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through intervention of the Government.

IRs issued upto September 2007 pertaining to the offices under sales tax, state excise, motor vehicles tax, etc. disclosed that 432 observations involving money value of Rs.287.91 crore were pending at the end of November 2007 as mentioned below:

Table 6.7

(Rupees in crore)

Sl. No.	Nature of irregularities	Number of paragraphs	Amount
1.	Loss of revenue	111	29.52
2.	Misappropriation of Government money	19	7.44
3.	Non-realisation of sales tax	25	5.44
4.	Evasion of tax	59	83.71
5.	Revenue outstanding for collection	14	7.13
6.	Others	204	154.67
Total		432	287.91

6.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2005-06, 17 cases of underassessments, non/short levy of tax, loss of revenue, failure to raise demands, etc. were included involving Rs.8.54 crore. The concerned departments have not conveyed their acceptance of the cases reported or the position of recovery of this amount (November 2007). Audit Report wise details of the number of cases reported are mentioned below:

Table 6.8

(Rupees in crore)

Audit Report	Included in the Audit Report	
	No. of cases	Amount
2001-02	3	2.68
2002-03	1	1.12
2003-04	6	2.78
2004-05	4	1.47
2005-06	3	0.49
Total	17	8.54

PARAGRAPHS

FINANCE DEPARTMENT

6.2 Evasion of tax

Failure of the department to detect misuse of invalid C forms by two dealers led to non-levy of tax of Rs.58.79 lakh including interest and maximum penalty.

Under the provisions of the Nagaland Sales Tax (NST) Act, Rules made thereunder and the Central Sales Tax (CST) Act, 1956, no dealer who is liable to pay tax, shall carry on business in taxable goods unless he has been registered and possesses a certificate of registration. Rule 22 (1) (d) of the NST Rules stipulates that if a dealer evades in any way the liability to pay tax, the authority may direct that such dealer shall pay by way of penalty, in addition to the tax payable by the dealer, a sum not exceeding three times that amount.

6.2.1 Test check of the records of the Assistant Commissioner of Taxes (ACT), Dimapur in May 2007 revealed that registration certificate (RC) of a dealer dealing in soft drinks was cancelled with effect from 01 April 2005. All the assessments due upto the date of cancellation of RC were completed and tax paid by the dealer accordingly. Cross verification of the records of the Superintendent of Taxes (ST), Jorhat (Assam), however, revealed that the dealer purchased soft drinks valued as Rs.90.88 lakh during the year 2001-02 from a Jorhat (Assam) based dealer by utilising one declaration form which was declared invalid in June 2001 by the Government of Nagaland. The dealer neither disclosed the aforesaid purchase in the returns nor was it detected by the Assessing Officer (AO) while completing assessment for the year in 2002-03. The dealer, therefore, concealed minimum turnover of Rs.90.88 lakh and evaded tax of Rs.7.27 lakh⁵⁰. Besides, interest of Rs.6.83 lakh and penalty of Rs.21.81 lakh were also leviable for deliberate evasion of tax.

6.2.2 Cross verification of the records of the ACT Dimapur, Nagaland with those of the ST, Unit 'C', Guwahati in May 2007 revealed that an unregistered cement dealer of Nagaland imported cement valuing Rs. 71.53 lakh from a Guwahati based dealer in January 2003. However, the dealer neither paid any tax nor was any action taken by the AO to register the dealer under the NST Act and levy tax. Thus, failure of the AO to get the dealer registered and irregularly allowing import of taxable goods resulted in the loss of revenue of Rs.5.72 lakh calculated at the rate of eight *per cent*. Besides, maximum penalty of Rs.17.16 lakh was also leviable.

The cases were reported to the department/Government in June 2007; their reply has not been received (September 2007).

WORKS AND HOUSING DEPARTMENT

6.3 Non-realisation of revenue

Non-realisation of hire charge of bulldozers/road rollers/JCB excavators resulted in non-realisation of Government revenue of Rs. 68.41 lakh.

Under the provisions of the Nagaland Public Works Department Code and the agreements executed thereunder, if the plant and machinery of a division are hired out to the local bodies, contractors and private parties, the Executive Engineer (EE) of that division should recover the monthly hire charge from the concerned users in advance at prescribed rates.

Test check of the records of the EE, Mechanical Division No.II Kohima in January 2007 revealed that during April 2002 to December 2006, the division provided departmental bulldozers, road rollers and excavators to 12 private contractors and seven works divisions without realising monthly hire charges in advance. The total hire charges realisable from the 19 users were Rs.68.41 lakh. The EE, however, raised

⁵⁰ Calculated at 8 *per cent* on purchase value of soft drinks.

demand of Rs.35.04 lakh between November 2005 and May 2006 against nine users and the balance demand of Rs.33.37 lakh from 10 users was not raised. The hire charges have not been recovered from the users till the date of audit (January 2007). Thus, failure of the EE to realise hire charges from the concerned private contractors/works divisions for the use of departmental plant and machinery in advance resulted in non-realisation of revenue of Rs.68.41 lakh.

After the cases were pointed out, the Government stated (June 2007) that one work had been completed in March 2007 and Rs.24.30 lakh was realised. Report on recovery of the balance of Rs.44.11 lakh has not been received.

POWER DEPARTMENT

6.4 Unauthorised retention of departmental receipts

Departmental receipts of Rs.12.67 lakh were not accounted for by the EE, Generation Division, Kohima resulting in unauthorised retention of Government revenue.

As per provisions of the Receipts and Payments Rules, 1983, revenue received on behalf of the Government should be deposited/credited in full into the Government account without undue delay.

Test check of the records of the EE, Generation Division, Kohima in March 2007 revealed that the EE collected Rs.12.67 lakh being work contract tax from a contractor under the NST Act in March 2006. The EE neither accounted for the amount so collected in the cash book nor deposited it into the Government account as per rules till March 2007. This resulted in unauthorised retention of Government revenue of Rs.12.67 lakh.

After the case was pointed out, the EE deposited the above amount into the Government account in June 2007.

The matter was reported to the department/Government in May 2007; their reply has not been received (September 2007).

INFORMATION TECHNOLOGY DEPARTMENT

6.5 Unauthorised retention of Government revenue

Admission/examination fees of Rs.16.58 lakh collected by the officer incharge, Institute of Communication and Information Technology, Mokokchung were unauthorisedly retained by the State Project Implementation Unit.

As per provisions of the Receipts and Payments Rules, 1983, revenue received on behalf of the Government should be deposited/credited in full into the Government Account without undue delay.

Test check of the records of the Director, Information Technology and Technical Education, Nagaland, Kohima in November 2006 revealed that the Institute of Communication and Information Technology, Mokokchung received Rs.16.58 lakh as admission/examination fees from the students during the period from July 2004 to July 2006 but did not remit the amount into the treasury till June 2007. Despite repeated reminders between December 2004, March and May 2006 by the department, the Institute neither deposited the money into the Government account nor furnished any reply. Thus non-remittance of Rs.16.58 lakh into the Government account by the officer incharge resulted in unauthorised retention of revenue in hand.

After the cases were pointed out, the Government stated (July 2007) that the above amount was retained by the State Project Implementation Unit, Kohima with the intention that the Government would declare the institute as autonomous body. The reply is not tenable as before finalisation of the status of the Institute, retention of the Government revenue in contravention of the provision of the Receipts and Payment rules, 1983 was irregular.