

CHAPTER – IV

REVENUE SECTOR

CHAPTER - IV

REVENUE SECTOR

4.1 General

4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2013-14, the State's share of net proceeds of divisible Union taxes and grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table No.4.1.1

(₹ in crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
I	Revenue raised by the State Government					
	• Tax revenue	180.51	227.32	303.88	339.95	333.39
	• Non-tax revenue	126.35	183.14	232.95	207.17	216.57
	Total I	306.86	410.46	536.83	547.12	549.96
	Percentage of increase over previous year	(-) 8.83	33.76	30.79	1.92	0.52
II	Receipt from the Government of India					
	• States share of net proceeds of divisible Union taxes	434.03	689.46	803.20	917.14	1001.27
	• Grants-in-aid	2978.87	3900.07	4246.35	4740.03	4946.67
	Total II	3412.90	4589.53	5049.55	5657.17	5947.94
III	Total receipts of the State Government (I+II)	3719.76	4999.99	5586.38	6204.29	6497.90
	Percentage of I to III	8	8	10	9	8

Thus, growth of revenue during 2013-14 over previous year was at 0.52 *per cent* against 1.92 *per cent* in the year 2012-13. Further, during the year 2013-14, the revenue raised by the State Government (₹ 549.96 crore) was eight *per cent* of the total revenue receipts against nine *per cent* in the preceding year. The balance 92 *per cent* of receipts during 2013-14 was from the Government of India.

4.1.2 The following table presents the details of tax revenue raised during the period 2009-10 to 2013-14.

Table No.4.1.2

(₹ in crore)

Sl No.	Head of revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13
1	Sales Tax/VAT	132.22	167.22	231.12	257.21	250.20	(-)03
2	State Excise	3.13	3.00	3.36	3.73	4.86	(+)30
3	Stamps and Registration Fees	1.19	1.35	1.85	1.58	1.77	(+)12
4	Taxes and duties on Electricity	0.11	0.05	0.04	0.05	0.04	(-)20
5	Taxes on vehicle	16.73	23.92	34.58	41.59	36.15	(-)13
6	Taxes on Goods and Passengers	3.96	6.62	4.85	6.71	10.79	(+)61
7	Other taxes on Income and expenditure	22.54	24.57	27.03	27.22	28.30	(+)04
8	Other taxes and duties on Commodities and Services	0.00	0.00	0.37	1.14	0.58	(-)49
9	Land Revenue	0.63	0.59	0.68	0.72	0.70	(-)03
	Total	180.51	227.32	303.88	339.95	333.39	(-)02

The reasons for variations were not reported by the departments though called for.

4.1.3 The following table presents the details of Non-tax revenue raised during the period from 2009-10 to 2013-14.

Table No.4.1.3

(₹ in crore)

Sl, No.	Head of revenue	2009-10	2010-11	2011-12	2012-13	2013-14	Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13
1	Interest Receipts	10.02	14.35	9.62	5.90	7.62	(+)29
2	Housing	3.43	3.63	4.38	5.12	5.13	(+)0.2
3	Water Supply & Sanitation	0.94	1.29	1.62	1.74	1.95	(+)12
4	Forestry and Wildlife	7.70	10.18	8.87	7.76	8.81	(+)14
5	Education, Sports Art and Culture	0.43	8.74	12.16	45.57	67.83	(+)49
6	Miscellaneous General Services	7.04	12.43	29.01	6.60	6.57	(-)0.5
7	Power	75.17	74.01	94.28	102.83	88.31	(-)14
8	Medical & Public Health	0.09	0.09	0.21	0.35	0.55	(+)57
9	Co-operation	3.15	0.34	3.54	1.13	2.45	(+)117
10	Public Works	0.54	0.72	0.69	0.18	0.40	(+)122
11	Police	0.44	34.21	30.65	7.34	3.37	(-)54
12	Other Administrative Services	1.42	2.90	2.38	3.22	2.73	(-)15
13	Crop Husbandry	0.13	0.16	0.20	0.16	0.27	(+)69
14	Others	15.85	20.09	35.34	19.27	20.58	(+)7
	Total	126.35	183.14	232.95	207.17	216.57	(+)5

The reasons for variations were not stated by the departments.

4.1.4 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2013-14 are mentioned in the following table:

Table No.4.1.4

Sl. No.	Head of revenue	Budget Estimates (₹ in crore)	Actuals Receipts (₹ in crore)	Variation Increase (+) Decrease (-)	Percentage of variation
	Tax Revenue				
1	Sales Tax/VAT	252.61	250.20	(-)2.41	(-)1
2	State Excise	4.06	4.86	(+)0.8	20
3	Stamps and Registration fees	1.52	1.77	(+)0.25	16
4	Taxes on vehicles	36.23	36.15	(-)0.08	(-)0.22
5	Taxes on Goods and Passengers	5.01	10.79	(+)5.78	115
6	Land revenue	0.74	0.70	(-)0.04	(-)5
	Non – Tax Revenue				
7	Interest Receipts	1.50	7.62	(+)6.12	408
8	Other Administrative Service	5.36	2.73	(-)2.63	(-)49
9	Medical & Public Health	0.26	0.55	(+)0.29	112
10	Public Works	0.82	0.40	(-)0.42	(-)51
11	Forestry & Wildlife	13.07	8.81	(-)4.26	(-)33
12	Education, Sports, Art and Culture	0.42	67.83	(+)67.41	16050
13	Power	110.00	88.31	(-)21.69	(-)20

Source: Receipt Budget and Finance Account for the year 2013-14.

The reasons for variations were not stated by the departments.

4.1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 in respect of principal Heads of Revenue as reported by the departments was ₹ 13.06 crore of which ₹ 4.72 crore (36.14 per cent) was outstanding for more than five years as per details mentioned in the following table:

Table No.4.1.5

(₹ in crore)

Sl. No	Head of Revenue	Amount outstanding as on 31 March 2014	Amount outstanding for more than five years	Remarks
1	Taxes/ VAT on Sales, Trades etc.	13.06	4.72	-

4.1.6 Arrears in assessment

The details of Sales tax/VAT assessment cases pending at the beginning of the year 2013-14, cases which were due for assessment during the year, cases disposed of during the year and number of cases pending at the end of the year 2013-14 as furnished by Commissioner of Taxes are mentioned in the following table:

Table No.4.1.6

Head of Revenue	Opening Balance as on 1 st April 2013	New cases due for assessment during 2013-14	Total assessment due	Cases disposed of during 2013-14	Balance at the end of the 31 st March 2014	Percentage of cases disposed to the total assessment due
1	2	3	4	5	6	7 (5 to 4)
Taxes /VAT on Sales, Trades etc.	691 ¹	4439	5130	4324	806	84.29

The arrear in assessment increased from 691 to 806 cases with the addition of another 4439 cases which became due for assessment during the year 2013-14 and 4324 cases got disposed during the year. The percentage (84.29) of cases disposed during the year was encouraging and needs to be maintained.

4.1.7 Response of the Departments/Government towards audit

Transactions and maintenance of important accounts and other records of the departments are test checked and Inspection Report containing audit findings is issued to the Head of the Office so audited for comments and/or compliance. Audit findings of serious nature are processed into draft paragraph and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the Departments /Government towards audit is discussed in succeeding paragraphs.

4.1.7(a) Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Nagaland (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

¹ Opening balance taken as per the revised figure furnished by the Department.

Inspection Reports issued upto June 2014 disclosed that 352 paragraphs involving ₹ 82.58 crore relating to 94 IRs remained outstanding as mentioned in the following table along with the corresponding figures for the preceding two years.

Table No.4.1.7

	June 2012	June 2013	June 2014
Number of outstanding IRs	81	89	94
Number of outstanding audit observations	295	344	352
Amount involved (₹ in crore)	51.78	80.49	82.58

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amount involved are mentioned in the following table:

Table No.4.1.8

Sl. No.	Name of Department	Name of Receipts	No. of outstanding IRs	No. of Outstanding Audit Observations	Money Value Indicated (₹ in crore)
1	Finance	Taxes / VAT on Sales, Trade etc	29	168	59.48
2	Finance	Miscellaneous General Services/Lottery	04	18	2.59
3	Transport	Taxes on Vehicles /Taxes on Goods & Passengers	32	82	13.44
4	Forest & Environment	Forest & Wildlife	29	84	7.07
Total			94	352	82.58

Even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs were not received for six IRs issued upto June 2014. This large pendency of IRs due to non-receipt of replies is indicative of the fact that the Heads of offices and Heads of departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as take action against officials/officers who fail to send replies to IRs /paragraphs as per prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.1.7(b) Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These

Committees are chaired by the Secretaries of the concerned Administrative Department and attended by the concerned officers of the State Government and officers of the Accountant General (AG). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations.

During 2013-14, no audit committee meeting was convened to clear the outstanding audit observations.

The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.

4.1.7(c) Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General to the Principal Secretaries/Secretaries of the concerned departments, drawing their attention to Audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Two draft paragraphs were sent to the Principal Secretaries/Secretaries of the respective departments by name in September 2014. The Principal Secretaries/Secretaries of the departments did not send replies to any draft paragraph (November 2014) despite issue of reminders (November 2014) and the same have been included in this Report without the response of the Departments.

4.1.7(d) Follow up on Audit reports – summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee.

However, *suomoto* explanatory notes were not furnished to AG (Audit) by the departments and were also not received through Nagaland Legislative Assembly Secretariat in respect of paragraphs/reviews appeared in the Audit Reports. Hence, status on delay of submission of explanatory notes cannot be commented upon.

The PAC discussed 11 selected paragraphs (including 3 Performance Audits) pertaining to the Audit Reports for the years from 2007-08 to 2011-12 and its recommendations on 7 paragraphs were incorporated in their 101st (2011-12), 105th (2011-12), 106th (2012-13) and 112th (2014-15) Report. However, Action Taken Notes have not been received in respect of 2 recommendations of the PAC in respect of Department of Tourism and Finance & Taxation Department pertaining to the Audit Report for the year 2010-11.

4.1.7(e) Compliance with the earlier Audit Reports

In the Audit Reports 2007-08 to 2012-13, cases of under assessments, evasion/non/short levy of taxes/penalty, loss of revenue, failure to raise demands etc., involving ₹ 28.65 crore were reported. As of March 2014, the departments concerned have accepted observations of ₹ 3.37 crore and recovered ₹ 0.16 crore which was 4.75 per cent of accepted money value. Audit Report wise details of cases accepted and recovered are given in the following table:

Table No.4.1.9**(₹incrore)**

Year of Audit Report	Total Money Value	Accepted money value	Recovery made
2007-08	6.51	2.78	0
2008-09	11.78	0	0
2009-10	0.97	0.16	0.16
2010-11	7.99	0.43	0
2011-12	0.20	0	0
2012-13	1.20	0	0
Total	28.65	3.37	0.16

4.1.8 Analysis of mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Department/Government the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last five years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 4.1.8(a) and 4.1.8(b) discuss the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the years 2008-09 to 2012-13.

4.1.8(a) Position of Inspection Reports

A summarised position of Inspection Reports issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2014 are given in the following table.

Table No.4.1.10

Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
	IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)	IRs	Paras	Money Value (₹ in crore)
2003-04	10	25	10.66	6	20	1.75	0	0	0	16	45	12.41
2004-05	16	45	12.41	6	27	2.37	0-	0	0	22	72	14.78
2005-06	22	72	14.78	3	33	8.02	1	10	0.09	24	95	22.71
2006-07	24	95	22.71	4	31	1.65	0	3	0	28	123	24.36
2007-08	28	123	24.36	5	43	0.25	0	0	0	33	166	24.61
2008-09	33	166	24.61	2	27	13.73	0	4	0.03	35	189	38.31
2009-10	35	189	38.31	0	0	0	1	2	0.06	34	187	38.25
2010-11	34	187	38.25	1	2	0	3	14	0.62	32	175	37.63
2011-12	32	175	37.63	1	1	0	0	0	0	33	176	37.63
2012-13	33	176	37.63	1	2	0.03	0	10	0.22	34	168	37.44
2013-14	34	168	37.44	2	9	1.29	2	9	0.38	34	168	38.35
Up to 06/2014	34	168	38.35	0	0	0	0	0	0	34	168	38.35

We reminded the Department periodically to furnish the replies to the outstanding audit observations.

4.1.8(b) Assurances given by the Departments/Government on the issues highlighted in the Audit Reports

4.1.8(b)(i) Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years and those accepted by the departments and the amount recovered are mentioned in the following table:

Table No.4.1.11

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (₹ in crore)	No. of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases
2008-09	1	0.03	0	0	0	0
2009-10	0	0	0	0	0	0
2010-11	0	0	0	0	0	0
2011-12	1	0.20	0	0	0	0
2012-13	2	0.53	2	0.17	0.17	0.17
Total	4	0.76	2	0.17	0.17	0.17

From the above table, it is seen that during the last five years an amount of ₹ 0.17 crore was accepted and recovered by the Department.

4.1.8(b)(ii) Action taken on the recommendations accepted by the Departments/Government

The draft Performance Audit (PAs) conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These PAs are also discussed in the Exit Conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

During the period from 2002-03 to 2012-13, two Performance Audits in respect of Finance (Taxation) Department were featured in the Audit Report 2008-09 and 2010-11. Details are given in the following table:

Table No.4.1.12

Year of Audit Report	Name of the review	No. of recommendations	Details of the recommendations accepted
2008-09	Transition from Sales Tax to Value Added Tax	7	-
2010-11	Performance Audit on 'Utilisation of declaration forms in Inter State Trade'	5	-

4.1.9 Results of audit

4.1.9(a) Position of local audit conducted during the year

Test check of the records of 12 units of Transport, Forest and Finance (Taxes) departments conducted during the year 2013-14 revealed under assessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 37.14 crore in 25 cases.

4.1.9(b) This Report

This Report contains two paragraphs involving financial effect of ₹ 8.46 crore. The audit findings are discussed in succeeding paragraphs.

FINANCE (TAXATION) DEPARTMENT

4.2 Evasion of tax by concealment of turnover

Two Motor vehicle dealers of Nagaland concealed taxable turnover amounting to ₹ 35.24 crore and evaded tax of ₹ 4.58 crore during 2010-13. Interest amounting to ₹ 2.65 crore was also leviable on the amount of tax evaded by them.

Rule 51 (2) of Nagaland Value Added Tax (NVAT) Rules, 2005 requires that the appropriate Assessing Authority (AA) on the basis of the information contained in the Return filed by the dealer scrutinise the correctness of the tax assessed by the dealer himself. For this purpose, the AAs may require the dealer to produce any account, documents or any other evidences as may be deemed necessary for such scrutiny. Section 58 of the Act further states that where in any particular year, the gross

turnover of a dealer exceeds forty lakh rupees, then such dealer shall get his accounts, in respect of that year audited by an accountant² within six months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed. A true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month after expiry of the period of six months during which the audit would have been completed. Further as per Section 29 of the Act *ibid*, interest at 2 *per cent* per month is payable from the date the tax payable had become due to the date of its payment or to the date of order of assessment, whichever is earlier.

During test check (May 2014) of the Annual VAT Returns filed by two motor vehicle dealers based in Dimapur District³ for assessment years 2010-11 to 2012-13, it was observed that the dealers filed their Annual Returns and the Assessing Authority assessed the Value Added Tax as shown in ***Appendix -4.2.1A(i)&B(i)***. The total amount of tax paid by the dealers during the period is detailed in the following table:

Table 4.2.1

Name of the dealer	Period	Tax Paid (in ₹)
M/s. Urban Station	2010-2013	12,71,524
M/s. Kaho Motors	2010-2013	2,54,436
Total		15,25,960

However, from the Returns and Utilisation Certificates (UC) of 'C' Forms submitted by the dealers to the AA, it was observed that the two dealers⁴ disclosed the procurement and sale of only motor vehicle spare parts/accessories though their main business activity was sale of motor vehicles as per the Registration Certificate. Therefore, audit collected the records of vehicles registered during the period from the Transport Offices of two districts (Kohima and Dimapur). Accordingly, data on the entire sales of vehicles made by the above firms were extracted and found that these dealers have sold vehicles amounting to ₹ 37.84 crore during the period 2010-11 to 2012-13 as against the declared sale of ₹ 2.60 crore as detailed in the following table:

² Chartered Accountant

³ M/s Urban Station (Dealer of Chevrolet Vehicles) and M/s Kaho Motors (Dealer of Hyundai Vehicles)

⁴ M/s Urban Station, Dimapur and M/s Kaho Motors, Dimapur

Table 4.2.2

(Amount in ₹)

Name of the dealer	Period	Sales reported by Transport Dept (Kohima & Dimapur)	Sales as per the Annual Trading Account	Sales not assessed
M/s. Urban Station	2010-2013	21,02,36,334	1,57,98,348	19,44,37,986
M/s. Kaho Motors	2010-2013	16,81,22,713	1,01,80,885	15,79,41,828
Total		37,83,59,047	2,59,79,233	35,23,79,814

From the above table it would be seen that the dealers had concealed their sales for an amount of ₹ 35.24 crore which led to evasion of tax amounting to ₹ 4.58 crore⁵ (Details shown in the *Appendix -4.2.1A(ii)&B(ii)*).

Thus, acceptance of Returns not supported by proper UCs and audited accounts coupled with failure to cross verify the disclosed business activities in the Returns with the actual business activities of the dealers by the AA led to an evasion of tax amounting to ₹ 4.58 crore. In addition to the above, an amount of ₹ 2.65⁶ crore (*Appendix-4.2.1A(iii)&B(iii)*) was also leviable from the dealers as interest @ 2 per cent per month.

The Department in reply (December 2014) stated that show cause notices were issued (5 December 2014) to the dealers. While endorsing the Department's reply (January 2015), the Government stated that they shall be taking necessary steps to examine all related records in detail to ensure that the objections raised are attended to satisfactorily.

FINANCE (TAXATION) DEPARTMENT

4.3 Evasion of tax

The Assessing Authority did not consider the records of the Check Posts/Mobile Squad while scrutinising the Returns and passing the assessment order which led to an evasion of tax amounting to ₹ 63.53 lakh by one dealer. In addition, interest amount of ₹ 59.26 lakh was also leviable.

According to Section 28 of the Nagaland Value Added Tax (NVAT) Act, 2005 every registered dealer in the State of Nagaland shall furnish tax return in such form for such period, by such dates and to such authority, as may be prescribed by the Commissioner of Taxes. Section 32 of the Act further states that each and every return in relation to any tax period furnished by a registered dealer to whom notice has been issued by the Commissioner under Section 28 shall be subject to scrutiny by the Assessing Authority (AA) to verify the correctness of calculation, application of correct rate of tax and interest and input tax credit claimed therein; and full payment of tax and interest payable by the dealer during such period. Rule 67 of the NVAT Rules, 2005

⁵ M/s Urban Station, Dimapur- ₹ 2,51,31,949.00 and M/s Kaho Motors, Dimapur ₹ 2,06,48,819.00

⁶ M/S Urban Station – ₹ 1.53 crore and M/s Kaho Motors – ₹ 1.12 crore

further provides that a dealer who imports taxable goods into Nagaland from any place located outside Nagaland shall submit to the in-charge of the Check-Post established under Section 66 of the Act, a declaration in Form VAT 23 (Challan Inward)⁷ indicating the value of goods, etc. brought in, who shall verify the documents and record the same in the Register maintained for the purpose⁸ before allowing the entry of goods. Every dealer who was issued form VAT 23 or who imports goods from outside Nagaland shall submit VAT 23 in original alongwith the returns to the AA.

The Assessing Authority shall take everything into consideration during scrutiny to avoid any mistake and thereafter serve the notice in the prescribed form to the dealer to make the payment of tax along with all other penal charges as per the provisions of the Act, payable by the date specified in the said notice. Further as per Section 29 of the Act *ibid*, interest at 2 *per cent* per month is payable from the date the tax payable had become due to the date of its actual payment or to the date of the order of assessment, whichever is earlier.

Audit (June 2014) of VAT Return submitted under section 32 of the NVAT Act 2005 and Trading Account of a dealer⁹ dealing in Hardware goods revealed that the dealer disclosed purchase of goods valued at ₹ 69.17 lakh from other States during 2009-10 to 2012-2013 based on which the assessment was completed (between June 2010 to May 2013) by the AA. However, scrutiny of Register maintained by the Assistant Commissioner of Taxes, Mobile Squad (Officer in-charge of Check Posts) revealed that the dealer purchased goods valued at ₹ 573.89 lakh during the above period resulting in concealment of turnover and resultant evasion of tax amounting to ₹ 63.53 lakh as shown below:

Table 4.2.3

Year	Purchases shown in Annual Return & Trading Account (₹)	Purchases recorded in the Register maintained by the in-charge of Mobile squad/Check Post (₹)	Difference (₹)	Rate of NVAT (Per cent)	Amount of NVAT evaded (₹)
2009-10	1381560	43878769	42497209	12.5	5312151
2010-11	1268286	3359344	2091058	12.5	261382
2011-12	1785398	3992350	2206952	13.25	292421
2012-13	2481781	6158678	3676897	13.25	487189
Total	6917025	57389141	50472116		6353143

Thus, due to failure of the AA to take into consideration the records maintained by the officer in-charge of the Check Posts/Mobile Squad and the Challan Inwards during scrutiny under Section 32 resulted in evasion of tax amounting to ₹ 63.53 lakh. In addition to this, interest at 2 *per cent* per month amounting to ₹ 59.26 lakh was also leviable from the dealer under section 29 of the Act as shown below:

⁷ VAT -23 is a statutory form issued from the office of the Supdt of Taxes/Assistant or Deputy Commissioner of Taxes

⁸ Daily Goods Movement Register (Incoming)

⁹ M/s. Nagaland Trading Co, Dimapur –TIN No 13020101044

Table 4.2.4

(Amount in ₹)

Year	Amount of NVAT evaded	No of months for which interest is payable	Amount of interest at 2 per cent per month
1	2	3	4
2009-10	5312151	51(May 2010 to July 2014)	5418394
2010-11	261382	39 (May 2011 to July 2014)	203878
2011-12	292421	27 (May 2012 to July 2014)	157907
2012-13	487189	15 (May 2013 to July 2014)	146157
Total interest payable by the dealer			5926336

In reply, the Deputy Commissioner of Taxes, Dimapur¹⁰ stated (December 2014) that a show cause notice had been issued (16 December 2014) to the dealer.

The matter was reported to the Government (September 2014) followed by a reminder in November 2014. Their reply was awaited (December 2014).

¹⁰ Assessing Authority