



REPORT
OF THE
COMPTROLLER AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR 1976-77
GOVERNMENT OF SIKKIM

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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1976-77 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1976-77.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1976-77 as well as those which had come to notice in the earlier year but could not be dealt with in the previous Report; matters relating to the period subsequent to 1976-77 have also been included, wherever considered necessary.

3. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.

CHAPTER I

GENERAL

1.1 Summary of transactions

The receipts and expenditure of the Government of Sikkim for the year 1976-77 are given below with the corresponding figures of the preceding year :—

	(1)	1975-76 (a) (in lakhs of rupees) (2)	1976-77 (3)
(1)	Revenue-		
	Revenue receipts	10,32.60	19,19.30
	Revenue expenditure	9,15.12	15,03.34
		(+)	(+)
	Revenue surplus (+)	1,17.48	4,15.96
(2)	Public Debt		
	(i) Internal debt of the State Government (net)		
	Increase (+)	..	(+)
	Loans and Advances from the Central Government (net)		
	Increase (+)	(+)	(+)
		9.96	74.48
	Total public Debt (net)		
	Increase (+)	(+)	(+)
	Capital Expenditure (net)		
	Increase (—)	(—)	(—)
	Loans and Advances by the State Government (net)		
	Increase (—)	(—)	(—)
	Transfer to Contingency Fund		
	Increase (—)	(—)	(—)
	Contingency Fund (net)		
	Increase(+)/Decrease (—)	(+)	(+)
	Public Account (net)		
	Increase (+)	(+)	(+)
		83.84	14.72
	Net Surplus (+)		
	Deficit (—)	(—)	(+)
		42.10	14.92
	Opening Cash Balance	(+)	(+)
	Net Surplus (+)	1,13.93	71.83
	Deficit (—)	(—)	(+)
		42.10	14.92
	Closing Cash Balance	(+)	(+)
		71.83	86.75

(a) The year 1975-76 (or the term preceding year), wherever it occurs in this Report, refers to the period from 26th April 1975 to 31st March 1976.

1.2 Revenue surplus/deficit

(a) Revenue receipts:-

The actuals of revenue receipts for 1976-77 compared with the budget estimates, along with the corresponding figures for 1975-76, are shown below :-

Year (1)	Budget (2)	Actuals (3) (amounts in lakhs of rupees)	Variation between columns (3) and (2)	
			Amount (4)	Percentage (5)
1975-76	10,89.40	10,32.60	-56.80	5
1976-77	18,73.16	19,19.30	+46.14	3

(b) Expenditure on revenue account:-

The expenditure on revenue account as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary provision is shown below:-

Year (1)	Budget (2)	Budget plus supplementary (3) (amounts in lakhs of rupees)	Actuals (4)	Variation between columns (4) and (3)	
				Amount (5)	Percentage (6)
1975-76	8,28.29	9,90.45	9,15.12	-75.33	8
1976-77	13,40.53	14,54.11	15,03.34	+49.23	3

(c) The year ended with a revenue surplus of Rs. 4,15.96 lakhs against the surplus of Rs. 5,32.63 lakhs anticipated in the budget. In 1975-76 also, the State had a revenue surplus of Rs. 1,17.48 lakhs.

1.3 Revenue receipts

(a) The revenue receipts during 1976-77 (Rs.19,19.30 lakhs) were more by Rs.8,86.70 lakhs than those in 1975-76 (Rs.10,32.60 lakhs). The increase is analysed below:-

	Receipts		Increase	
	1975-76	1976-77	Amount	Percentage
	(in lakhs of rupees)			
(i) Receipts from the Government of India—				
(a) Statutory grants	1,20.00	2,54.27	1,34.27	1,12
(b) Other grants	5,89.67	12,27.36	6,37.69	1,08
Total (i)	7,09.67	14,81.63	7,71.96	1,09

(ii) Revenue raised by the State Government—

(a) State taxes and duties classified as tax revenue	1,25.89	1,56.10	30.21	24
(b) Receipts from road transport services, interest receipts, receipts from forest produce, power projects, etc., classed as non-tax revenue	1,97.04	2,81.57	84.53	43
Total(ii)	3,22.93	4,37.67	1,14.74	36
Total (i) and (ii)	10,32.60	19,19.30	8,86.70	86

(b) The receipts from the Government of India during 1976-77 formed about 77 per cent of the total revenue receipts of the State.

1.4 Expenditure on revenue account

The expenditure on revenue account during 1976-77 (Rs. 15,03.34 lakhs) was more by Rs. 5,88.22 lakhs than that in 1975-76 (Rs. 9,15.12 lakhs).

The increase was mainly under :—

Head of Account	Actuals		Increase over 1975-76	
	1975-76	1976-77	Amount	Percentage
(i) 337-Roads and Bridges	1,60.98	3,82.72	2,21.74	138
The increase was due mainly to more expenditure on relief works and adjustment of expenditure incurred by the Border Roads Organisation in Sikkim.				
(ii) 277-Education	73.15	1,43.83	70.68	97
The increase was due mainly to more expenditure on Government Secondary schools and on purchase of text books.				
(iii) 259-Public Works	-16.43	47.75	64.18	—
The increase was due mainly to adjustments during 1976-77 for purchases made in the previous year.				
(iv) 305-Agriculture	36.22	75.95	39.73	110
The increase was due mainly to more expenditure on manures and fertilisers, horticulture and direction and administration.				
(v) 313-Forest	40.96	80.25	39.29	96
The increase was due mainly to more expenditure on maintenance of forests, forest roads and buildings, plantation schemes and farm forestry.				
(vi) 310-Animal Husbandry	17.04	41.55	24.51	144
The increase was due mainly to more expenditure on Veterinary services and animal health and cattle and poultry development.				
(vii) 282-Public Health, Sanitation and Water Supply	15.34	37.85	22.51	147
The increase was due mainly to more expenditure on urban water supply schemes.				

1.5 Capital expenditure

(a) The capital expenditure during the two years ending 1976-77 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary provision is shown below :—

Year	Budget	Budget plus Supplemen- tary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
				(in lakhs of rupees)	
(1)	(2)	(3)	(4)	(5)	(6)
1975-76	225.85	2,34.93	2,46.52	(+)11.59	5
1976-77	506.76	5,92.56	4,54.82	(—)1,37.74	23

(b) An analysis of the capital expenditure during and to end of 1976-77 is given below :—

	During 1976-77	Progressive total to end of 1976-77 (in lakhs of rupees)
Capital expenditure on		
(i) Public Works	59.93	77.57
(ii) Social and Community services	1,08.84	1,68.25
(iii) General Economic Ser- vices	9.12	16.20
(iv) Agriculture and Allied Services	25.31	57.72
(v) Industry and Minerals	26.02	40.61
(vi) Water and Power Deve- lopment	50.67	56.36
(vii) Transport and Commu- nications	1,74.93	2,84.63
Total-Capital expendi- ture	4,54.82	7,01.34

Further details of capital expenditure are given in Statement Nos. 2 and 12 of the Finance Accounts 1976-77.

(c) The sources from which the capital expenditure (Rs.4,54.82 lakhs), the net outgo under loans and advances (Rs.29.42 lakhs) and appropriation to the Contingency Fund (Rs.25.00 lakhs) were met during 1976-77 are given below :—

	(in lakhs of rupees)
(i) Revenue surplus	4,15.96
(ii) Loans and advances from the Central Government	74.48
(iii) Deposits received by the Government (less amounts refunded), remittances, etc.	59.72
(iv) Provident funds	15.67
(v) Internal debt of the State Government	5.00
(vi) Contingency Fund (net)	(+)14.00
(vii) Increase in cash-balance	(—)14.92
(viii) Increase in investments	(—)60.67
Net resources available	5,09.24

1.6 Loans and advances by the State Government

(a) The disbursements of loans and advances by the State Government during 1976-77 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary provision along with the corresponding amounts for 1975-76 are given below :—

Year	Budget	Budget plus supplementary.	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
				(in lakhs of rupees)	
1975-76	27.48	28.85	17.64	-11.21	39
1976-77	43.20	49.45	38.49	-10.96	22

(b) The budget estimates and the actuals of recoveries of loans and advances for the two years ending 1976-77 are given below :—

Year	Budget	Actuals	Variation between columns (3) and (2)	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
			(in lakhs of rupees)	
1975-76	11.98	10.78	-1.20	10
1976-77	12.46	9.07	-3.39	27

(c) The outstanding balances under loans and advances as at the end of March 1976 and 1977 are analysed below :—

	Amount outstanding on	
	31st march	31st March
	1976	1977
	(in lakhs of rupees)	
(i) Loans for Economic Services-		
(a) General Economic Services	19.62*	19.40
(b) Agriculture and Allied Services	33.21**	41.55
(c) Industry and Minerals	59.54	62.30
(d) Transport and Communications	—	11.25
(ii) Loans to Government servants, etc.	13.13**	22.28
(iii) Loans for miscellaneous purposes	65.59	63.73
Total	1,91.09	2,20.51

Further details of loans and advances are given in Statement Nos.4 and 17 of the Finance Accounts 1976-77.

1.7 Debt position

(a) The outstanding public debt of the State Government at the end of 1976-77 was Rs.2,09.18 lakhs. An analysis of the debt compared with the corresponding amounts at the end of the preceding year is as follows :—

	Public debt as on 31st March	
	1976	1977
	(in lakhs of rupees)	
(i) Loans and advances from the Central Government	1,29.70	2,04.18
(ii) Loans from the Life Insurance Corporation of India	—	5.00
Total	1,29.70	2,09.18

(b) Three loans aggregating Rs.76.74 lakhs were obtained from the Central Government during 1976-77 and repayment of Rs.2.26 lakhs towards principal was made.

* Includes Rs.8.00 lakh shown separately in the previous Report.

** Differs by Rs.0.01 lakh from the figure in the previous Report due to rounding.

(c) Other debt and obligations

In addition to public debt, the balances in the provident fund accounts of Government servants and the balances at the credit of certain deposits (to the extent to which these have not been separately invested but are merged with the general cash balance of the Government) constitute a liability of the Government. Taking the public debt and this liability together, the debt position of the Government was as follows :—

	Total debt as on 31st March	
	1976	1977
	(in lakhs of rupees)	
Public debt	1,29.70	2,09.18
Provident funds	—	15.67
Civil deposits	55.67	71.80
Total	1,85.37	2,96.65

1.8. Guarantees given by the State Government

A guarantee was given by the State Government in July 1976 to the State Bank of Sikkim for giving 'advance' (overdraft) to the Sikkim Consumers' Co-operative Society Ltd. The maximum amount guaranteed was Rs.10 lakhs against which the amount of overdraft availed of by the Society as on 31st March 1977 was Rs.4.49 lakhs. Further, the guarantee upto Rs.10 lakhs to the State Bank of Sikkim given by the State Government in August 1975 for repayment of the overdraft availed of by the Sikkim Mining Corporation continued to be operative in 1976-77, the overdraft outstanding as on 31st March 1977 being Rs.4.61 lakhs.

1.9 Investments

In 1976-77, the Government invested Rs.14.02 lakhs (Rs.12.00 lakhs in the Sikkim Time Corporation, Rs.1.00 lakh in the Sikkim Consumers' Co-operative Society and Rs.1.02 lakhs in a joint venture). According to the information furnished by the Government the total investment of the Government in the share capital of different concerns at the end of 1976-77 was Rs.1,26.10 lakhs*. The dividend received and credited to the Government during the year was Rs.11.28 lakhs which worked out to about 9 per cent of the total investment.

Further particulars of investments are given in Statement No.13 of the Finance Accounts 1976-77.

* Includes bonus shares of the face value of Rs.9.09 lakhs in the Sikkim Distilleries Ltd. issued prior to 1976-77 (not included in the investment of Rs.1,02.99 lakhs mentioned in the previous Report).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Summary

(a) The following table compares the total expenditure during the year with the totals of grants and charged appropriations :—

(1)	(2)	(3)	(4)	(5)
	Grants/charged appropriations	Expenditure (in lakhs of rupees)	Excess + Saving -	Percentage
Voted - Original	19,72.08			
	21,75.54	21,70.69	(-)4.85	
Supplementary				
2,03.46				
Charged - Original	8.91			
	13.34	11.89	(-)1.45	11
Supplementary				
4.43				
Total	21,88.88	21,82.58	(-)6.30	

The saving of Rs.6.30 lakhs was the net result of saving of Rs.3,72.79 lakhs in twenty-six grants (Rs.1,92.65 lakhs) and four appropriations (Rs.1.45 lakhs) in the Revenue Section and in sixteen grants (Rs.1,78.69 lakhs) in the Capital Section and excess of Rs.3,66.49 lakhs in four grants (Rs.3,61.50 lakhs) in the Revenue Section and in two grants (Rs.4.99 lakhs) in the Capital Section.

(b) Further details are given below : —

	Revenue	Capital	Loans and Public debt advances	Transfer to the Contingency Fund	Total
	(1)	(2)	(3)	(4)	(5)
	(in lakhs of rupees)				
Authorised to be spent (grants and charged appropriations)					
Original	13,81.03	5,28.01	21.95	—	19,30.99
Supplementary	1,13.58	85.80	6.25	2.26	2,07.89

Amount transferred to the Contingency Fund under the Sikkim Contingency Fund Act, 1975	—	—	—	—	50.00	50.00
Total	14,94.61	6,13.81	28.20	2.26	50.00	21,88.88
Actual expenditure (grants and charged appropriations)	16,62.01	4,54.82	38.49	2.26	25.00	21,82.58
Excess(+) Saving(-)	(+)1,67.40	(-)1,58.99	(+)10.29	—	(-)25.00	(-)6.30

2.2 Excess over grants requiring regularisation

There was excess of Rs.3,61.50 lakhs in 4 grants in the Revenue Section and of Rs.4.99 lakhs in 2 grants in the Capital Section; the excess, details of which are given below, requires regularisation under Article 205 of the Constitution :—

Revenue Section :

Serial number	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
(1)	(2)	(3)	(4)	(5)
1.	10-Establishment Deptt. Excess occurred under 'A. 1-Secretariat' and was attributed to more expenditure on charge allowance, leave salary and winter allowance.	1,34,000	1,42,489	8,489
2.	14-Other Expenditure of the Finance Department Excess was stated to be due to unanticipated increase in the number of pensioners.	9,72,000	10,15,838	43,838
3.	18-Sikkim Nationalised Transport Reasons for the excess have not been intimated (June 1978).	1,40,41,000	1,42,22,230	1,81,230
4.	28-Public Works Roads, Bridges and Water Supply Excess was attributed to purchase of large quantities of stock materials, more expenditure on relief works than anticipated and <i>proforma</i> adjustment of expenditure incurred by the Border Roads, Organisation in Sikkim for which no provision had been made.	2,54,30,000	6,13,45,813	3,59,15,813

Capital Section :

Serial number	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
(1)	(2)	(3)	(4)	(5)
1.	8-Education	28,55,000	31,69,076	3,14,076
	Excess was stated to be due to expenditure on buildings being more than anticipated because of increased cost of materials and payment of more carriage charges for building materials than anticipated.			
2.	15-Food Supplies and Fair Price Shops	6,75,000	8,60,040	1,85,040
	Excess was attributed to construction of more food godowns.			

2.3 Supplementary grants/charged appropriations

(a) During the year, supplementary provision of Rs.2,07.89 lakhs (about 11 per cent of the original provision) was obtained in March 1977 under 24 grants (Rs.2,03.46 lakhs) and 5 appropriations (Rs.4.43 lakhs). Of the total supplementary provision, Rs.1,11.41 lakhs were obtained in 23 cases in the Revenue Section and Rs.92.05 lakhs were obtained in 9 cases in the Capital Section. In the charged appropriations, Rs.2.17 lakhs were provided in 5 cases in the Revenue Section and Rs.2.26 lakhs in 1 case in the Capital Section.

(b) The details of significant cases of unnecessary, excessive and inadequate supplementary grants are given below :

(i) Unnecessary supplementary grants :

In the following cases, the supplementary grants of Rs.22.40 lakhs in 7 grants in the Revenue Section and Rs.9.96 lakhs in 2 grants in the Capital Section were unnecessary as the expenditure did not come up even to the original provision.

Serial number	Number and name of grant	Original grant (in lakhs of rupees)	Supplementary grant	Expenditure	Saving
(1)	(2)	(3)	(4)	(5)	(6)
Revenue Section :					
1.	3-Agriculture	76.64	6.63	75.95	7.32
	Reasons for the saving, which occurred mainly under "Horticulture" and "Services for Small and Marginal Farmer and Agricultural Labour," have not been intimated (June 1978).				
2.	4-Animal Husbandry and Dairy Development	54.72	4.90	45.59	14.03
	Reasons for the saving, which occurred mainly under "Animal Services, Research sponsored by I.C.A.R.," have not been intimated (June 1978).				
3.	5-Local Self Government	15.99	2.31	13.94	4.36
	Saving was stated to be due mainly to non-completion of works during the year.				

4.	9-Power and Irrigation	1,42,42	2.97	1,13.55	31.84
	The saving was stated to be due mainly to less requirement for survey and investigation under "Water and Power Development" salaries under "Direction and Administration", machinery and equipment, flood control and medium irrigation.				
5.	11-Excise (Abkari)	4.83	1.29	3.86	2.26
	Saving was attributed to slow progress in construction of quarters.				
6.	22-Land Revenue	56.82	1.42	24.43	33.81
	Saving was attributed mainly to posts remaining vacant because of non-availability of trained hands and late commencement of works.				
7.	30-Trade, Industries and Labour	60.26	2.88	38.85	24.29
	Reasons for the saving have not been intimated (June 1978).				

Capital Section :

1.	3-Agriculture	23.55	2.32	20.37	5.50
	Saving was attributed mainly to agricultural reasearch schemes not being taken up during the year and non-finalisation of certain other schemes relating to storage and warehousing and marketing.				
2.	21-Police	14.00	7.64	11.75	9.89
	Saving was reported to be due mainly to slow progress of works during the year.				

(ii) Supplementary grants which proved excessive :

In the following cases, among others, the supplementary grants proved excessive. Against the supplementary provision of Rs.59.57 lakhs in the Revenue Section and Rs.16.82 lakhs in the Capital Section, Rs.42.88 lakhs and Rs.10.33 lakhs respectively were actually utilised. The details are given below :—

Serial number	Number and name of grant	Original grant (in lakhs of rupees)	Supplemen- tary grant	Expenditu- ture	Saving
(1)	(2)	(3)	(4)	(5)	(6)

1.	8-Education	1,23.87	24.75	1,43.83	4.79
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Saving was stated to be due mainly to vacant posts, non-purchase of equipment and stationery articles and non-execution of minor works due to shortage of materials.

2.	16-Forest, Fisheries and Soil Conservation	1,23.18	7.32	1,23.74	6.76
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Saving was stated to be due mainly to less purchase of materials.

3.	25-Panchayat and Rural Works	64.59	27.50	86.95	5.14
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Saving was stated to be due to non-commencement of works because of late sanction and delay in selection of sites,

Capital Section :

29-Tourism	20.10	16.82	30.43	6.49
Reasons for the saving which occurred mainly under "Construction of Norkhil Hotel" and "Construction of Youth Hostel" have not been intimated (June 1978).				
(iii) Inadequate supplementary grants :				

In the following cases, among others, the supplementary provision of Rs. 23.03 lakhs in 2 grants in the Revenue Section and Rs. 2.91 lakhs in 1 grant in the Capital Section proved inadequate; the final uncovered excess in these cases was Rs. 3,60.97 lakhs in the Revenue Section and Rs. 3.14 lakhs in the Capital Section. Reasons for the excess, to the extent received, are given in paragraph 2.2.

Serial number	Number and name of grant	Original grant	Supplementary grant	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)	(6)

Revenue Section :

1.	18-Sikkim Nationalised Transport	1,29.65	10.76	1,42.22	1.81
2.	28-Public Works, Roads, Bridges and Water Supply	2,42.03	12.27	6,13.46	3,59.16

Capital Section :

1.	8-Education	25.64	2.91	31.69	3.14
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2.4 Unutilised provision :

(i) Rupees 3,72.79 lakhs remained unutilised in 26 grants (Rs. 1,92.65 lakhs) and 4 appropriations (Rs. 1.45 lakhs) in the Revenue Section and in 16 grants (Rs. 1,78.69 lakhs) in the Capital Section.

(ii) In 12 grants each in the Revenue and Capital Sections, the savings (more than Rs. 1 lakh in each case) were more than 10 per cent of the total provision. The details are given in the Appendix.

2.5 Non-receipt of explanations for savings/excesses

After the close of a financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers, requiring them to explain the variations in general and those in important heads in particular. As in the previous year, the reasons for variations were not furnished in time to Audit by the Controlling Officers. Such delays in the submission of material for Appropriation Accounts result in the Report being incomplete in certain essential respects.

As regards the Appropriation Accounts 1976-77, explanations for variations were not received (June 1978) in the case of 64 out of 142 heads. These formed 45 per cent of the number of heads, the variations in which were required to be explained.

CHAPTER III

RESULTS OF AUDIT

SECTION I — CIVIL DEPARTMENTS

FOOD AND SUPPLY DEPARTMENT

3.1 Shortage of foodgrains

Prior to September 1975, foodgrains (controlled commodities) were being lifted by the wholesalers from the godown of the Food Corporation of India at Siliguri (West Bengal) for distribution to the retailers and the consumers all over the State of Sikkim. From September 1975, the department started distribution to the wholesalers from 14 centres all over the State and hired godowns at these centres for that purpose. Prescribed quarterly verification of stocks was not done. When physical verification of stocks was done in November 1976, value of foodgrains (rice, sugar, maida and suji) found short at two centres in excess of the permissible limits worked out to Rs. 1.98 lakhs.

The Government stated (February 1978) that Rs. 3,547 had been recovered from the concerned officials and prosecution in a court had been launched against them for the balance loss. Further developments are awaited (June 1978).

SECTION II

REVENUE RECEIPTS

3.2 Income Tax

3.2.1 Introduction

Income tax was first levied in Sikkim from April 1948. The procedure for the levy, assessment and collection of the tax was laid down in the rules contained in the Sikkim State Income Tax Manual. These rules provided for the levy of tax of income from business, agricultural produce, salaries, *patta estate** and principal loans in cash or kind. The tax on agricultural produce was, however, withdrawn in April 1950. In the case of business, the tax was leviable not on the income from profits made in the business but on the gross sale proceeds in a year. In April 1958 the works contractors were made liable to tax on the basis of the gross cheque amount of the bill less the cost of materials issued. In April 1970, income accruing or arising directly from the properties situated in the bazar areas was also made liable for this tax.

When Sikkim became a State of the Indian Union from 26th April 1975, income tax was continued to be levied by the State Government and the proceeds were retained by it. The Indian Income tax Act, 1961, has not been extended to Sikkim (June 1978).

* *Patta estate* income means the difference between whatever money a landlord of an estate realises from the Bustiwallas of his estate and whatever amount he pays to Government.

The tax was, however, levied on sourcewise income in excess of the following ceiling limits as laid down in the Sikkim State Income Tax Manual ;

	Source of income	Ceiling limit of tax free income
(i)	Business	Gross sale proceeds upto Rs. 2,000 per year.
(ii)	Salaries	Rs. 200 per month.
(iii)	Patta Estate	Profits upto Rs. 2,000 per year.
(iv)	Principal loans in cash or kind	Rs. 2,000 in cash/100 muries * in kind per year.

Charitable institutions are exempt from income tax.

3.2.2 Trend of collection

The actual amounts of tax collected and the uncollected amount at the end of the two years ending March 1977 as furnished by the department (June 1977) are indicated below :—

	Arrears at the beginning of the year	Demand raised during the year	Collection made during the year	Uncollected balance as on 31st March
		(in lakhs of rupees)		
1975-76	** 13.15	12.19	10.09	15.25
1976-77	15.25	12.36	12.42	15.19

3.2.3 Procedure for assessment of tax

The Sikkim State Income Tax Manual does not prescribe either the filing of any returns by the assessee or for passing formal orders of assessment in each case by the assessing authority. The income estimated and the tax determined by the assessing authority in each case are entered in a register, which forms the basis for the issue of demand notice. The rules do not also provide for aggregating the various categories of income received by an assessee for the purpose of levy of tax but income under each category is separately estimated and taxes at the slab rate after allowing the benefit of tax-free income available in the first slab of each source of income.

* One murie is equivalent to 72.72 Kgs. (approximately)

** Arrears as on 26.4.1975.

3.2.4 Following points were noticed in the course of test audit.

(i) **Non-levy of penalty**

In terms of an order issued by Government in December 1973, an assessee defaulting in the payment of the income tax within three months from the date of issue of demand notice is liable to pay penalty at the rate 20 per cent of the amount of tax as penalty. No such penalty was, however, levied in 1, 195 cases during the period falling between 26.4.1975 and 31.3.1977. The loss of revenue on account of the non-levy of the mandatory penalty had not been estimated.

The matter was reported to Government in June 1977. Government, while accepting the objection, stated (September 1977) that penalty had been levied only in few cases and it would be levied in all cases in future.

(ii) **Non-levy of interest**

In December 1973 Government issued an order to the effect that interest at 12 per cent per annum was leviable for the period of default if the amount of tax demanded was not paid by the assessee on or before the due date mentioned in the demand notice served on them. No such interest had been levied or collected by the department in all cases resulting in non-levy of interest of Rs.17,000. When this was pointed out in audit (June 1977), the department agreed (June 1977) to realise the dues after verification. Further report is awaited (June 1978).

The matter was reported to Government in July 1977. Government stated (September 1977) that interest had been levied only in few cases and would be strictly levied in all cases in future.

(iii) **Principal loans in cash not taxed**

Tax at the rate of 3 per cent was leviable from April 1948 on the principal amount of all loans in cash in excess of Rs.2,000 and 100 *muries* in kind. Tax had not been levied in any such cases. The loss of revenue on this account could not be estimated as no details of such loans had been collected or maintained by the department. When this was pointed out in audit (June 1977), the department agreed (June 1977) to reopen past cases and also levy tax on such cases in future.

The matter was reported to Government in July 1977; reply is awaited (June 1978).

3.3 **Sales tax**

3.3.1 **Introductory**

There is no Sales Tax Act in Sikkim. A tax on the sales of goods in Sikkim was first introduced by a Government order issued in August 1947. Detailed rules for the levy, assessment and collection of the tax were laid down in a notification issued by Government in March 1952. In November 1965, Government directed that sales tax should not be levied on purchases made by certain specified merchants, who were paying tax directly to Government. Collections of the tax are made on the basis of these orders, even after Sikkim became a State of the the Union of India from 26th April 1975.

The tax is assessed on the basis of statements of accounts of sales of goods furnished by the dealers. There is no provision in these rules for the assessments being made on any other basis but actually they are largely made on the basis of estimates of turnover made by the assessing officer.

3.3.2 In the course of test audit the following points were noticed :

(i) Prior to March 1975, sales tax collected by Government from dealers having their shops in the private estate of the former Ruler was being remitted to the Ruler, after deducting 10 per cent thereof as collection charges. In March 1975 Government decided that this practice should be stopped forthwith and the payments made to the Ruler from 16th August 1971 to March 1975 should also be recovered from him. In February 1976, demand was made on the estate of the former Ruler for the refund of tax of Rs.1,75,190 paid by Government on this account during the period 16th August 1971 to 31st March 1975 but the amount had not been refunded (March 1978). According to the legal opinion obtained by Government in April 1976, the dues could be recovered from any amounts due to the former Ruler or by recourse to a suit in a Court. No action had been initiated to effect the recovery of these dues of Rs.1,75,190 (June 1978).

(ii) In the assessment of two dealers for the years 1974-75 and 1975-76 and of one dealer for the year 1975-76, the closing stock of the previous years had not been taken into account but tax had been assessed only on the sales out of the purchases made during the year. The sales made out of the opening stocks had not been ascertained and subjected to tax. The loss of revenue on account of this under-assessment could not be estimated in audit.

The points referred to in the foregoing paragraphs were reported to Government in October 1977; final reply is awaited (June 1978).

3.4 Amusement tax

According to the information furnished by the department, there are in all three cinema houses in the State. Besides, temporary permits are also issued for running cinemas during *melas*. No rule or any executive instructions or notifications had been issued by Government authorising the levy of such amusement tax. Such taxes levied prior to 26th April 1975, in accordance with the terms of agreements executed with the cinema-house owners at rates laid down therein, continued to be levied even after that date. In respect of cinemas run in the *melas*, tax is levied and recovered in lump on the basis of a daily rate. The local Self Government Department gets the tickets for cinema shows printed at the Government Press, puts its rubber seal thereon and then issues them to the cinema-house owners on pre-payment of the tax along with the cost of printing of the tickets.

A test audit of the records connected with the realisation of tax disclosed that no formal order of assessment of tax was being made in any case and no checks were also being carried out periodically to ensure that the admissions to the cinema shows are made only on the basis of the tax-paid tickets.

No consolidated stock account of the tickets showing opening balance, receipt, issue and the closing balance was also being maintained. Only two separate accounts were maintained showing the receipt and issues of tickets. But no supporting documentary evidence indicating the number of receipts from the Government Press was available with the department to enable verification of receipts and proper accounting of the printed tickets.

When the matter was pointed out in audit (June 1977), the department stated (June 1977) that it had been decided to realise tax by requiring affixation of stamps on the tickets and that arrangements had been made to print the stamps. Further developments are awaited (June 1978).

The matter was reported to Government in July 1977; reply is awaited (June 1978).

SECTION III

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

3.5 General

This section deals with Statutory Corporations, Companies and departmentally managed commercial and quasi-commercial undertakings in which Government has invested funds.

A. Statutory Corporations

On 31st March 1977, there were three Statutory Corporations and a Bank in the State as mentioned below. Out of these, one Corporation, viz. Sikkim Time Corporation was formed after coming into existence of the State while the other three were established by a special proclamation of the erstwhile ruler, issued prior to 26th April 1975.

- 1) Sikkim Mining Corporation.
- 2) State Trading Corporation of Sikkim.
- 3) Sikkim Time Corporation.
- 4) State Bank of Sikkim.

The accounts of the State Trading Corporation of Sikkim are awaited (June 1978). The table below shows the working of the remaining three Corporations for the year 1976-77 (1976 in the case of the Bank) as per accounts certified by private firms of auditors.

	Sikkim Time Corporation (*)	Sikkim Mining Corporation	State Bank of Sikkim
Date of incorporation	20th October 1976	27th February 1960 (in lakhs of rupees)	24th June 1968
Authorised share capital	50.00	100.00	100.00
Paid-up capital	12.00	57.35	20.36
	(*)	Based on un-audited accounts.	

Investment by the State			
Government in			
Share capital	12.00	29.25	13.00
Total	12.00	29.25	13.00
Profit (+)/Loss (-)	(-) 0.08	(+) 0.03	(+) 29.70
Accumulated losses upto end			
of 1976-77	(-) 0.08	(-) 23.86	—
Share of profit received by			
Government during 1976-77			1.56

B. Company

On 31st March 1977, there was only one Company in the State, viz. Sikkim Jewels Limited (incorporated on 22nd June 1972) in which Government's participation in the share capital (Rs.4.10 lakhs) exceeded 51 per cent. Government also gave a loan of Rs.42.63 lakhs to the Company up to end of 1975-76.

The accounts of the Company for 1976-77 are awaited (June 1978).

C. Departmentally managed commercial/quasi-commercial undertakings.

On 31st March 1977, there were three departmentally managed commercial/quasi-commercial undertakings in the State as under :—

- 1) Sikkim Nationalised Transport
- 2) Sikkim Wood Working Centre.
- 3) Government Fruit Preservation Factory.

The table below shows the summarised financial results of one of the undertakings as per *pro forma* accounts certified by a private firm of auditors.

Government Fruit Preservation Factory

	(in lakhs of rupees)
Year of accounts	1976-77
Capital invested upto	
end of the year	11.13
Reserves and surplus	18.96
Net profit during the	
year	0.32

The accounts of the Sikkim Nationalised Transport and Sikkim Wood Working Centre are awaited (June 1978).

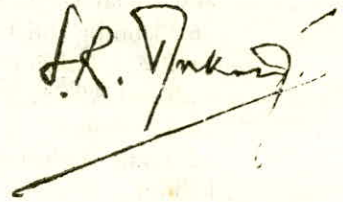
3.6 Sikkim Nationalised Transport

1. Performance of tyres

The General Manager, Sikkim Nationalised Transport, fixed (March 1977) the minimum life of a commercial tyre at 20,000 km. keeping in view the bad condition of roads and steep climbs that the vehicles had to undertake. It was also laid down that in case a tyre was scrapped before attaining the minimum life, the tyre issuing authorities, viz. Superintending Engineer (Mechanical) and Station in-charge, should record the reasons for scrapping the tyre prematurely.

During 1976-77, 213 tyres at Gangtok and 129 tyres at Rangpo were scrapped before these had completed 20,000 km. The deficiency in the tyre-run worked out to a little under 20 per cent of the desired run, leading to a loss of about Rs.0.63 lakh, calculated with reference to the purchase value of the tyres. The reasons for premature scrapping of tyres were not recorded.

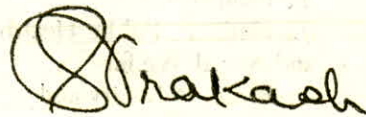
The matter was reported to Government in January 1977; reply is awaited (June 1978).



(S.R. MUKERJI)
Accountant General

Calcutta,
The

Countersigned



(GIAN PRAKASH)
Comptroller and Auditor General of India.

New Delhi,
The

APPENDIX

Statement showing cases in which savings (more than Rs.1 lakh each) were more than 10 per cent of the total provision (Referred to in paragraph 2.4 on page 12)

Serial Number	Number and name of the grant	Total grant	Expenditure (in lakhs of rupees)	Saving	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
REVENUE SECTION :					
1.	4-Animal Husbandry and Dairy Development	59.62	45.59	14.03	24
2.	5-Local Self Government	18.30	13.94	4.36	24
3.	9-Power and Irrigation	1,45.39	1,13.55	31.84	22
4.	11-Excise (Abkari)	6.12	3.86	2.26	37
5.	20-Administration of Justice	3.88	2.32	1.56	40
6.	21-Police	57.93	46.01	11.92	21
7.	22-Land Revenue	58.24	24.43	33.81	58
8.	24-Medical, Public Health and Social Welfare	99.84	72.96	26.88	27
9.	26-Planning and Development	9.03	5.82	3.21	36
10.	27-Press, Publicity and Cultural Affairs	25.37	18.76	6.61	26
11.	29-Tourism	6.91	3.07	3.84	56
12.	30-Trade, Industries and Labour	63.14	38.85	24.29	38
CAPITAL SECTION					
1.	3-Agriculture	25.87	20.37	5.50	21
2.	4-Animal Husbandry and Dairy Development	12.00	9.49	2.51	21
3.	7- Ecclesiastical Deptt.	5.00	1.82	3.18	63
4.	12-Finance Department	2.00	—	2.00	100
5.	14-Other Expenditure of the Finance Department (Voted)	67.95	38.70	29.25	43
6.	18-Sikkim Nationalised Transport	29.22	24.54	4.68	16
7.	21-Police	21.64	11.75	9.89	46
8.	22-Land Revenue	13.00	3.09	9.91	76
9.	24-Medical, Public Health and Social Welfare	52.40	31.36	21.04	40
10.	27-Press, Publicity and Cultural Affairs	3.00	0.83	2.17	72
11.	29-Tourism	36.92	30.43	6.49	18
12.	30-Trade, Industries and Labour	99.77	31.08	68.69	69

E R R A T A

Report of the Comptroller and Auditor General of India for the year 1976-77 - Government of Sikkim.

Sl. No.	Page	Reference to para, line, etc.	For	Read
1	(i)	TABLE OF CONTENTS Heading of the 1st column	Paragrahph	Paragraph
2	(ii)	Last line	provision.	provision
3	(iii)	Page No.	(iii)	(iii)
4	1	Sr.No. (2)-Column I Total Public Debt	public	Public
5	3	Para 1. 4. Column heading (in lakhs of rupees) Explanation below (ii) line 1 Explanation below (vi)	rupees.) Secondary Veterinary	rupees) secondary veterinary
6	4	Para 1. 5 (b) Item No. (ii)	services	Services
7	5	Para 1. 5 (c) line 1 Para 1. 6 Column (3) Budget plus supplementary	expndnditure tary.	expenditure tary
8	6	Caption Footnote No. 1	YEPORT lakh	REPORT lakhs
9	7	Para 1.8 second line Para 1.8 third line Para 1. 8 third line Para 1.9 first line	Society Ltd. The Ras lakhs)	Society. The Rs. lakhs
10	8	Para 2.1 Heading of Column (2) 1st table column (5) percen- centage	appropriations put against	appropriations () 4. 85 () 6. 30 in column (5)
11	9	Line 7 Para 2.2 Caption Column (2) Sr. no.4, Col.2	1975' Number Works Roads,	1975 Number Works, Roads,
12	10	Para 2.3 (b) (i) Column (4) Column (5)	Supplemen Expendi	Supplemen- Expendi-

Sl. No.	page No.	Reference to para, line, etc.	For	Read
13	11	line 1 Capital section Sr. no. 1, first line of explanation Sr. no. 2, Heading of Column (5)	1,42,42 reasearch Expenditu	1,42.42 research Expendi-
14	12	Para 2.4 line 2 3	1,78. 69	1,78.69
15	13	Para 3.1 line 7 Para 3.2 caption Para 3.2.1 line 3	at two centres Incomee Tax tax of income	(at two centres) Income tax tax on income
16	14	Para 3.2.3 last but one line Footnote - line 1	taxes (approximately)	taxed (approximately).
17	15	Para 3.2.4 (i) Para 3.2.4 (ii) line 4	Government all	Government 11
18	16	Para 3.3.2 (i) line 7 Para 3.4 line 8	Government local	Government Local
19	17	line 3 line 10	supporiting Governement	supporting Government
20	20	Heading of Column (4)	Eexpenditure	Expenditure