

CHAPTER VI: OTHER TAXES

6.1 Non-compliance of the provisions of the Acts/Rules

Non-compliance of the provisions of the Act/Rules in some cases as mentioned in succeeding paragraphs resulted in non-realisation of ₹ 1.33 crore.

6.2 Non-payment of Meghalaya Passengers and Goods Tax

Tax of ₹ 37.70 lakh was not paid by two transport corporations on which penalty of ₹ 75.40 lakh was also leviable.

Test check of records of the ST, Circle V, Shillong in January 2012 revealed non-payment of the above tax by the following entities:

*Under Section 3 of the Meghalaya Passengers and Goods Taxation (MPGT) Act, a 10 per cent tax is payable on fares charged by commercial vehicles carrying passengers and goods or in lieu thereof, a lump sum tax of ₹ 5473 and ₹ 6568 per vehicle¹ per annum payable in advance. Section 9 of the MPGT Act empowers the Superintendent of Taxes (ST) to assess the amount of tax from a vehicle owner who fails to pay the tax. For failure to pay the tax due within the prescribed period the vehicle owner, under Section 23 (i) of the Act *ibid*, is also liable to pay a penalty equal to double the amount of tax payable.*

6.2.1 Assam State Transport Corporation

(ASTC): It was seen that the ASTC paid tax only upto 2004-05 and thereafter, it neither submitted any returns nor paid any tax although at the time of audit, the ASTC was still very much operating passenger bus services in the State. The ST on his part also did not assess the amount of tax due from the ASTC. In 2004-05 the ASTC operated 14 buses and calculated on this

number, the tax payable by it from 2005-06 to 2011-12 worked out to ₹ 6.44 lakh¹ (at ₹ 6568 per vehicle per annum). Besides, a penalty of ₹ 12.88 lakh was also leviable for non-payment of the tax due within the prescribed period.

6.2.2 Meghalaya Transport Corporation (MTC): The MTC paid tax upto 1998-99. Thereafter, it neither submitted any returns nor paid any tax and neither did the ST assess the amount of tax due from the MTC. The MTC operated an average of 42 buses per year during 1999-2000 to 2004-05 and calculated on this number, the tax payable by it for the

¹ ₹ 6568 X 14 buses X 7 years = ₹ 6,43,664/-

12 years from 1999-2000 to 2011-12, worked out to ₹ 31.26 lakh² (at ₹ 5473 and ₹ 6568 per vehicle per annum). Besides, a penalty of ₹ 62.52 lakh was also leviable for non-payment of tax within the prescribed period.

The cases were reported to the Department in April 2012; reply was awaited (March 2013).

6.3 Non-registration of a hotel

Luxury tax of ₹ 28.80 lakh not realised due to non-registration of a hotel.

Test check of records of the ST, Nongpoh, in September 2011 revealed

Under Section 3(i) of the Meghalaya Tax on Luxuries (Hotel and Lodging Houses) Act, 1991, every hotelier whose room tariff per day per individual is ₹ 300 or more is liable to pay luxury tax at 20 per cent of the room tariff. Further, under Section 6(1) of the Act ibid, every hotelier liable to pay luxury tax is required to be registered with the ST and possess a valid certificate of registration.

that a hotel³ having 24 rooms with tariffs ranging from ₹ 1000 and ₹ 2333 per day per room had commenced business from October 1988 without a valid registration. The ST did not detect this fact and it was only after 19 years in April 2008 that the hotel

registered itself with the ST subsequent to an enquiry carried out by the area Inspector of Taxes. A verification of the records of the hotel from April 2004 (earliest year for which records were available) to March 2008 showed that the hotel had collected room tariff totaling ₹ 1.44 crore during this period on which luxury tax of ₹ 28.80 lakh⁴ was realisable – the amount would be higher if calculated from the time the hotel commenced operations.

After this was pointed out in September 2011, the DCT stated in May 2012 that a show cause notice had been issued to the hotel. A report of the recovery of tax was however awaited (March 2013).

² 42 buses X 4 years @ ₹ 5473 per bus per annum = ₹ 9.19 lakh
42 buses X 8 years @ ₹ 6568 per bus per annum = ₹ 22.07 lakh
Total = ₹ 31.26 lakh

³ M/s Orchid Lake Resort, Umiam.

⁴ ₹ 1.44 crore X 20 per cent = ₹ 28.80 lakh

6.4 Loss of revenue

Cancellation of 102 bookmakers' licenses without initiating action to recover dues as arrears of land revenue led to revenue loss of ₹ 66.20 lakh.

Test check of 'Register of Licenses' of the ST, Circle VII Shillong in February 2012 revealed that 400 bookmakers' licenses were cancelled by the ST in March 2009 due to non-payment of renewal fees. A scrutiny of 102 cases (out of the 400) by Audit revealed that the renewal fees payable in these cases totaled ₹ 66.20 lakh for periods ranging from one to 25 years.

Under Rule 45 of the Meghalaya Amusement and Betting Tax (Amendment) Rules, 1982 the renewal fee for a bookmaker's license is ₹ 3400 per annum which the licensee has to pay before the license is issued to him. As per Rule 39 (7), application for renewal of the licence shall be submitted within 30 days before the date of expiry of the period of its validity. Under Section 21 (2) of the Meghalaya Amusement and Betting Tax (Amendment) Act, 1982 all monies which a licensed bookmaker fails to pay shall be recoverable as arrears of land revenue.

Apart from the possibility that the delay on the part of the ST to cancel the licenses promptly may have allowed the bookmakers to carry on business for years together without payment of renewal fees, the action of the ST to cancel the licenses without initiating action to recover the dues as arrears of land revenue resulted in a revenue loss of ₹ 66.20 lakh in 102 cases alone – the figure would be much higher if worked out for all the 400 licenses cancelled.

The case was reported to the Department in April 2012; reply was awaited (March 2013).