

**Report of the  
Comptroller and Auditor General of India  
(Revenue Sector)**

**For the year ended 31 March 2019**



**लोकहितार्थ सत्यनिष्ठा**  
Dedicated to Truth in Public Interest

**GOVERNMENT OF MEGHALAYA  
(REPORT NO. 3 OF 2020)**



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## PREFACE

*This Report of the Comptroller and Auditor General of India for the year ended 31 March 2019 has been prepared for submission to the Governor of Meghalaya under Article 151 of the Constitution of India.*

*This Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.*

*The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2018-19 as well as those which came to notice in earlier years, but could not be included in the previous Audit Reports. Instances relating to the period subsequent to 2018-19 have also been included, wherever necessary.*

*The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*





# OVERVIEW



## OVERVIEW

The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2019 (Government of Meghalaya) is brought out in six chapters. The Report contains a Performance Audit on “*Roll out of GST in Meghalaya*” and 14 Audit Paragraphs relating to Taxation, State Excise, Transport, Forest & Environment and Stamps & Registration departments involving ₹200.35 crore. The major findings are mentioned below:

### *Chapter-I: General*

- During the year 2018-19, the revenues raised by the State Government (₹2220.94 crore) was 22.85 *per cent* of the total revenue receipts (₹9718.62 crore). The balance 77.15 *per cent* of receipts during 2018-19 comprised of State’s share of net proceeds of divisible taxes and duties amounting to ₹4889.07 crore and grants-in-aid from Government of India amounting to ₹2608.61 crore.

(Paragraph 1.1)

- Test check of the records of taxes on sale, trade *etc.*, state excise, motor vehicles tax, forest receipts and other non-tax receipts conducted during the year 2018-19 revealed under assessments/short/non-levy/loss of revenue amounting to ₹758.34 crore in 347 cases. During the year, the departments accepted under assessments/short/non-levy/loss of revenue of ₹213.25 crore in 133 cases pointed out in 2018-19, and recovered ₹9.65 crore.

(Paragraph 1.9)

### *Chapter-II: Taxation Department*

#### *Performance Audit on Roll out of Goods and Services Tax (GST) in Meghalaya*

A review of the Roll out of GST in the State of Meghalaya (Model 1 State) has revealed the following deficiencies.

- The State’s Taxation Department did not make concerted efforts to create awareness of the new tax legislation amongst all-important Stakeholders such as the dealers and other Government Departments. The training imparted to its own Manpower was inadequate for them to utilise the automated system created by the NIC, to carry out their statutory responsibilities under the new tax regime. This resulted in lesser registration of dealers in comparison to the VAT regime, non-filing of returns by dealers and non-deduction of GST by DDOs mandated as per the provisions.
- The GST application system developed by NIC Meghalaya which was the backbone for successful implementation of the new law, suffered from lack of planning in the design and roll out of the back end application system. The Taxation Department did not have any formal MOU with the NIC, Meghalaya

for timely completion of backend modules for the GST System. Of the 11 modules to be developed, the NIC reported partial completion of only four modules, namely, Registration, Payment, Returns and Refunds, but even in these the functionalities were incomplete.

- The GST application system was not user friendly to assist the taxation officials in ‘getting access to the tax payer’s data’ with ease for carrying out the necessary functions of issuing notices etc. The database was not being updated in real time and the time lag made it unfriendly to the dealers as well as to the Department. No MIS returns could be generated by the system to show dealers who have filed their returns and those who were defaulters.
- Dealers whose turnover had crossed the limits for availing benefits of the Composition Scheme (turnover of ₹50 lakh) were neither thrown up by the computer application system nor did the Department take any steps to deny the Scheme benefits to them.
- The Department rolled out the GST with outdated/ obsolete hardware equipment and except for Shillong the internet connectivity to the tax administrators remained poor for implementing the GST, for which efficient net connectivity with modern computers/servers and other equipment is a must.
- The State had only 17692 dealers under GST as on 31 March 2019, which was only 34 *per cent* of the registered dealers under VAT regime migrated to GST, In absence of any exercise carried out by the Department to analyse this gap in the tax base under the MGST and its impact on the State’s revenue, we cannot give an assurance that all potential taxpayers were correctly registered under the new taxation system.
- Transitional credit claims could not be verified in absence of provisions for validation of data of TRAN1 and TRAN2, through automated verification of credit in the backend system. As a result, audit found 19 cases of irregular allowance of transitional credits of ₹72.62 lakh, which need to be rectified.
- The input tax credit claimed by dealers in their tax return (GSTR3B) did not match with the input tax credit available under GSTR 2A. The Department failed to check such excess claims of ₹113 crore of input tax credits availed by 56 dealers.
- Absence of cross checks by the taxation officials to ensure proper filing of tax returns by tax deductors at source and tax compliance by deductees/contractors provided scope to contractors to evade payment of GST by filing ‘Nil Returns’.
- In absence of effective enforcement activities in the Taxation Department and no mechanism for sharing of information across Departments, audit noticed

several cases of tax evasion due to misreporting by the traders bringing goods to the State.

- In view of the deficiencies pointed out by the Audit in implementation of the GST roll out, the Government needs to increase its efforts for a comprehensive implementation plan for the GST. It also need to take remedial action on non-filing of returns by dealers under the GST and on incorrect claims/ 'Nil' returns filed by dealers for the period reviewed, until an efficient and user friendly computerised system is put in place.

**(Paragraph 2.3)**

## **Compliance Audit Paragraphs**

- In 11 cases Audit noticed noncompliance to the provisions of the Act which resulted in non/ short realisation of VAT amounting to ₹4.90 crore.

**(Paragraph 2.4)**

- Interest amounting to ₹1.82 crore was not levied for late payment of tax by a dealer.

**(Paragraph 2.5)**

- Application of incorrect rate of tax on works contract, excess claim towards labour charge and concealed turnover, by works Contractor resulted in short payment of tax of ₹2.78 crore.

**(Paragraph 2.6)**

### ***Chapter-III: State Excise Department***

- Failure to renew licenses of 93 Indian Made Foreign Liquor (IMFL) retail, bars and canteen licensees resulted in non-recovery of ₹1.84 crore of excise revenue.

**(Paragraph 3.3)**

- The Commissioner of Excise (CoE) failed to realise advance licence fee of ₹2.24 crore from 38 bonded warehouses for the year 2019-20. The Department has recovered the entire amount at the instance of Audit.

**(Paragraph 3.4)**

- Commissioner of Excise (CoE) registered 39 brands of eight distilleries/ companies/ bonded warehouses without realising registration fee amounting to ₹19.90 lakh.

**(Paragraph 3.5)**

- The Department failed to obtain adequate security deposits of ₹43.10 lakh from 75 IMFL and 14 Bar licensees.

**(Paragraph 3.6)**

- Excise authorities failed to execute import permits resulting in non-realisation of excise duty of ₹10.56 lakh from bonded warehouses.

**(Paragraph 3.7)**

### ***Chapter-IV: Transport Department***

- District Transport Officers/ State Transport Authority did not realise permit fee of ₹17.24 lakh from 2400 commercial vehicle owners who failed to renew their lapsed permits.

**(Paragraph 4.3)**

- The STA neither took follow up action nor streamlined the collection system resulting in non-realisation of revenue of ₹39.64 lakh due to lapsed /deficient bank drafts, on countersignature of permits issued by other States.

**(Paragraph 4.4)**

- Despite availability of VAHAN computerised application system, the Department failed to recover road tax of ₹1.24 crore from 3437 commercial vehicles.

**(Paragraph 4.5)**

#### ***Chapter-V: Forest & Environment Department***

- In absence of system of cross checking with custom stations, three Forest check-gates under-reported export of stone/ boulders and limestone exported to Bangladesh, resulting in non-recovery of revenue of ₹1.73 crore.

**(Paragraph 5.3)**

- The State Forest Department failed to realise a fee of ₹11.87 crore at the check-gates while issuing transit passes to 118682 trucks, transporting limestone outside the State.

**(Paragraph 5.4)**

#### ***Chapter-VI: Stamps & Registration Department***

- District/ Sub-Registrars incorrectly calculated stamp duty in respect of mining leases resulting in short realisation of stamp duty amounting to ₹38.87 lakh and registration fee of ₹0.29 lakh.

**(Paragraph 6.3)**





# **CHAPTER – I**

## **GENERAL**





## CHAPTER-I: GENERAL

### 1.1 Trend of Revenue Receipts

Revenue Receipts of the State comprise the following:-

- Tax and non-tax revenues raised by Government of Meghalaya,
- State's share of net proceeds of divisible Union taxes and duties assigned to the State, and
- Grants-in-aid received from Government of India.

Details of revenue receipts of Meghalaya during 2018-19 *vis-à-vis* the corresponding figures for the preceding four years are depicted in *Table 1.1*.

*Table 1.1 Trend of Revenue Receipts*

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	<b>Revenues raised by the State Government</b>					
	Tax revenue	939.21	1056.82	1186.01	1450.10	1793.24
	Non-tax revenue	343.29	228.60	685.24	366.63	427.70
	<b>Total</b>	<b>1282.50</b>	<b>1285.42</b>	<b>1871.25</b>	<b>1816.73</b>	<b>2220.94</b>
2.	<b>Receipts from the Government of India</b>					
	Share of net proceeds of divisible Union taxes and duties	1381.69	3276.46	3911.05	4323.14	4889.07
	Grants-in-aid	3764.08	2481.25	3156.65	3133.61	2608.61
	<b>Total</b>	<b>5145.77</b>	<b>5757.71</b>	<b>7067.70</b>	<b>7456.75</b>	<b>7497.68</b>
3.	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>6428.27</b>	<b>7043.13</b>	<b>8938.95</b>	<b>9273.48</b>	<b>9718.62</b>
4.	<b>Percentage of 1 to 3</b>	<b>19.95</b>	<b>18.25</b>	<b>20.93</b>	<b>19.59</b>	<b>22.85</b>

Source: Finance Accounts, Government of Meghalaya

The table above indicates that during the year 2018-19, the revenue raised by the State Government (₹2220.94 crore) was 22.85 *per cent* of the Total Revenue Receipts as against 19.59 *per cent* in the preceding year. The remaining 77.15 *per cent* of receipts during 2018-19 were received from Government of India.

Revenue Receipts during the year increased by ₹445.14 crore (4.80 *per cent*) over the previous year. The increase was mainly on account of increase in tax revenue by ₹343.14 crore (23.66 *per cent*). The increase was offset by decrease of ₹525 crore under Grants-in-aid.

Table 1.2 presents the actual tax receipts of the State during the five-year period 2014-19 along with their composition.

**Table 1.2 Details of Tax Revenue**

(₹ in crore)

Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19		Percentage of	
					BEs	Actuals	BEs 2018-19	Increased(+)/ decreased (-) over 2017-18
Taxes on sales, trade etc.	726.20	811.79	931.06	766.63	1339.73	627.50	107.00	(+)25.45
Goods & Services Tax	--	--	--	376.00	0	805.96		
State Excise	151.14	170.04	168.98	199.30	263.50	226.21	85.85	(+)13.50
Motor Vehicles Tax	39.38	42.01	48.22	67.01	69.94	86.95	124.32	(+)29.75
Stamp duty	9.90	12.74	17.19	20.25	19.39	26.19	135.07	(+)29.33
Land revenue	0.08	3.18	1.27	2.08	1.54	2.73	177.27	(+)31.25
Taxes and duties on electricity	0.81	3.32	2.34	1.82	2.48	2.56	103.22	(+)40.66
Others	11.71	13.74	16.95	17.01	13.45 <sup>1</sup>	15.14	112.57	(-)10.99
<b>TOTAL</b>	<b>939.22</b>	<b>1056.82</b>	<b>1186.01</b>	<b>1450.10</b>	<b>1710.03</b>	<b>1793.24</b>	<b>104.86</b>	<b>(+)23.66</b>

Source: Finance Accounts and Budget, Government of Meghalaya

It appears from the above table that during 2018-19 the actual realization was 104.86 per cent of the Budget Estimates (BE). The percentage of realization under different heads ranged between 85.85 per cent to 177.27 per cent of the BEs which indicate that the budget was not prepared based on realistic estimates. It was further observed that revenue on account of Goods and Services Taxes (GST) was not estimated in the Budget although the details of minimum assured revenue from GST, based on the formula devised by the GoI, were available with the State Government. As per the formula, minimum assured revenue for the year 2018-19 was ₹942.52 crore (base year revenue ₹636.17 crore).

Tax Revenue increased by ₹343 crore (23.66 per cent) in 2018-19 as compared to the previous year. The increase was mainly contributed by the following- 'State GST' (SGST) by ₹429.96 crore (114.35 per cent); Motor Vehicles Tax by ₹19.94 crore (29.76 per cent); and State Excise by ₹26.91 crore (13.50 per cent).

The increase was primarily due to an increase in input tax credit cross utilisation of SGST and Integrated GST (IGST), advance apportionment from IGST, etc., under SGST, increase in collection of revenue on account of duty under Foreign Liquor and spirits and an increase in collection of revenue under Indian Motor Vehicles Act and State Motor Vehicles Taxation Act. However, the reasons for increase/ decrease of revenue collection under the remaining heads of tax revenue had not been intimated by the departments concerned (September 2020).

Details of actual non-tax revenue realised by the State Government during the period 2014-15 to 2018-19 are indicated in Table 1.3.

<sup>1</sup> Budget Estimates under Heads of Expenditure - 0028 and 0045.

Table 1.3 Non-Tax Revenue

(*₹ in crore*)

Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19		Percentage of	
	Actuals				BEs	Actuals	BEs (2018-19)	Increased(+)/ decreased (-) over 2017-18
Mining receipts	195.10	60.75	469.52	207.88	291.39	147.56	50.62	(-)29.01
Interest receipts	37.73	39.33	46.25	52.50	47.60	58.26	122.39	(+)10.97
Forestry and wildlife	71.99	72.08	103.99	55.61	114.39	78.31	68.46	(+)40.82
Public works	6.28	8.40	10.21	17.01	11.60	17.65	152.16	(+)3.70
Miscellaneous General services	0.02	0.12	1.06	0.94	15.61	0.86	5.51	(-)8.51
Other administrative services	6.13	3.49	3.11	3.76	7.18	17.64	245.68	(+)369
Police	3.85	16.28	25.21	4.51	7.88	16.27	206.47	(+)260.75
Medical and public health	2.72	1.55	1.58	2.04	2.16	1.85	85.65	(-)9.31
Co-operation	0.05	0.04	0.05	0.04	2.20	13.51	514.10	(+)33675
Other receipts	19.42	26.60	24.26	22.34	38.09 <sup>2</sup>	75.79	188.98	(+)239.25
<b>TOTAL</b>	<b>343.29</b>	<b>228.64</b>	<b>685.24</b>	<b>366.63</b>	<b>538.10</b>	<b>427.70</b>	<b>79.48</b>	<b>(+)16.65</b>

Source: Finance Accounts and Budget, Government of Meghalaya

It appears from the above table that during 2018-19 the actual revenue realization was 79.48 per cent of the Budget Estimates. The percentage of revenue realized under different heads, ranged between 5.51 per cent to 514.10 per cent of the BE which indicate that the budget was not prepared based on realistic estimates. During the five-year period 2014-19, except during 2016-17, actual receipts on account of non-tax revenue resources have not matched the budgetary estimates in any year.

The State Government needs to review its revenue estimation and collection mechanism and put in place adequate measures to enable it to prepare a more realistic budget and strengthen its revenue collection apparatus.

While the actual Non-tax revenue did not match the BEs during 2018-19, it increased by ₹61.07 crore (16.65 per cent) during the year, over the previous year. The increase was mainly under Forestry and Wildlife by ₹22.70 crore (40.82 per cent) and Co-operation by ₹13.47 crore (33675 per cent).

The increase in receipts under Forestry and Wildlife were due to increased sale of timber and other forest produce. However, reasons for increase/decrease of revenue collection under Mining and other heads of accounts were not intimated by the departments concerned (September 2020).

### 1.2 Analysis of Arrears of Revenue

The arrears of revenue as on 31 March 2019 under some principal heads of revenue were ₹103.64 crore, of which, arrears amounting to ₹50.47 crore were outstanding for more than five years as detailed in Table 1.4.

<sup>2</sup> Total Budget Estimates = ₹538.10 crore - ₹500.01 crore (of sl. No. 1 to 9)

**Table 1.4 Details of arrears of revenue collection**

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2019		Department's reply
		Total	For more than 5 years	
1.	0040-Taxes on Sale, Trade etc.	75.71	31.72	Reply was not furnished by the Department
2.	0039- State Excise	0.31	0.31	Accumulation of arrears was due to non-payment of revenue share by the outstill <sup>3</sup> licences.
3.	0406-Forestry and Wildlife	27.62	22.00	The arrear accumulation was mainly due to short payment of royalty by line departments, cement companies etc. However, an amount of ₹3.05 crore from the arrear revenue had been realised upto August 2019.
<b>Total</b>		<b>103.64</b>	<b>54.03</b>	

Source: Information collected from the Departments

It would be seen from the above Table that recovery of ₹103.64 crore was pending against three principal heads of revenue, which was 4.67 per cent of the State's own revenue collection for 2018-19. Revenue amounting to ₹54.03 crore (52.13 per cent of the total revenue arrears) was pending for recovery for more than five years. It indicates that the chances of recovery are remote and also points to systemic weakness in the revenue recovery mechanism of the State Government. Other departments<sup>4</sup> did not intimate the arrears of revenue despite repeated requests (February 2020).

### 1.3 Arrears of VAT assessment

The periodical tax returns filed by the dealers under Meghalaya Value Added Tax Act, 2003, are subject to assessment by the Taxation Authorities to verify and ascertain their correctness and completeness. Taxation Authorities may take recourse to best judgement assessment in case returns are not furnished by a registered dealer within the prescribed time limit.

The details of cases of Taxes on Sales, Trades etc., pending for assessment at the beginning of the year, cases becoming due for assessment and cases disposed of during the year, and cases pending for finalisation at the end of the year are shown below in Table 1.5.

**Table 1.5 Arrears in assessments**

Head of Account	Opening balance as on 1 April 2018	New cases due for assessment during 2018-19	Total assessments due	Cases disposed of during 2018-19	Balance at the end of the year	Percentage of disposal (Col. 5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
0040- Taxes on sales, trade etc.	46456	215643	262099	161108	100991	61.47

Source: Information furnished by Taxation Department

<sup>3</sup> Outstills are vends for distillation and sale of country liquor.

<sup>4</sup> Transport, Mining & Geology, Stamps & Registration and Land Revenue Departments.

It appears from the table that at the end of the year, the pending cases for assessment increased by 54535 (117 *per cent*) over the balance at the beginning of the year. There were 100991 cases pending for assessments at the end of the year. The State Government should put in place a mechanism to expedite the disposal of cases pending for assessment.

#### 1.4 Evasion of Tax Detected by Department

The details of cases of evasion of tax detected by Taxation Department, cases finalised and demands for additional tax raised as reported by the Department during 2018-19 are given in *Table 1.6*.

*Table 1.6 Evasion of tax*

Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	Number of cases in which assessment/investigation were completed and additional demand with penalty <i>etc.</i> raised		Number of cases pending for finalisation as on 31 March 2019
				Cases	Demand raised (₹ in crore)	
0040	374	13390	13764	11563	3.57	2201

(Source: Information furnished by the Department)

During 2018-19, the Department detected 13390 case of evasion of tax and disposed of 11563 cases and demand notice of ₹3.57 crore was raised. At the end of the year, there were 2201 cases pending disposal.

The Department may take initiative to dispose all the pending cases in time-bound manner.

#### 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and the cases pending at the end of the year 2017-18, as reported by the Taxation Department are given in *Table 1.7*.

*Table 1.7 Details of pendency of refund cases*

Sl. No.	Particulars	Sales Tax/VAT	
		No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	07	3.43
2.	Claims received during the year	19	13.40
3.	Refunds made during the year	0	0
4.	Balance outstanding at the end of the year	26	16.83

It appears from the above table that outstanding cases at the beginning of the year were still pending at the end of the year. The Meghalaya Value Added Tax Act provides for the payment of interest at the rate of eight *per cent* per annum, if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund.

**Recommendation:** *The Department needs to put in place a mechanism to monitor pendency of refund cases to ensure that there is no delay in refund dues.*

### **1.6 Response of the Government/departments towards audit**

The succeeding paragraphs 1.6.1 to 1.6.4 discuss the response of the Departments/Government to audit.

#### **1.6.1 Position of outstanding Inspection Reports**

The Accountant General (AG) (Audit), Meghalaya conducts periodical inspection of Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules of procedure. These inspections are followed up by Inspection Reports (IRs) incorporating irregularities detected during such inspections that could not be settled during audit for want of credible replies/responses by the audited entities. The IRs are issued to the heads of offices with copies forwarded to the next higher level for taking prompt corrective action. The heads of the offices/Government Departments are required to promptly respond to the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the AG (Audit), within one month from the date of issue of the IRs. Irregularities of a serious nature are separately reported to the heads of the departments and the Government for eventual inclusion in the Report of the Comptroller and Auditor General (CAG) of India, if audit is not satisfied by the responses of the Department to such observations.

Review of IRs issued up to March 2019 disclosed that 1577 paragraphs involving a money value of ₹1941.06 crore relating to 389 IRs remained outstanding at the end of June 2019 as mentioned in Table 1.8 for want of replies or unacceptable replies by various government offices/departments.

**Table 1.8 Position of Outstanding IRs and Paragraphs**

Year/Details	June 2016	June 2017	June 2018	June 2019
Number of outstanding IRs	264	308	346	389
Number of outstanding audit observations	1058	1403	1417	1577
Amount involved (₹ in crore)	1125	1775	1573.69	1941.06

Department-wise details of IRs, audit observations pending settlement as on 30 June 2019 and the amounts involved are mentioned in Table 1.9.

**Table 1.9 Department wise position of outstanding IRs and paragraphs**

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding		Money value involved (₹ in crore)
			IRs	Audit observations	
1.	Excise, Registration, Taxation & Stamps	(a) Taxes on sales, trade, etc.	137	755	1170.15
		(b) State Excise	67	278	104.25
		(c) Stamps & Registration	28	56	10.80
		(d) State Lotteries	01	01	34.80
2.	Transport	Taxes on motor vehicles	85	134	87.54
3.	Mines and Minerals	Mining receipts	21	75	142.13
4.	Environment and Forests	Forestry and Wild life	50	278	391.39
<b>Total</b>			<b>389</b>	<b>1577</b>	<b>1941.06</b>



In respect of 17 IRs out of 51 IRs issued during 2018-19, even the first reply required to be received from the heads of offices within one month from the date of issue of the IRs, was not received (December 2019). Pendency of IRs due to non-receipt of the replies may be because the Heads of Office and Heads of the Department have not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

**Recommendation: The Department should take action to clear all outstanding IRs/Paragraphs by furnishing replies within the prescribed time frame.**

### **1.6.2 Summarised position of Inspection Reports**

The summarised position of IRs issued during the year 2018-19 including those of the previous four years and their status as on 01 April 2019 is given in *Table 1.10*.

**Table 1.10 Position of IRs**

(₹ in crore)

Year	Opening balance			Addition			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2014-15	214	775	1686.56	52	331	625.26	01	126	1274.67	265	980	1037.15
2015-16	265	980	1037.15	37	249	635.57	30	160	542.45	272	1069	1130.27
2016-17	272	1069	1130.27	49	397	877.87	04	49	203.64	317	1417	1804.50
2017-18	317	1417	1804.50	40	252	925.62	0	112	554.57	357	1557	2175.55
2018-19	357	1557	2175.55	51	380	1040.88	6	195	664.54	402	1742	2551.89

It would be seen from the above table that number of outstanding IRs and audit observations have increased in 2018-19 over 2017-18, which shows that the departments have not made progress in settlement of the audit observations. As such, the departments need to take suitable action to settle the audit observations.

### **1.6.3 Response of the Departments to Draft Audit Paragraphs**

Draft paragraphs are forwarded to the Secretaries of the Departments concerned through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments is invariably indicated at the end of each such paragraph included in the Audit Report of the CAG of India.

Fourteen audit paragraphs and a Performance Audit on “*Roll out of GST in Meghalaya*” proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Sector) for the year ended 31 March 2019, Government of Meghalaya, were forwarded to the Secretaries of the departments concerned between October 2019 and January 2020. The departments furnished the replies in respect of all fourteen draft paragraphs and Performance Audit and the same were incorporated in the Report.

#### **1.6.4 Follow up on Audit Reports**

The internal working system of the Public Accounts Committee (PAC), notified in December 2012, laid down that after the presentation of the Report of the CAG of India in the Legislative Assembly, the Departments should initiate action on the audit paragraphs. The Government should submit the Action Taken Notes (ATN) and Explanatory Notes (EN) on audit paragraphs within three months of tabling of the Report, for consideration of the Committee. In spite of these provisions, the ENs on audit paragraphs of the Reports are not received as per the prescribed time schedule. A total of 372 audit paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India (Revenue Sector), relating to Government of Meghalaya for the years ended 31 March 2009 to 2018, were placed before the State Legislature between May 2010 and September 2019. The *suo-motu* explanatory notes from the Departments concerned are awaited in respect of 159 paragraphs, which constitute 43 *per cent* of the total audit observations (January 2020).

The PAC discussed 52 selected paragraphs<sup>5</sup> between April 2011 and January 2020 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37<sup>th</sup> and 39<sup>th</sup> Reports) for the years 2008-09 and 2009-10. However, ATNs have not been received from the Departments concerned (January 2020) in respect of 14 recommendations made by the PAC as mentioned in *Table 1.11*.

**Table 1.11 Outstanding ATNs**

<b>Year</b>	<b>Name of the Department</b>	<b>Number of ATNs awaited</b>
2008-09	Sales Tax	11
2009-10	Sales Tax	02
2009-10	Stamps and Registration	01
<b>Total</b>		<b>14</b>

#### **1.7 Analysis of the Mechanism for Dealing with the Issues raised by Audit**

In order to analyse the effectiveness of the departments/Government in addressing the issues highlighted in the IRs/Audit Reports, the action taken on the paragraphs and performance audits featured in the Audit Reports of the last five years by the Excise Department has been evaluated. The results are included in this Audit Report.

##### **1.7.1 Position of Inspection Reports**

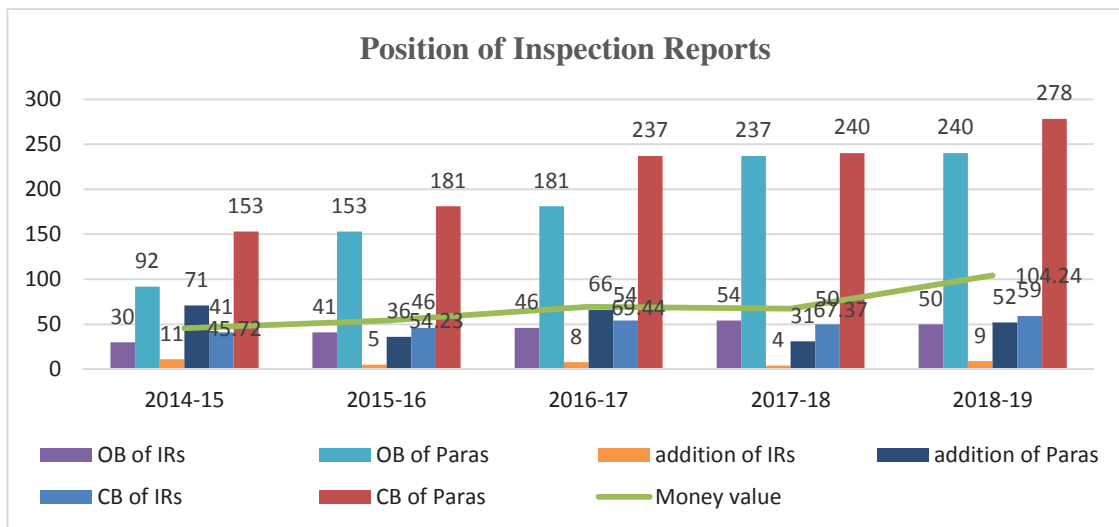
The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Excise Department as on September 2019 are shown in *Table 1.12*.

<sup>5</sup> Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14, 2016-17 and 2017-18.

Table 1.12 Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2014-15	30	92	20.24	11	71	29.36	0	10	3.88	41	153	45.72
2015-16	41	153	45.72	05	36	10.29	0	08	1.78	46	181	54.23
2016-17	46	181	54.23	08	66	16.80	0	10	1.59	54	237	69.44
2017-18	54	237	69.44	04	31	10.78	8	28	12.85	50	240	67.37
2018-19	50	240	67.37	09	52	41.42	0	14	4.55	59	278	104.24



The clearance of IRs/Paras was insignificant which indicated that the Departments concerned had not taken necessary action for their disposal.

### 1.7.2 Recovery in respect of Accepted Cases

The position of paragraphs pertaining to the Excise Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered during 2018-19 are mentioned in Table 1.13.

Table 1.13 Status of Recovery in respect of Accepted Cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year (2018-19)
2013-14	03	0.57	--	--	--
2014-15	06	4.58	--	--	--
2015-16	06	2.93	--	--	--
2016-17	05	2.74	--	--	0.59
2017-18	02	5.72	--	--	--
<b>Total</b>	<b>22</b>	<b>16.54</b>	<b>--</b>	<b>--</b>	<b>0.59</b>

### 1.8 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and

other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* includes critical issues in Government revenues and tax administration *i.e.* budget speech, white paper on State Finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, *etc.*

During the year 2018-19, out of 139 auditable units, 60 units (43 *per cent*) were audited.

### **1.9 Results of Audit – Position of local audits conducted during the year 2018-19**

Test check of records of taxes on sale, trade *etc.*, state excise, motor vehicles tax, forest receipts and other non-tax receipts conducted during the year 2018-19 revealed under-assessments/short/non-levy/loss of revenue amounting to ₹758.34 crore (which is 34 *per cent* of State's own tax revenue for 2018-19) in 347 cases. During the year, the departments accepted under-assessments/short/non-levy/loss of revenue amounting to ₹213.25 crore in 133 cases pointed out in 2018-19 and recovered ₹9.65 crore.

### **1.10 Internal Control**

Audit noticed that the revenue earning departments had weak internal controls to detect under-assessment, short payment, evasion of taxes, fees, royalties and other irregularities. There was no system in place to actively exchange information and co-ordinate amongst the departments for cross verification of records to detect illegal transportation of minerals, evasion of VAT, royalties, excise duties, *etc.*

### **1.11 This Report**

This Report contains a Performance Audit and 14 selected paragraphs from test audit done by the Accountant General (Audit), Meghalaya during the year 2018-19. Paragraphs from earlier years, which could not be included in the previous Audit Reports, have also been included. The Performance Audit on **“Roll out of GST in Meghalaya”** and the audit observations on other State Taxes/Revenues have a revenue implication of ₹200.35 crore. These audit paragraphs are discussed in the succeeding Chapters.

An amount of ₹3.38 crore was recovered by three departments<sup>6</sup> at the instance of Audit against the audit paragraphs.

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<sup>6</sup> State Excise Department, Stamps & Registration Department and Taxation Department.

**CHAPTER – II**  
**TAXATION**  
**DEPARTMENT**





## CHAPTER-II: TAXATION DEPARTMENT

### 2.1 Tax Administration

The Taxation Department is responsible for the administration of taxes on sales, trade, etc. in the State. The collection of tax is governed by the provisions of the Meghalaya Value Added Tax (MVAT) Act, 2003; the MVAT Rules, 2005; the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Sales of Petroleum and Petroleum Products (including Motor Spirit) and Lubricants Taxation (MSL) Act, etc. With the introduction of Goods & Services Tax (GST) on 01 July 2017, CST Act and MVAT Act have been repealed.

The Principal Secretary/ Commissioner and Secretary to the Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department holds the overall charge of the Taxation Department at the Government level. The Commissioner of Taxes (CoT) is the Head of the Department and is responsible for administration of all taxation measures, for general control and supervision over the zonal offices, unit offices and over the staff engaged in collection of taxes, and also to guard against evasion of taxes. He is also the authority for disposing off revision petitions under all taxation acts and laws besides providing clarifications under the MVAT Act, 2003. He is assisted by Joint Commissioner of Taxes (JCT), Assistant Commissioners of Taxes (ACTs), Superintendents of Taxes (SsT), Inspectors of Taxes both at the Headquarters and zonal/unit levels. At the district level, 17 Superintendents of Taxes (SsT) have been entrusted with the work of registration, scrutiny of returns, collection of taxes, levy of interest and penalty, issue of road permits/declaration forms, enforcement and supervision.

### 2.2 Results of Audit

Test check of records of 20 units (out of 23 units relating to VAT) during 2018-19 revealed under-assessment of tax and other irregularities in 178 cases involving ₹315.87 crore, which fall under the following categories:

*Table 2.1*

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Loss of revenue	03	10.38
2.	Evasion of tax	39	40.10
3.	Concealment	21	14.27
4.	Other irregularities	115	251.12
<b>Total</b>		<b>178</b>	<b>315.87</b>

During the year 2018-19, the Department accepted under assessment and other deficiencies to the tune of ₹85.66 crore in 39 cases. They did not furnish replies in 25 cases, did not accept the audit observations in 18 cases, and in 96 cases, the Department stated that the cases are under examination. Recovery at the instance of audit was ₹6.05 crore in 14 cases during the year.

A Performance Audit on “Roll out of Goods and Services Tax in Meghalaya” and select cases bearing financial impact of ₹183.80 crore, in terms of under assessment/short levy/non-levy of tax and other provisions of the Acts are discussed in paragraphs 2.3 to 2.6.

## **2.3 Performance Audit on “Roll out of Goods and Services Tax in Meghalaya”**

### **2.3.1 Introduction**

The implementation of the Goods and Services Tax (GST) with effect from 1<sup>st</sup> July 2017, through a Constitutional Amendment Act in 2016, was a milestone in the history of tax reforms in India. The new form of tax subsumed several indirect and direct taxes and duties levied by the Centre and States, such as Central Excise, Service Tax, Value Added Tax (VAT), *etc.* into a unified tax, thereby reducing the incidence of multiple taxes.

GST is a tax on supply of goods or services or both and a single tax on the entire value chain of supply, right from the manufacturer to the consumer. Credit of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes the GST essentially a tax only on value addition at each stage. The final consumer will bear only the GST charged by the last dealer in the supply chain with set-off benefits of taxes paid at previous stages. Further, GST is a consumption based tax *i.e.* tax accrues to the State where goods and/or services are finally consumed.

Government of India approved setting up of the Goods and Services Tax Network (GSTN) for providing shared IT infrastructure and services for implementation of GST regime in the country. GSTN is responsible for maintaining the Common Portal for GST, which provides front-end services to all GST taxpayers. For 22 States and five Union Territories, GSTN has developed a common software based on processes defined and agreed by the States, however, the databases for the States are separately maintained. The nine States that have developed application systems on their own were called Model-1 and the remaining 27 States/ Union Territories who adopted the GSTN developed software are Model-2 States.

Government of Meghalaya had initially adopted Model 1<sup>7</sup> for GST implementation *i.e.* State will develop its own backend modules of assessment, audit, enforcement, refund, *etc.*, through an IT service provider, NIC Meghalaya. The VAT collection of the State of Meghalaya for the year 2017-18 was ₹766.63 crore, out of which, VAT collection upto June 2017 was ₹522.74 crore. The State Goods & Service Tax

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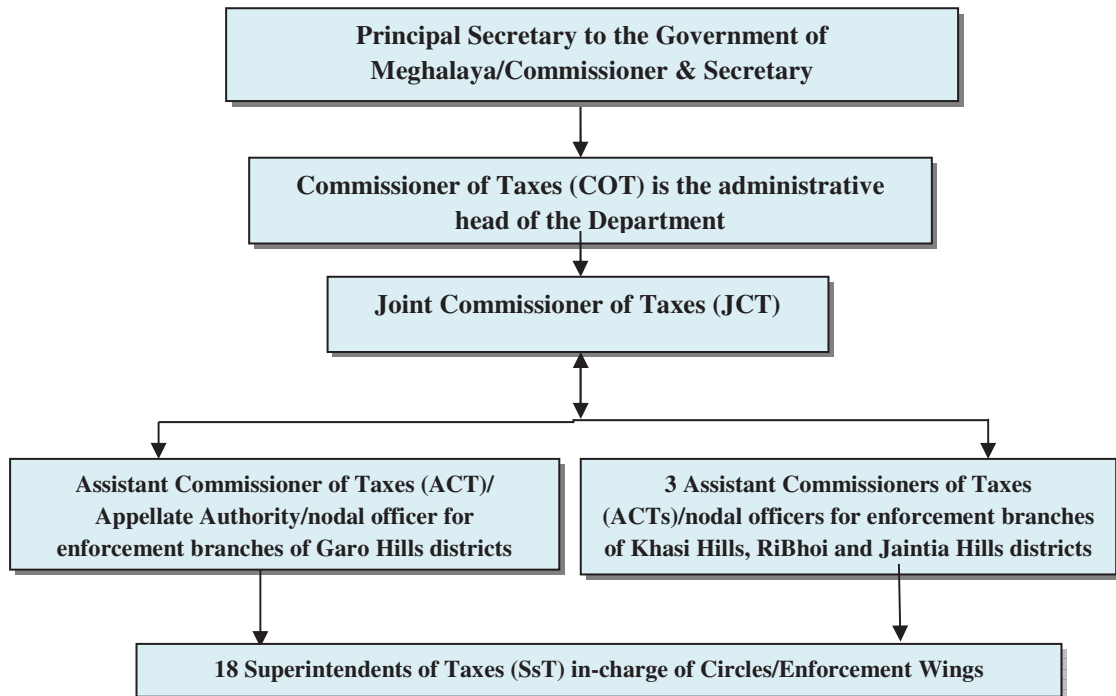
<sup>7</sup> States which develop their own backend application system are Model 1 and those states which utilise the backend application developed by GSTN fall in Model 2 category.



collection for the State during the period of review from 1 July 2017 to 31 March 2019 was ₹1181.96 crore.

### 2.3.2 Organisational set-up

The Principal Secretary to the Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department is the administrative head of the Taxation Department at the level of Government. The Commissioner of Taxes (CoT) is the administrative head of the Department and is assisted by a Joint Commissioner of Taxes (JCT) and four Assistant Commissioners of Taxes (ACTs). One ACT functions as the Appellate Authority. The four ACTs also function as nodal officers for the enforcement branches created in different districts of the State. At the district level, 18 Superintendents of Taxes (STs) have been entrusted with the work of registration, scrutiny of returns, collection of taxes, levy of interest and penalty, enforcement activities, *etc.*, utilising the back-end system developed by NIC, Meghalaya. Organisational set-up of the Taxation Department is as follows:



### 2.3.3 Audit Objectives

The audit of the roll out of GST in Meghalaya was conducted in the Taxation Department, to ascertain whether the Department was adequately prepared in terms of capacity building and infrastructure facilities, particularly the IT framework, to ensure smooth implementation and administration of GST in the State.

The Audit objectives were to ascertain whether:

- Capacity building measures undertaken by the State Government were adequate to equip and empower all stake holders and its employees associated with the implementation for roll out of GST.

- The IT application for the implementation of State Goods and Services Tax was effective and efficient.
- Systems were in place to verify filing of returns, payment of taxes by dealers and ensure correctness of the claims of transitional credit, input tax credit and refund claims of the dealers.
- Internal control mechanism and coordination with other wings/Departments was adequate and functional.

#### **2.3.4 Audit Sample and Methodology**

Performance Audit was conducted between September 2019 to December 2019, covering the period from 1 July 2017 to 31 March 2019.

Audit focused on assessing the preparedness of the State Government for implementation of SGST with focus on examining adequacy and completeness of the SGST modules being developed on the IT platform through NIC Meghalaya. We test checked records of all 18 Taxation circles including three Enforcement wings at the district level along with records of the Commissioner & Secretary, Commissioner of Taxes and NIC. Information from NIC and other Central and State governments were collected and compared with the records furnished by the Taxation Department. Records of other Central/State Governments<sup>8</sup> were also reviewed where deemed necessary.

We had an Entry Conference with the Taxation Department on September 04, 2019 to discuss the audit objectives, criteria and scope of the Audit. The draft report was issued to the Government on 13 January 2020. The Exit Conference was held with the Commissioner and Secretary, ERTS, Meghalaya on 10 February 2020, wherein the views of the Department concerning the audit findings were discussed. The Department's replies have been incorporated in the Audit Report at appropriate places.

#### **2.3.5 Audit Criteria**

The following Acts/Rules were used as sources of Audit Criteria during the Audit:

- (i) Meghalaya GST Act, 2017;
- (ii) Meghalaya GST Rules, 2017;
- (iii) GST (Compensation to State) Act, 2017;
- (iv) State Acts/Rules & CST Act /Rules subsumed under GST;
- (v) Guidelines issued by Central/State Government and GST Council from time to time;

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<sup>8</sup> Joint Commissioner of Taxes, Central GST, Shillong; Directorate of Mineral Resources; State Public Works Divisions, Public Health Engineering Divisions, Block Development Office, Registrar NEHU, Border Area Development Office.

### **2.3.6 Audit findings**

***Audit objective 1: Whether the capacity building measures undertaken by the State Government to equip and empower its employees and all stake holders associated with the implementation of GST were adequate***

#### **2.3.6.1 Training of Stakeholders- Taxation officials, dealers and Government departments**

The roll out of GST in the State was based on the implementation of the GST back end application. This was a major shift from the erstwhile VAT regime of the State where the registration, filing of returns and assessments were mostly based on manual processes. The GST law was significantly different from the State VAT legislation. Thus, it was expected that the State Government should have a robust capacity development plan in place prior to roll out of the GST which included training of its officials in the new legislation and the GST application, as well as comprehensive dissemination of the law and its application amongst the stakeholders and citizens at large.

Audit observed that the Department had planned for theoretical and hands on programmes to be conducted by the Department. Master trainers were also required to render services for in-house training programmes.

Audit noted that no mandatory training programmes for GST were planned and given to inspectors (ITs) and assessing officers/Superintendent of Taxes (STs) of the Taxation Department. Further, as on 30 November 2019, the Taxation Department had imparted trainings on 12 different topics<sup>9</sup> to officials of the rank of inspectors and above. It was observed that only one out of 13 officers at the Superintendent (ST) level and three out of 54 officials at the Inspector (IT) level in the Taxation Department had attended the trainings on the topics cited above. Further, these training programmes were only theoretical in nature and carried no hands on training on the utility of the GST application.

With regard to other stake-holders such as dealers and DDOs from other government departments, Audit observed that no campaigns or awareness programmes had been conducted by the Department for dealers. With respect to trainings imparted to various State Government departments, till January 2019, they had imparted 33 trainings to Government departments, however, the Department could not extend trainings to all districts of the State. In response to an audit query raised to 44 DDOs, they informed us that the trainings received were not fruitful and adequate to meet their clarifications on tax deduction and return filings procedures. They were facing difficulty in submission of GSTR 7 and GSTR 7A in time and were resorting to outsourcing to meet the GST timeline.

<sup>9</sup> Training on GST; GST training level III; Training on GSTN Portal; Demonstration of e-way bill; Training on e-way bill; Training on GST by NACIN; Training on anti-profiteering under GST; GST Workshop on Return filing, Payment and ITC; Training on financial intelligence; Audit assessment; Refunds and TDS; Annual Return and New Return Prototype.

The Department in their reply (February 2020) stated that NIC Meghalaya, the IT solution provider, did conduct demonstration for officers regarding the work flow of every module developed by it and officers have also been sharing their experiences and suggestions for improvement from time to time.

Thus, the Department's preparatory work in terms of training of its own officials and raising awareness of the stakeholders was grossly inadequate, for roll out of the GST. This is further borne out from observations contained in this report regarding deficiencies in the IT infrastructure, deficiencies in the roll out of GST backend application as well as deficiencies noted in the registration and return filing processes.

***Audit objective 2: Whether the IT application for the implementation of State Goods and Services Tax was effective and efficient.***

### ***2.3.6.2 Outdated IT Infrastructure***

The Department opted to use their own IT infrastructure on introduction of the GST. The IT infrastructure, being used in NIC Meghalaya, Commissionerate and field offices of the Taxation Department were procured during 2011-12 and installed by 2012-13. The database server and application servers housed at NIC State Centre and used for production and staging<sup>10</sup> were obsolete and there is no Annual Maintenance Contract (AMC) coverage for all hardware. The Department had not planned for and replaced the obsolete servers, which are crucial for data production and staging. For data backup, the GST data was stored on external drives instead of Storage Area Network<sup>11</sup> (SAN), which would have provided storage redundancy and adequate backup of the GST data.

From the data of computers, routers and modems available in these units, it was seen that only 64 *per cent* of the computers, 45 *per cent* of routers and 23 *per cent* of modems allotted<sup>12</sup> were in working condition. While the internet connectivity for the field units in Shillong was satisfactory, there was poor connectivity in the other districts of the State, particularly in Ribhoi, Jaintia Hills, Garo Hills and West Khasi Hills hindering the GST related work being carried out by field units.

In East Jaintia Hills district, it was noticed that the lightning arrester was not functioning properly resulting in frequent damages to the routers, modems and computer peripherals.

The Department, while accepting the audit observations stated (February 2020) that tender had been floated for purchase of servers, storage, desktops and other peripherals for the Department. Further development in this regard has not been intimated to audit (September 2020).

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<sup>10</sup> Data pulled by NIC from GSTN server are processed and validated before being released to the back-end application of the Taxation Department

<sup>11</sup> A computer network which provide access to consolidated block level data storage such as disk arrays and tape libraries to servers so that the devices appear to the operating system as locally attached devices

<sup>12</sup> Based on information furnished by 12 Taxation circles and six Enforcement branches

### 2.3.6.3 Planning and implementation of GST through IT platform

Important stakeholders in the process of smooth implementation of GST are Government of India, State Government and tax payers, duly supported by a robust IT infrastructure. The State Government opted for Model-I category under GST on the grounds that NIC Meghalaya was capable and competent of providing the IT infrastructure and services required for the backend interface. This backend interface consisted of modules, required to enable the Taxation Department to carry out its duties and functions with regards to settlement of IGST payment, generation of business intelligence and analytics and assisting tax officials in performing their statutory functions like approval of registrations, tax payer details, processing of refunds, assessment, audit, appeal, enforcement, *etc.*

It was seen that the Taxation Department did not have any formal Understanding/Agreement with NIC, Meghalaya concerning the development of fully automated backend modules for the Department. They neither indicated any timelines for completion of these backend modules nor did the Department mandate any timelines knowing very well that GST implementation had already been introduced. As the implementation progressed, they did not take any feedback nor requirements of the field units to share with NIC for developing the Functional Modules and their functionalities<sup>13</sup>.

For the complete GST application to be in place, there were eleven modules that were to be developed. These modules were Registration, Payment, Returns, E-way bill, Assessment/Scrutiny of returns, Refunds, Advance Ruling, Dispute Resolution, Appeal, Audit and Investigation. NIC, Meghalaya did not furnish details of completed functionalities in respect of eleven modules. As on 31 March 2019, they reported completion on four modules e.g. Registration (68 *per cent* completed), Payment (60 *per cent* completed), Returns (89 *per cent* completed) and Refunds (77 *per cent* completed). However, beyond the generic rate of completion of four modules, NIC Meghalaya was unable to provide any specific module wise details of the number of functionalities developed, number of functionalities remaining to be completed and consequent impact on the respective modules to become fully functional.

The tax application system was required to serve as an effective monitoring tool to the tax administration by enabling various MIS reports from the field units to the Zonal Units and then to the Commissionerate, on daily basis, on the user dashboard so as to receive and scrutinise the data of registration, tax returns, payments and refunds. All these functionalities were found deficient in the backend modules developed by NIC Meghalaya as the modules, functionalities were not fully developed and automated. Further, the Directorate and field offices could not generate any MIS reports on daily/periodical basis for monitoring compliance of taxpayers and discharging their various functions.

<sup>13</sup> Functionalities are operational tools under modules to carry out various activities enabled in a functionality.

To analyse the functioning of the modules and their effectiveness in strengthening tax compliance with the roll out of GST from 1 July 2017, Audit checked the backend system available with the SsT and examined the performance of the modules and functionalities prepared by NIC. The issues and constraints faced by the SsT at the field offices were also examined and the following deficiencies were found prevalent in the application system developed by NIC Meghalaya: -

- (i) **The functionalities on assessment/scrutiny of returns** were not completed by NIC till date and hence the SsT could not extract the data with ease and issue show cause notices to the dealers through the system within a time schedule. Database updation was not taking place in real time and data uploaded by dealers in the GST portal was transferred to the backend system only after a lag of few days. Cases were noticed where the Department had issued notices to dealers for non-filing of tax returns based on the backend data provided by NIC, though the dealers had in fact submitted their tax returns in time, since the backend system used by the ST was lagging behind in updation.
- (ii) The Departmental officials could not view **detailed ITC claims** and detailed invoices, resulting in very limited information available to the tax authorities for scrutiny. Returns, payments and ITC claimed (IGST/CGST/SGST-discrepancies) **could only be viewed** on the **dashboard** of the Assessing Officer and action could not be taken to raise demand notices to defaulters from the IT system.
- (iii) **E-way bills** generated by dealers of any circle could be viewed but details of cancelled and rejected e-way bills could not be viewed. Monitoring of E-way bills was to be done with the help of the enforcement module, which was yet to be activated and made functional. Thus, sharing of the details of dealers with an enhanced perception of risk of default, by the field units with the enforcement wing was also hindered to that extent.
- (iv) In a single browse, officers could view the **normal e-way bills** for a maximum period of three days at a time, which meant that they needed to browse the pages 10 times for a month, in order to find out the number of e-way bills generated in respect of one dealer, which was time consuming. The e-way bill viewed did not contain details such as the generator of e-way bill and the vehicle registration number, which may be required for verification by the taxation officer.
- (v) There were delays noticed in updating the status of tax payers on returns filed, tax paid and liabilities due. Late fine liability of dealers who have applied for closure of their GST account continued to appear though their tax liabilities had been cleared. Dealers who had filed their tax returns (GSTR 3B) still appeared on the non-filers page. Thus, the system was very slow in updating causing all around problems for both taxpayers and the Department.
- (vi) Notices were being issued to non-filers through the office mail and not through the backend system. Thus, the taxpayers would not receive any alerts during

login to the GST portal nor of the show-cause notice, except through email/post or other forms of communication.

- (vii) The backend system did not enable **cross verification of details** of purchase, sales, e-way bills and ITC claims mismatches automatically as a result of which the field offices had to carry out these checks had to be carried manually after extracting these details from the dealers' accounts.
- (viii) Form GSTR 8, which had not been activated by the Department/NIC in the backend application and as such, 17 registered e-Commerce dealers were unable to file their returns. In the absence of the return, the authorities could ascertain neither the quantum of the tax payable nor the compliance of tax payment by these e-commerce operators.

It could be seen from above; NIC had not been able to fully develop all the essential modules and functionalities released by GST. Moreover, the backend interface application developed was found to be deficient in achieving its basic objectives of being user friendly, effective and efficient for the Taxation Department to ensure compliance and check leakage of revenue even after two years since the roll out of GST in the State. The failure of the Taxation Department, in working out the functionalities required by the Directorate and SsT, after obtaining inputs from the field offices and then assigning the modules to be completed by NIC in a time bound manner, indicates lack of proper planning, to ensure the smooth transition from VAT to GST.

**Thus, in the absence of a collective responsibility of the Taxation Department and its IT service provider, NIC Meghalaya, the implementation of GST in the State was partial and grossly inadequate to meet the intended objectives of a completely electronically driven System for administration of the GST.**

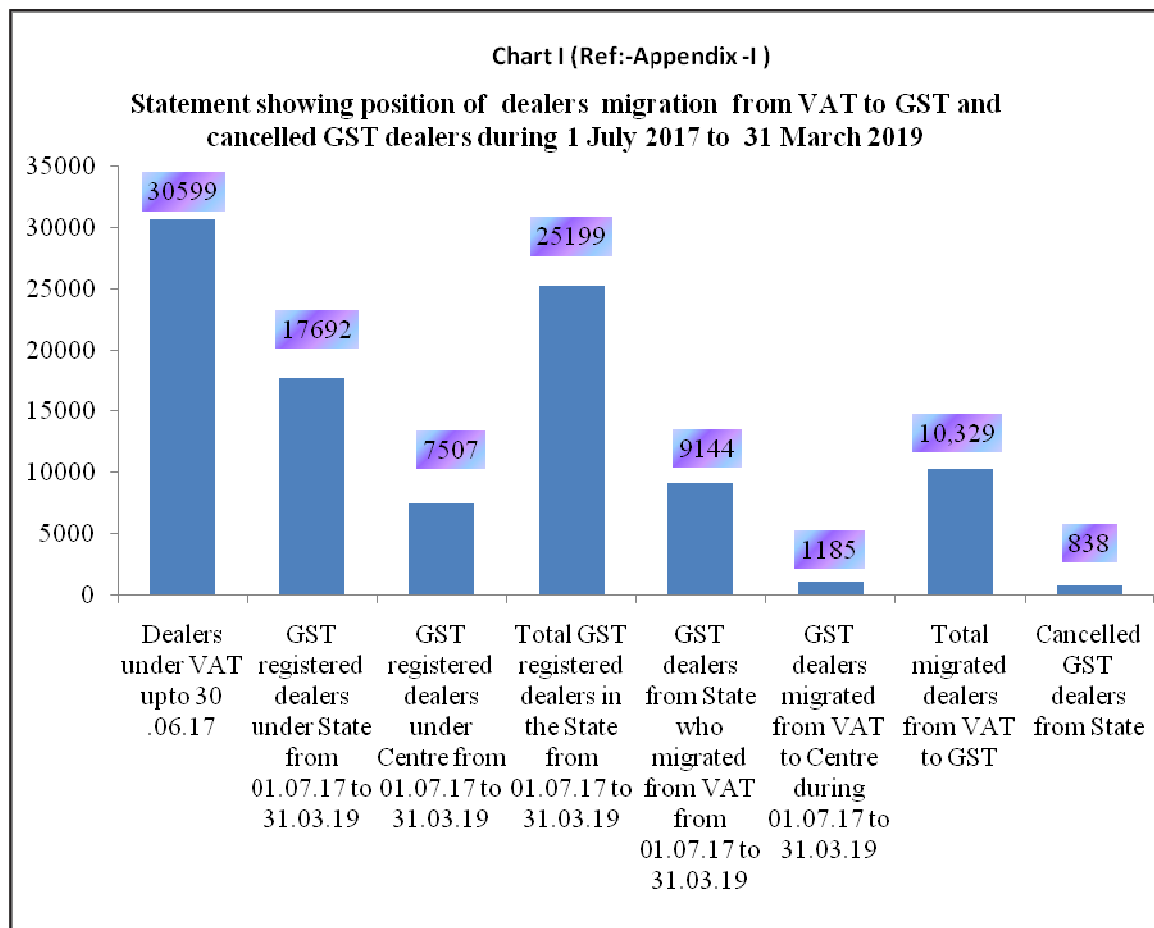
*Audit objective 3: Whether Systems were in place to check payment of taxes by dealers, ensure correctness of the claims of transitional credit, input tax credit, and refund claims of the dealers*

#### **2.3.6.4 Registration of GST dealers**

In the VAT regime, a dealer was required to obtain registration if his annual taxable turnover was ₹1 lakh. However, under GST Law any dealers with annual turnover of ₹10 lakh or more with effect from 1 July 2017 and ₹20 lakh or more with effect from 1 February 2019 for North Eastern (NE) and Hill States were required to be registered in the State under the new GST law. The State had 30599 registered dealers under Meghalaya Value Added Tax (MVAT) Act as on 30 June 2017. The Department registered 18530 dealers, during the period 1 July 2017 to 31 March 2019, out of which, they cancelled 838 GST dealers' registrations subsequently due to non-filing of GST Returns. Thus, as on 31 March 2019, there were **17692** registered dealers under GST with the State Taxation Department of which, 10329 GST registrations pertained

to dealers who had migrated from VAT<sup>14</sup> to GST and 8548 GST registrations were new additions.

Details of VAT dealers prior to 01 July 2017 and dealers registered under GST during the period from 01 July 2017 to 31 March 2019 are shown in the following chart:



Source: Compilation of data from the backend system as provided by the Taxation department

Out of 30599 MVAT dealers registered in the State under the State Taxation Department as on 30 June 2017, only 10329 VAT dealers could be found registered under GST during the period of review, accounting for only about 34 per cent of the MVAT dealers. Considering the relaxed turnover criteria for NE States the registration of dealers should have been more in the State.

The Additional Commissioner of Taxes in his reply (15 October 2020) to the observed gap in taxpayer base, stated that threshold limits for mandatory registration under MVAT was ₹1 lakh and that in GST was ₹10 lakhs initially which had been enhanced to ₹20 lakhs. The percentage of dealers registered under MVAT Act was high and that it was likely that most of such taxpayers were not required to migrate to GST. Further, based on one-year analysis, the Department stated the revenue implication of such dealers with low turnover was not significant. However, the Department did not provide any further evidence to support this claim.

<sup>14</sup> Out of 10329 migrated dealers from VAT, 9144 dealers are in State jurisdiction and 1185 dealers are in Centre jurisdiction.



The reply is not convincing since sixty six *per cent* of the tax payers registered under the Meghalaya Value Added Tax (MVAT) Act 2003, are out of the tax base of the State under the GST Law. It is evident that the Department has not carried out any substantive exercise to ascertain reasons for huge difference in the tax base under the GST regime and its possible impact on the revenue of the State.

Position of various categories of dealers registered under State GST as on 28 August 2020 are shown in the table below:

**Table 2.1 Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) upto 28.08.2020**

Category of dealers	Number of dealers registered	Percentage of dealers registered under each category
Regular	18823	89.62
Casual	nil	nil
Composition	1841	8.76
Tax Deductor at Source	308	1.47
Tax Collection at Source (e-commerce dealer)	32	0.02
Input Service Distributor	nil	Nil
Non-resident	nil	Nil
Online Information Database Access and Retrieval Service (OIDAR)	nil	Nil
UIN dealer	nil	Nil
<b>Total</b>	<b>21004</b>	

*Source: Compilation of data from the back end system as provided by the Taxation Department*

The Government may carry out a study to assess the impact of GST on its tax base and revenues.

#### **2.3.6.5 Deficiencies in Registration data**

Based on the review of the application system, following shortcomings were noticed in the Registration module developed by NIC, Meghalaya:

- Break-up of dealers registered under various categories, namely, Regular dealer, Composition dealer, Tax Deductor at Source (TDS), Tax Collector at Source (TCS), *etc.*, are only available cumulatively and cannot be obtained for a specified time period in respect of all State taxation units.
- Details of dealers migrated from VAT to GST in respect of all taxation units are only available cumulatively and not for any specified time. Details for those dealers, who have migrated from the State taxation domain to the Centre's jurisdiction following implementation of GST, were not available.
- Unit-wise bifurcation of registered dealers having turnover up to ₹1.5 crore and those above ₹1.5 crore were not available to ascertain the status of filing of returns.

- The tax authorities could not generate Monthly/quarterly/half-yearly/yearly reports to view the list of defaulting dealers who had not filed or not filed their returns in time.

### 2.3.6.6 Deficiencies in Filing of GST Returns

Position of various GSTR returns to be filed and compliance by the State's dealers, during the period from 1 July 2017 to 31 March 2019 was as under:

Table 2.2

Returns	Type of returns	Category of dealers to file	Due date of filing of returns	Total number of dealers registered	Total number of minimum returns to be filed	Total number of returns actually filed	Percentage of returns filed
GSTR 1	monthly	Regular dealer having annual aggregate turnover more than ₹1.5 crore	10th of the next month	17692 <sup>15</sup>	271402	131270	48.37
	quarterly	Regular dealer having annual aggregate turnover upto ₹1.5 crore	as fixed by the GST Council from time to time				
GSTR 3B	Monthly	Regular dealer	20th of the next month		271402	227321	83.76
GSTR 7	monthly	tax deductor	10th of the next month		1248	385	30.85
GSTR 7A	certificate made available electronically to the deductee on the basis of tax deducted by the deductor in GSTR 7				1248	274	21.96
GSTR 8	monthly	e-commerce operator	10th of the next month		114	62	54.39
GSTR 9	annual	Regular dealer	31st December of next financial year		27749	8117	29.26
GSTR 9A	annual	Composition dealer	31st December of next financial year		2948	986	33.45
<b>Total</b>					<b>17692<sup>15</sup></b>		

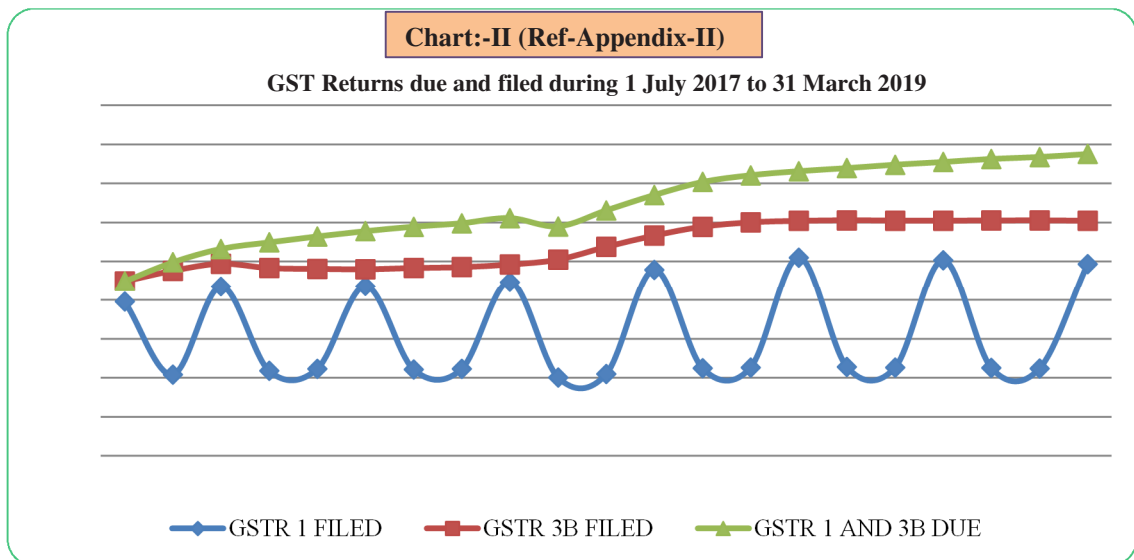
From the table above, the following observations are made:

- The filing of GSTR 1 and 3B returns is mandated under Section 37 and 39(1) of the MGST Act. The GSTR 1 return is expected to contain all outward supplies

<sup>15</sup> No break up of categories of dealers under Composition, TDS and TCS are available as on 31 March 2019. Based on information furnished by the Taxation Department, as on 31.03.2018, there were 1107 composition dealers, 208 TDS dealers and 19 TCS dealers. From the backend system, upto 28.08.2020, 1841 composition dealers, 308 TDSs dealers and 32 TCS dealers were found registered. Therefore, for computation of returns due to be filed, during the period of review, out of 17692 dealers registered under the State jurisdiction, the GSTR returns for various categories were worked out by considering minimum 1107 composition dealers, 208 TDS dealers, 19 TCS dealers and the remaining 16348 dealers as regular as on 31March 2018.

of goods and services made by a regular dealer in a month. A GSTR 3B return is a monthly tax return to be filed by a regular dealer. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of the dealer, for a particular month

- Audit observed that as on date, there was no linkage between GSTR 1 and GSTR 3B in the system. Further, during the period of review, the number of GSTR 3B returns filed were found to be higher in number than the GSTR 1 returns filed during the same period. This was despite the extension granted by the GST Council (for the return period from July 2017 to January 2020 up to 30 September 2020) for filing of GSTR 3B returns. The variation in the number of GSTR 1 returns filed during the same period are more sporadic as indicated in the graph



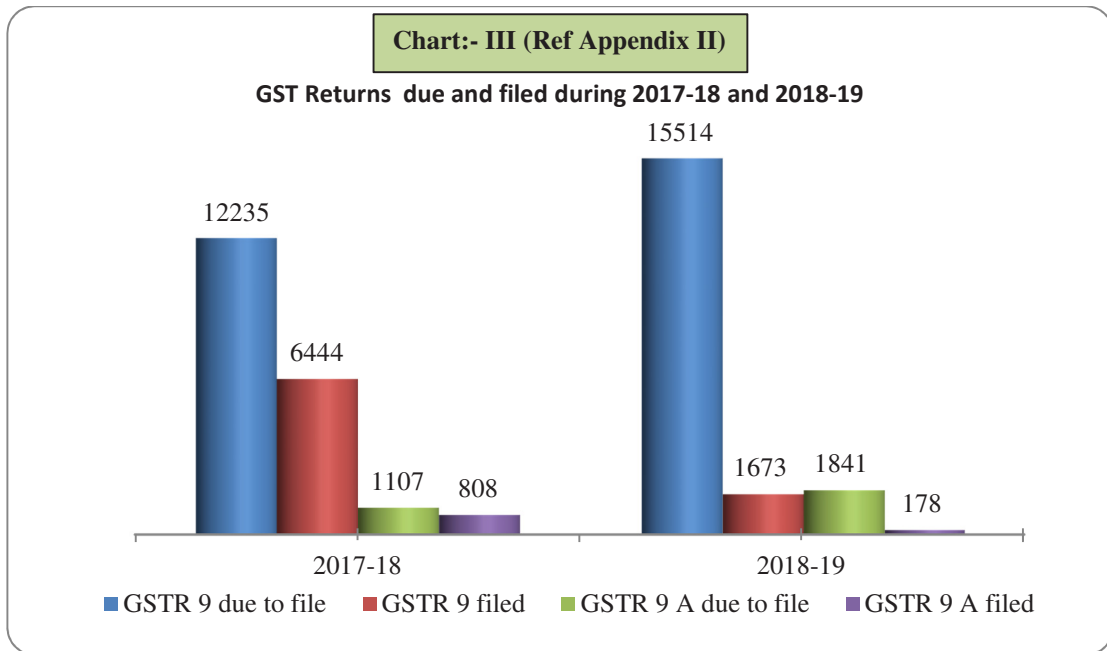
Source: Compilation of data from the backend system as provided by the Taxation department

In the absence of proper linkage between GSTR 1 and GSTR 3B, the Taxation Department would not be in a position to ascertain the accurate quantum of tax due and the potential of possible tax evasion.

The Department in its reply accepted the fact that absence of a linkage in the system hampers the taxation functions to that extent since refunds /tax credits for the receipt of supplies would be claimed on the basis of GSTR 3B, without a corresponding return GSTR 1 being filed. This opens the possibility of mismatch of sales, and corresponding irregular grant of refunds by a dealer. The graph above also depicts the variation on a month to month basis in filing of the GSTR 1 and GSTR 3B.

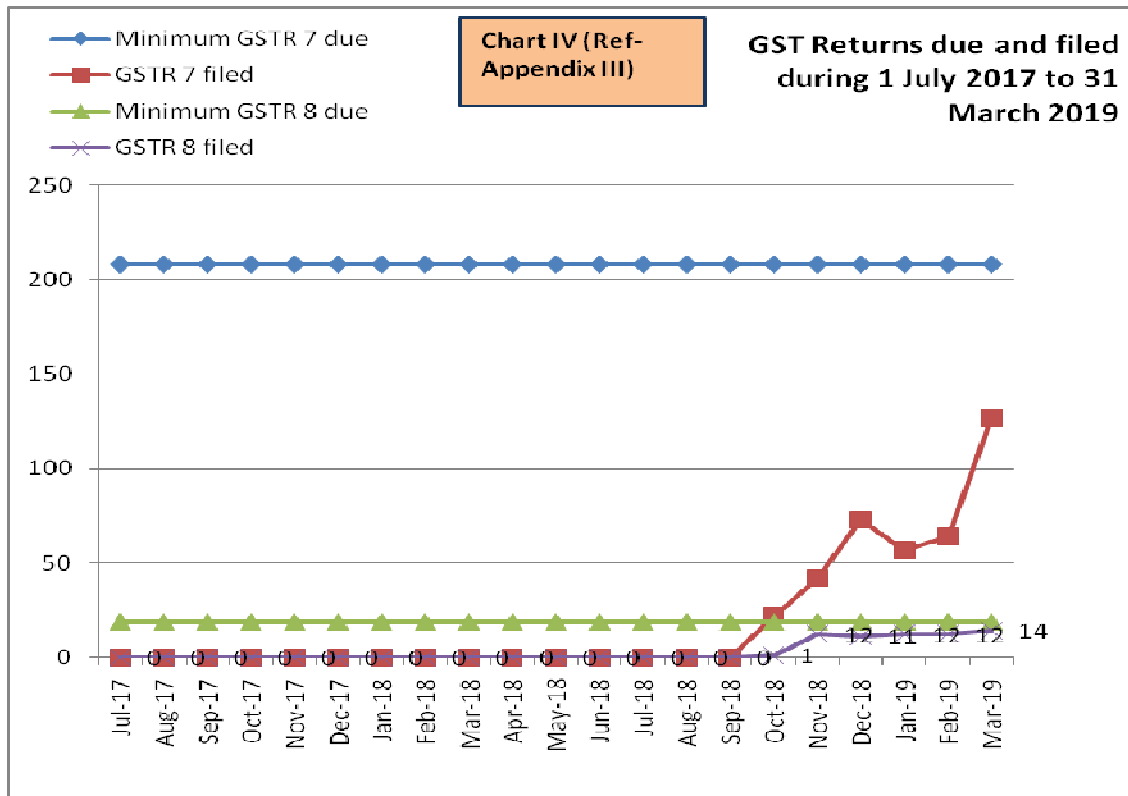
We test checked 10 cases selected from three taxation circles, out of which in five cases it was noticed that the absence of linkage between GSTR 1 and GSTR 3B had enabled evasion of tax to the tune of ₹2.03 crore which was also accepted by the Department.

The filing of returns by regular dealers and composition dealers in GSTR 9 and GSTR 9A was also inadequate as can be seen in the chart:



Source: Compilation of data from the backend system as provided by the Taxation department

- Against an aggregate of 27749 GSTR 9 returns to be filed by regular dealers during the review period, only 8117 returns were filed which accounts for only 29.26 per cent. In 2017-18 the percentage of GSTR 9 filings increased to 52.68 but again dropped to 10.79 per cent in 2018-19,
- For composition dealers, aggregate GSTR 9A returns to be filed during the review period was 2948 out of which only 986 returns were filed which represent only 33.45 per cent of returns to be filed. The percentage of GSTR 9A filed for 2017-18 was 73 and for 2018-19 was only 9.67 per cent, which was very low.
- The GSTR 7 (tax deductors) and GSTR 8 (i.e., commerce operators) returns filed during the review period aggregated 30.85 and 54.39 per cent respectively.



Source: Compilation of data from the backend system as provided by the Taxation department

The TDS and TCS dealers registered with the Taxation Department between the period 1 July 2017 to September 2018, did not file any GST returns. During the period October 2018 to March 2019, filing started and it ranged between 10.58 to 61.06 per cent of GSTR 7, 4.33 per cent to 50.48 per cent of GSTR 7A and 5.26 per cent to 73.68 per cent of GSTR 8. The non-filing of returns /low filing of returns by TDS dealers provided scope for dealers transacting with Government for supplies and contract works to potentially evade tax.

The Department in their reply (February 2020) stated that NIC Meghalaya had been asked to offer their comments/views. However, no further reply was received (September 2020).

The Department's response reflects absence of planning and implementing strategies for GST besides lack of monitoring of the IT functions. Though the Department has now planned to shift to the Model II State (GSTN) system, the fact remains that the Department has to assume responsibility for the inaction so far for failing to ensure that dealers filed the GST returns and paid the taxes due. Until they switch over to another system, the deficiencies have to be addressed and functions need to be discharged in their own revenue interest.

### **2.3.6.7 Tax dues in respect of cancelled registrations**

Under Section 45 of the MGST Act, every registered person whose registration has been cancelled is required to submit a final return in GSTR 10 within three months of the date of cancellation or date of order of cancellation, whichever is later. For failure

to submit the tax returns, the dealer was required to pay a late fee of ₹100 for every day during which such failure continues subject to a maximum amount of five thousand rupees.

Audit observed that the Department had cancelled registration of 1206 dealers, out of which, only 324 dealers had filed the tax returns while the remaining 882 dealers in 15 Circles, who were required to submit their final tax returns within three months from the date of cancellation did not submit the final tax return in GSTR 10. From the details available on files pertaining to cancelled registrations, Audit observed that the STs had allowed the cancellation of registration of these 882 dealers without ascertaining the tax liabilities involved. For non-filing of mandatory GSTR 10 returns by the 882 dealers whose registrations were cancelled by the STs, penalty of ₹37.19 lakh realisable from these dealers was also not imposed as per the provisions of the MGST Act.

The cancellation of registration in haste without determining the pending tax liability of the dealers reflects serious lacunae in the system wherein the dealers with cancelled registration have been potentially allowed to go scot-free. Lack of due diligence by the tax authorities concerned, calls for action to fix responsibility for failure to protect revenue due to the Government. Further, audit is of the opinion that the provision of the Act that allows furnishing of GSTR 10 three months after cancellation of registration is a loophole that facilitates avoidance of tax liabilities.

The Commissioner of Taxes in his reply (15 October 2020) stated that details have been sought from the concerned STs to ascertain the tax liabilities of the 882 dealers and the same will be intimated in due course.

#### ***2.3.6.8 Ineligible taxpayers registered under Composition Scheme***

As per provisions contained in Section 10 of the MGST Act, a registered person, whose aggregate turnover in the preceding financial year does not exceed fifty lakh rupees, may opt to pay, in lieu of the tax payable by him, an amount calculated at the rate of:

- (a) one *per cent* of the turnover in State, in case of a manufacturer;
- (b) two and a half *per cent* of the turnover in State, in case of supplies of goods being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption);
- (c) half *per cent* of the turnover in the State in case of other suppliers.

The *Act* further provides that the option availed of by a registered person shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified under the said section of the Act. A dealer not registered under composition scheme is required to pay tax at the applicable rate.

Further, under Section 53 of the Act *ibid*, if a registered person liable to pay tax in accordance with the provisions of this Act or the rules made there under, fails to pay the tax or any part thereof to the Government within the period prescribed, shall for

the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen *per cent* per annum.

Audit scrutiny revealed that several ineligible dealers registered under GST were allowed to avail the composition scheme and evade tax as detailed below:

- Fifteen dealers out of 48 dealers test checked by Audit in 11 circles had crossed the threshold limit of turnover of ₹50 lakh during 2017-18 and were therefore not eligible to avail the composition scheme in the subsequent year 2018-19. However, these dealers were not treated as regular tax payers during 2018-19 and continued to pay tax on turnover of ₹8.61 crore at the concessional rate of one *per cent* instead of at the applicable rate of five *per cent* to 18 *per cent* resulting in short payment of tax of ₹47.87 lakh. Besides, a minimum penalty of ₹4.79 lakh and interest of ₹8.62 lakh (calculated upto December 2019) were also leviable on the defaulting dealers (**Appendix-IV**).
- Ten dealers out of 32 dealers were found to have crossed the threshold limit of ₹50 lakh during the year 2018-19 but were allowed to pay tax under the composition scheme resulting in a minimum short payment of tax of ₹8.64 lakh. For short payment of tax, penalty of ₹0.86 lakh and interest of ₹2.07 lakh (calculated up to December 2019) along with balance tax of ₹23.01 lakh were also realisable from the defaulting dealers. The Officers had failed to extract the data of composition dealers from the system and did not carry out the necessary checks manually to ascertain tax liabilities of various dealers (**Appendix-V**).

The Department while admitting the audit observation (February 2020) stated that all Superintendents have been instructed to examine the cases pointed out by audit and realise the short payment of tax and results thereof would be intimated to audit. However, no further information has been received from the Department (September 2020). The reply only confirms the position that despite being aware of the deficiency of the backend application to auto populate MIS returns to give the necessary triggers, the Department officials did not take any action manually also to check claims of dealers under the Composition Scheme.

**The Department may get the regular GST returns filed from these dealers and ensure that they pay the taxes due.**

#### **2.3.6.9 Inadmissible transitional credit claims**

With the roll out of GST from July 2017, provisions to carry forward input tax credits (ITCs) relating to the pre-GST regime were needed to ensure the smooth transition from VAT to GST. This would enable the taxpayers to avail the credits on inputs and input services rendered during the pre-GST regime on which taxes had already been paid. The admissible transitional credits would also help the Government in determining the adjusted GST revenue.

Section 140 of the MGST Act contains the criteria relating to input tax credit claims during transition from VAT to GST. The section provides for a registered person other

than a composition taxpayer to carry forward the closing balance of input tax credit under the Central Excise and Service Tax under CGST and input tax credit under State VAT and SGST subject to the following conditions:

- (a) Credit could be carried forward as entered in the last return filed under the pre-GST regime and would be payable as ITC to the taxpayer concerned.
- (b) Returns for the last six months prior to the roll out of GST should have been submitted by the taxpayer to the tax authority concerned.

The important conditions prescribed for availing the benefit of this transitional credit are, that the registered person should be in possession of an invoice or other prescribed documents evidencing payment of duty in respect of such inputs, which were issued not earlier than twelve months from the date of roll out of GST. Such dealers are required to claim their transitional input tax credits in form GST TRAN1<sup>16</sup> and GST TRAN2<sup>17</sup>.

Further, the taxpayers, who were not liable to be registered under the existing law or who were engaged in the sale of exempted goods or goods which have suffered tax at the first point of their sale in the State and the subsequent sales of which are not subject to tax in the State under the existing law but which are liable to tax under this Act, if any, shall be entitled to take, in his electronic credit ledger, credit of the value added tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day.

Information furnished by seven tax offices, revealed that 60 taxpayers claimed transitional credit in TRAN1 amounting to ₹20.66 crore out of which ₹4.18 crore was transferred to their electronic ledger. Similarly, 23 taxpayers claimed transitional credit in TRAN2 amounting to ₹0.54 crore out of which ₹1.62 lakh was transferred to their electronic ledger account. In the absence of any data or a system to validate the data of TRAN1 and TRAN2, through automated verification of credit in the backend system, **the taxation officials cannot verify whether the transitional credit claims were proper and admissible as per provisions of the Act. However, nothing prevented the authorities from cross verifying with the dealers VAT returns, to determine correctness of the transitional credit claims.**

Audit crosschecked 60 cases of TRAN1 and 23 cases of TRAN2 with the respective VAT returns of the taxpayers, which revealed the following irregularities:-

- Three taxpayers<sup>18</sup> claimed transitional credit of ₹4.17 lakh in TRAN 1 but there was no credit balance in the VAT returns of the respective taxpayers. It was further noticed that out of the ₹4.17 lakh credit claimed, ₹3.73 lakh was irregularly allowed.

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<sup>16</sup> Input tax credit claimed by a registered dealer on tax carried forward under any existing law or on goods held in stock on 1<sup>st</sup> July 2017

<sup>17</sup> Input tax credit claimed by a dealer registered for GST but unregistered under VAT, on goods held in stock on 1<sup>st</sup> July 2017.

<sup>18</sup> SM Enterprise, Surana Agencies and Deb Enterprise



- Two taxpayers<sup>19</sup> claimed transitional credit of ₹44.97 lakh in TRAN 1 against which ₹9.44 lakh was allowed, though the two taxpayers had submitted VAT returns only up to March 2017.
- Two taxpayers<sup>20</sup> claimed transitional credit of ₹21.50 lakh in TRAN 1 of which ₹21.31 lakh was transferred to their electronic cash ledger. It was however seen that there was a credit balance of only ₹18.30 lakh in the VAT returns resulting in an excess claim of transitional credit of ₹2.83 lakh.
- In one case, audit observed that though the dealer had not claimed any transitional credit<sup>21</sup> in TRAN2, the Department irregularly transferred ₹1.62 lakh to the electronic cash ledger of the dealer, without any enquiry.
- Eleven dealers not dealing with exempted goods claimed transitional credits on stock amounting to ₹0.55 crore which were not admissible as per the Act. Despite input credits availed by these dealers towards payment of tax liabilities being not admissible, the Department did not impose penalty of ₹5.49 lakh and interest of ₹9.89 lakh (calculated up to December 2019) and realise the input tax of ₹0.55 crore wrongly availed by the dealer.

The above findings are based on test check of sample cases, hence the possibility of many more such cases with irregularities cannot be ruled out.

The Department in their reply (February 2020) while accepting the audit points admitted that the data relating to VAT credit available against each tax payer as on 30 June 2017 was not digitised and hence matching of the same through the computer system was not available. The Department further stated that the concerned Superintendents of Taxes have been instructed to take necessary action in accordance with the provisions of the Act.

**Audit recommends that the Department may verify at least all high value transitional claims and sample cases of the balance claims with the prescribed documents, to ascertain irregular/incorrect claims of transitional credit. The same needs to be done expeditiously now, since this was not done in the initial financial year of roll out of GST i.e. 2017-18 itself.**

#### **2.3.6.10 Excess ITC claims**

As per Section 61 of the MGST Act, GST tax returns furnished by the dealer are required to be scrutinised by the ST.

The input tax credit claimed by the dealer in GSTR3B should match with the input tax credit available under GSTR 2A. Further, as per provisions contained in Section 11 of the GST (Compensation to States) Act, 2017, input tax credit in respect of cess on supply of goods and services could be utilised only towards payment of cess on supply of goods and services.

<sup>19</sup> Sanna Enterprises and ESS BEE Enterprise

<sup>20</sup> Surana Essentials Pvt Ltd and P.Kharshing

<sup>21</sup> M/s Fahrenheit

As per section 73 of the MGST Act, for wrong dossiers of input tax credit, the tax dealer is liable to pay penalty equivalent to 10 *per cent* of tax or ₹10,000, whichever is higher. Further, the dealer is liable to pay interest at the rate of 24 *per cent* per annum on liability less disclosed by the dealer through ITC adjustment under section 50 of the Act.

To assess the claims of input tax credit during the period of review, audit examination of the test checked cases revealed the following:

- In test check of 17 out of 51 dealers done by the audit, it was seen that there was a mismatch between the ITC claims as per the GSTR 2A and GSTR 3B Returns. For the period July 2017 to March 2019 as per the GSTR 2A returns, the dealers had ITC of ₹173.56 crore, however, these dealers availed ITC of ₹272.22 crore during this period through GSTR 3B returns, resulting in excess ITC claims of ₹98.65 crore. The Department failed to detect the excess claim of ITC by the dealers, for which they were liable to pay tax of ₹98.65 crore besides interest of ₹17.76 crore (calculated up to December 2019) and penalty of ₹9.86 crore (**Appendix-VI**).
- Test check of five cases of claim of input tax credit on cess revealed that a dealer (Company) had available input tax credit of ₹111.21 crore on cess in their purchase return (July 2017 to March 2019). However, the dealer claimed ITC of ₹125.58 crore on cess in their tax return GSTR 3B and availed excess credit of ₹14.36 crore which the Department failed to detect. For excess claim of ITC, the dealer was required to pay tax of ₹14.36 crore besides interest of ₹2.58 crore (calculated up to December 2019) and penalty of ₹1.44 crore<sup>22</sup>.

The above findings indicate the inadequacy in the IT infrastructure system resulting in loss of revenue. The Department in their reply (February 2020) while accepting the audit observations stated that the Superintendents of Taxes concerned under whose jurisdiction the cases occur, have been instructed to take necessary action in accordance with the provisions of the Act. Further development in this regard had not been intimated to audit (September 2020).

***Audit objective 4: Whether Internal Control Mechanism and coordination with other wings/Departments was adequate and functional***

#### ***2.3.6.11 Absence of Enforcement activities for sharing of information***

With the removal of check-gates after the roll out of GST, creation of an Enforcement wing was essential to check/cross check activities and claims of dealers to curb tax evasion. Government of Meghalaya notified on 4 August 2017, the creation of an Enforcement branch in all districts of the State. The nodal officers in-charge of these units, in the districts were notified in April 2018 and formation of mobile squads and guidelines for their operation were notified in October 2019, more than two years

<sup>22</sup> Excess cess claimed = ₹14,36,35,238, Interest @ 24 *per cent* on ₹14,36,35,238 from March 2019 to December 2019 = ₹2,58,54,343, Penalty @ 10% of ₹14,36,35,238 = ₹1,43,63,524

since the roll out of GST. The vehicles to be used by the Enforcement Wing were issued in November 2019 only. Computers/ laptops and other computer peripherals including internet connectivity were not provided to the Enforcement wing till date of audit (December 2019).

During audit, it was observed that absence of enforcement activities had provided scope for dealers transporting coal to evade tax since the information of mineral transport challans utilised by the coal transporters were not shared by the Mining Department with the Taxation Department. Moreover, with the removal of taxation check-gates and absence of any enforcement activities by the Taxation Department, risk involved for revenue leakage was high.

A few cases detected by Audit are narrated below:

To ascertain tax compliance with respect to sale on coal, audit collected information on utilisation of mineral transport challans by coal owners/transporters during the period from 1 July 2017 to 31 March 2019. Based on data furnished by the Mining Department for East Khasi Hills, West Khasi Hills and South Garo Hills, audit scrutiny revealed that 101 coal miners/transporters utilised 85475 mineral transport challans for transportation of coal outside Meghalaya. Audit test checked five cases involving 75449 mineral transport challans (88 *per cent* of mineral transport challans utilised) to ascertain the tax compliance by these transporters. Out of the five test checked cases, in four cases, involving transportation of minimum of 2.34 lakh MT of coal valued at ₹152.97 crore<sup>23</sup>, the transporters/coal miners did not declare the sales turnover in their returns and no IGST/CGST/SGST was paid by them. In one case, the coal transporter actually transported 4.45 lakh MT<sup>24</sup> but disclosed sales turnover of coal of 1.38 lakh MT valued at ₹100.97 crore in his GST return. **Thus, based on actual transportation of 6.79 lakh MT<sup>25</sup> of coal by the coal transporters, the GST liability was ₹17.69 crore and cess payable was ₹21.62 crore against which, GST of only ₹4.86 crore was paid resulting in loss of revenue of ₹34.45 crore to the State.**

Thus, it is evident that in the absence of an enforcement wing in the State, traders were bringing goods to the State unchecked even though e-way bills were required to be generated. Further, since e-way bills are required to be generated for consignment valued at ₹50000 or more, e-way bills were confined to only large dealers while several other dealers could potentially evade tax by splitting the bills into amounts less than ₹50000. In absence of any enforcement activities, the possibility of tax evasion by dealers cannot be ruled out.

<sup>23</sup> 233757 MT x ₹6544 = ₹152,97,05,808

<sup>24</sup> 49476 MTCs x 9 MT = 445284 MT

<sup>25</sup> 75549 Mineral transport challans utilised by coal transporters which were issued by the Mining Department

### 2.3.6.12 Deduction of GST by Government Departments/organisations

With the roll out of GST from July 2017, one of the important areas was the creation of an effective mechanism to ensure tax compliance by Government Departments<sup>26</sup>. To this end requisite training was required to be provided to the Government departments to familiarise them with the various provisions of the GST Act, particularly with respect to guidelines for deduction of tax applicable for the works contracts/purchase contracts and ensure regularity in filing of tax returns by the DDOs. However, as has already been pointed out in **paragraph 2.3.6.1**, the Department did not have any comprehensive training and capacity development plan in place for the roll out of GST. Instances of incorrect deduction of GST by the DDOs as seen in the test check of records are stated below.

Section 51 of the MGST Act, 2017 provides for deduction of tax at the rate of one *per cent* by DDOs from contractors/suppliers on value of contracts exceeding ₹2.50 lakh. The amount deducted by the DDO is to be paid to the Government within 10 days after the month in which such deduction was made along with return in form GSTR 7. This section for tax deduction at source along with guidelines was notified by the Central Government on 14 September 2018 and by the State Government on 20 November 2018. The DDOs were supposed to deduct tax at the rate of two *per cent*<sup>27</sup> of the bill value of the suppliers/contractors and credit the same to Government account and submit the return based on which the benefit of deduction shall be made available to the suppliers/contractors. The contractors are to pay the remaining tax at the rate of 10 *per cent* of the bill value with their tax returns in form GSTR 3B. Thus, timely filing of returns by the DDOs would ensure capturing of data of the contractors in the Taxation application system and would help the tax officials in checking tax compliance by the contractors.

To ensure proper deduction and deposit of tax after roll out of GST from 1 July 2017, the Taxation Department was required to issue proper notifications/ guidelines and create mechanism for ensuring proper collection of taxes and submission of all details by the DDOs to the Taxation Department to plug any scope for leakage of revenue to the State. The Taxation Department should examine each of the details furnished by the DDOs with deductions made and cross verify with the returns to check tax compliance of the contractors. To examine the measures adopted by the Taxation Department to ensure compliance by Government Departments, audit examination of notifications/circulars issued by the State Taxation Department revealed the following:

- The State Taxation Department issued a circular (26 October 2017) stating that no tax was to be deducted on bills raised on or after 01 July 2017. Further, the supplier/contractor receiving payment for contract exceeding ₹2.50 lakh

<sup>26</sup> As per the provisions of GST Act, the DDOs were required to deduct two *per cent* of the bill value from the contractor's bills and the remaining ten *per cent* of the bill were to be paid by the contractors in his tax returns.

<sup>27</sup> 1 *per cent* CGST and 1 *per cent* SGST

without deduction of GST was to furnish an undertaking that he would pay the applicable tax during submission of his tax returns.

- For the quarter ending September 2018, bills were released to the contractors based on an undertaking submitted for payment of the GST due by the contractors in his tax return, in respect of bills valued at ₹2.5 lakh and above, GST deductions from the contractor's bills were made only from December 2018 onwards.

The implementation of these circulars resulted in tax evasion as discussed in subsequent paragraphs relating to Works contractors:

#### **2.3.6.13 Potential tax evasion on 'Nil' returns filed by works contractors**

Audit examined 310 cases wherein DDOs had passed bills submitted by works contractors, during the period from September 2017 to March 2019. These bills were cross-examined with the respective GSTR 3B tax returns submitted by the contractors during the same period.

We found that in 121 cases contractors had either submitted 'NIL' returns or had disclosed a lower taxable turnover in their monthly GSTR 3B returns. The estimated minimum tax implication is of ₹2.43 crore on which an interest of ₹53.95 lakh would also be applicable.

The matter of potential tax evasion was brought to the notice of the Taxation Department, which, in reply (February 2020) stated that the Superintendents of Taxes concerned have been instructed to initiate necessary action as per provisions of the Act, the outcome of which will be intimated to audit in due course.

#### **2.3.7 Deduction of VAT after roll out of GST**

As per Government notification of July 2017, GST is applicable at the rate of 12 per cent of the bill value in respect of works contracts made after 30 June 2017. With respect to contracts made prior to 1 July 2017, VAT was to be realised at the rate of 14.5 per cent after adjusting labour charges of 25 per cent of the total work value<sup>28</sup>. However, audit scrutiny of the information furnished by eight Government departments revealed that the DDOs continued to deduct VAT from the contractor's bills even after roll out of GST from July 2017. During the period from July 2017 to March 2019, against the total bills valued at ₹62.56 crore, Government departments deducted and credited VAT of ₹8.24 crore after 01 July 2017. In the absence of details on work order, dates, status of the work executed, etc., the possibility of incorrect computation of VAT against GST applicable cannot be ruled out.

Audit observed that after the roll out of GST, the details of VAT deducted from the contractors bills were not forwarded by the DDOs to the respective Assessing Officers who were required to carry out the assessments of the dealers under VAT up to 30 June 2017. Instructions and guidelines by the Taxation Department to regulate such

<sup>28</sup> 75 per cent of 14.5 per cent = 10.88 per cent

cases of payment made during GST regime for completed works relating to the VAT period were also absent. Absence of these instructions and mechanism to handle such cases provided scope for dealers to conceal their tax turnover and evade tax.

The Department in their reply (February 2020) while accepting the audit point stated that details have been sought from the DDOs for determining the tax liability of the dealers on which VAT deduction was made even after implementation of GST. No further reply had been received (September 2020).

The above audit findings indicate that there was no internal mechanism in the Department to verify the outcome of various circulars issued by them relating to tax deduction at source, filing of regular returns and payment of taxes linked with them. The Department had not evolved any cross verification system to compensate for the limited computerisation they had.

### **2.3.8 Conclusion**

- In the assessment of the Meghalaya State's preparedness to roll out the newly introduced GST legislation, it is evident that the Taxation Department of the State Government did not make concerted efforts to create awareness amongst all-important Stakeholders such as the dealers and other Government Departments. The training imparted to its own Manpower was inadequate for them to utilise the automated system created by the NIC, to carry out their statutory responsibilities under the new tax regime. This resulted in lesser registration of dealers in comparison to the VAT regime, non-filing of returns by dealers and non-deduction of GST by DDOs mandated as per the provisions
- The GST application system developed by NIC Meghalaya which was the backbone for successful implementation of the new law, suffered from lack of planning in the design and roll out of the back end application system. The Taxation Department did not have any formal MOU with the NIC, Meghalaya for timely completion of backend modules for the GST System. Of the 11 modules to be developed, the NIC reported partial completion of only four modules, namely, Registration, Payment, Returns and Refunds, but even in these the functionalities were incomplete. Further, the GST application was not user friendly to assist the taxation officials in 'getting access to the tax payer's data' with ease for carrying out the necessary functions of issuing notices etc. The database was not being updated in real time and the time lag made it unfriendly to the dealers as well as to the Department. No MIS returns could be generated by the system to show dealers who have filed their returns and those who were defaulters.
- Dealers whose turnover had crossed the limits for availing benefits of the Composition Scheme (turnover of ₹50 lakh) were neither thrown up by the computer application system nor did the Department take any steps to deny the Scheme benefits to them.

- The Department rolled out the GST with outdated /obsolete hardware equipment and except for Shillong the internet connectivity to the tax administrators remained poor for implementing the GST, for which efficient net connectivity with modern computers/servers and other equipment is a must.
- The State had 17692 dealers under GST as on 31 March 2019, which was only 34 *per cent* of the registered dealers under VAT regime migrated to GST. In absence of any exercise carried out by the Department to analyse this gap in the tax base under the MGST and its impact on the State's revenue, we cannot give an assurance that all potential taxpayers were correctly registered under the new taxation system.
- Transitional credit claims could not be verified in absence of provisions for validation of data of TRAN1 and TRAN2, through automated verification of credit in the backend system. On a sample check, audit found 19 cases of irregular claims of transitional credits of ₹72.62 lakh, which need to be rectified urgently now.
- The input tax credit claimed by dealers in their tax return (GSTR3B) did not match with the input tax credit available under GSTR 2A. The Department failed to check such excess claims of input tax credits of ₹113 crore availed by 56 dealers.
- Absence of cross checks by the taxation officials to ensure filing of tax returns by tax deductors at source and tax compliance by deductees/contractors provided scope to contractors to evade payment of GST. We noted potential tax evasion by contractors in 121 cases where 'Nil' returns were filed.
- In absence of effective enforcement activities in the Taxation Department and no mechanism for sharing of information across Departments, audit noticed several cases of tax evasion due to misreporting by the traders bringing goods to the State.
- In view of the deficiencies pointed out by the Audit in implementation of the GST roll out, the Government needs to increase its efforts for a comprehensive implementation plan for the GST.

### **2.3.9 Recommendations**

- The Government may initiate a study on the impact of GST implementation over its taxpayer base and revenue.
- The Government may put in place a comprehensive capacity building strategy for its tax officials to familiarise them both with the legal aspects of the MGST as well as technical skills required to handle the computerised application system.

- The Taxation department should take up the matter at the Government level mandating all State Government departments to provide details to them for any sales on which GST is to be levied.
- IT infrastructure of the Department needs to be thoroughly revamped by procurement of adequate hardware and networking infrastructure as the success of GST solely depends on the adequacy of the IT platform.
- The Government may initiate a review of the existing backend application system to devise measures to overcome the systemic glitches in the system.
- The enforcement activities may be strengthened to exercise effective monitoring over unregulated movement of goods and for prevention of tax evasion and fraudulent claims.
- Until a better computerised application is implemented by the Department they may take remedial action on all cases of defaulting dealers, incorrect claims of refund/setoff/transitional credits and composition scheme claimed by the existing registered dealers.
- The Department may cross check returns filed by works contractors who transact with Government agencies, to detect possible tax evasion by them.

### **COMPLIANCE AUDIT**

Audit was conducted in ten taxation circles<sup>29</sup> from March 2018 to June 2019 during which, 1529 cases were test checked for compliance of applicable tax laws. The findings are discussed in subsequent paragraphs.

#### **2.4. Shortfall in realisation of tax**

**In 11 cases Audit noticed noncompliance to the provisions of the Act which resulted in non/ short realisation of VAT amounting to ₹4.90 crore**

The assessment and levy of VAT in the State, until introduction of GST, was governed by various provisions of the Meghalaya Value Added Tax Act 2003, and the notifications issued from time to time thereunder. The assessment and levy of VAT is governed by the provisions contained in Sections 39 and 45 of the MVAT Act. In case of failure of the dealer to pay the due amount within the prescribed period, penal interest rate of two *per cent* per month from the start of the quarter following the due date is leviable under Section 40 of the Act. Penalty for non-payment of tax is prescribed under Section 90 read with Section 96 of the Act.

Further, as per Section 86 of the MVAT Act, a dealer having an annual turnover above the specified limit is required to submit audit report certified by a Chartered Accountant within six months from the end of the year. The threshold has been fixed at ₹40 lakh since January 2009 vide notification No.CTAS-2/2007/4673 dated 17 January 2009

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<sup>29</sup> SsT, Circles I, II, IV, V, VII, VIII, Shillong, Jowai, Nongstoin, Nongpoh and Circle II, Tura.



The details of non/short realisation of tax have been summarised as under:

**Table 2.3**

Sl. No.	Nature of Non-compliance	Shortfall in collection of tax (₹ in crore)	Irregularity noted in Audit (Details in Appendix VII)	Department's Response	Amount Recovered (₹ in crore)
1	Incorrect application of rate of tax	2.33	Tobacco and tobacco products including 'pan masala' were taxed at 14.5 per cent, liquor at 20 per cent instead of 30 per cent and 40 per cent respectively. A dealer concealed the entire turnover of tobacco and tobacco product and evaded payment of tax of ₹33.67 lakh. Three registered dealers sold liquor/ Rum to retailers/ State Police canteens and paid tax at the rate of 20 per cent instead of 30/ 40 per cent. Thus, the dealer made short payment of tax of ₹1.99 crore.	Admitted	0.10
2	Concealment/ Suppression of turnover.	1.03	Turnover on sale of vehicles, motor parts and accessories was concealed/ suppressed by dealers. Two dealers concealed sales turnover of ₹7.09 crore and evaded payment of tax amounting to ₹1.03 crore.	Admitted	Nil
3	Irregular claim of concessional rate of tax	0.79	Inter-state sale of goods at concessional rate of two per cent is permitted to dealers provided these sales are duly supported by "Form C" from purchasing dealer. The Department allowed Inter-state sales worth ₹17.50 crore to two dealers without obtaining declaration in Form C.	Admitted	Nil
4	Concealment of purchase of motor spirits/ high speed diesel	0.10	On cross verification of utilisation of Form C submitted by a dealer, audit noted that purchase of motor spirits/ high speed diesel up to ₹71 lakh was suppressed by the dealer in his returns. Tax along with penalty as applicable under Sections 11(4), 16(1)(c) and 20A of the Assam (Sales of Petroleum, etc.) Taxation Act, 1955 (as adopted by Meghalaya), was not levied and collected by the Department.	Admitted	Nil
5	Incorrect claim of input tax credit	0.65	Under Sections 11 read with 16, ITC dealer shall provide evidence in support of claim of ITC, in the absence of which, penalty under Sections 90 read with 96 of MVAT Act, 2003 is leviable. However, two dealers claimed ITC on intra-state purchase of goods valued at ₹9.04 crore and claimed ITC without providing documentary evidence of purchase invoices.	Admitted	Nil
<b>Total</b>		<b>4.90</b>	<b>-</b>	<b>-</b>	<b>0.10</b>

*Based on the above irregularities noticed by audit, during the test check in ten taxation circles, the Department is advised to issue instructions to all unit offices to examine similar cases in future, to prevent loss of revenue to the State exchequer.*

## **2.5 Interest not levied for late payment of tax**

**Interest amounting to ₹1.82 crore was not levied for late payment of tax by a dealer.**

### **[ST, Circle VII, Shillong; March 2018]**

Under Section 35 of the MVAT Act, every registered dealer has to furnish quarterly tax returns duly supported by proof of payment of tax. Further, if a dealer fails to pay the full amount of tax payable by due date<sup>30</sup>, simple interest at the rate of two *per cent* per month from the first date of the quarter following the due date is leviable under Section 40 of the MVAT Act.

Under MVAT Act, 914 dealers were registered under the jurisdiction of the ST, Circle VII, Shillong. Audit test checked 108 dealers (12 *per cent*) and found that a dealer<sup>31</sup> paid the admitted tax of ₹15.04 crore for the period between April 2014 and March 2017 after the due date, with delays ranging between one day and 1172 days. For delayed payment of tax, interest of ₹1.82 crore<sup>32</sup> was payable under Section 40 of MVAT Act.

Despite delayed payment of tax, the ST did not take any action to levy interest and realise the same from the dealer. Further, the ST did not maintain any record to watch timely payment of tax by the dealers. In absence of the same, the ST was not in a position to detect tax defaulters. This resulted in non-realisation of interest from the dealer to that extent.

The case was referred to the Taxation Department, Government of Meghalaya in August 2018. The Department while accepting the audit observation (April 2020) stated that the case records of the dealer were scrutinised and demand notice for payment of interest on late payment of taxes has been issued. However, the status of recovery made was not communicated (September 2020).

Audit noticed non levy of interest on late payment of tax due to non-maintenance of records to watch timely payment of tax in one unit out of 23 unit offices in the state.

*The Department may issue instructions to other unit offices to examine similar cases.*

## **2.6 Irregularities in works contract assessments**

Section 106(1) of the MVAT Act and Rule 39 of the MVAT Rules 2005 stipulates that every person working in any Government Department including companies, corporations, *etc.* wholly or substantially owned by the Government, responsible for

<sup>30</sup> From the first day of the quarter next following the said date.

<sup>31</sup> M/s Goenka Engineering Works.

<sup>32</sup> Calculated up to 31.03.2019.

making payments in respect of any sale or supply of goods or transfer of the right to use goods or works contracts must deduct tax at source while making such payments and credit the same to the Government within ten days from the expiry of the month to which such deduction relates. As per Rule 40, information of the contractor including Taxpayer Identification Number (TIN), details of work to be executed, period of completion of the work, manner of deduction of tax at source proposed shall be submitted to the assessing authority within fifteen days from the date of execution of the deed of work contract.

Under Section 5(2) (c) of the MVAT Act, in case of work contracts, the actual charges towards labour, services, *etc.* are to be deducted from the gross turnover before being taxed. In cases where the amount of such charges cannot be determined from the contract, upto 25 *per cent* of the gross turnover is allowed to be deducted towards labour charges, *etc.*

Section 45 of the MVAT Act provides that if the returns furnished by a dealer are incorrect, the ST can assess to the best of his judgment the amount of tax due from the dealer. If a dealer fails to pay the full amount of tax by the due date, simple interest at the rate of two *per cent* per month from the first date of the quarter following the due date is leviable under Section 40 of the MVAT Act. In addition, for non-payment of tax, penalty not exceeding twice the amount of tax involved is also to be levied under Section 90 read with Section 96 of the Act *ibid.*

In Meghalaya goods involved in works contract are taxable at a uniform rate of 13.5 *per cent* upto December 2014 and thereafter 14.5 *per cent w.e.f.* January 2015.

The irregularities noticed in audit of works contracts are discussed in subsequent paragraphs:

**Application of incorrect rate of tax on works contract, excess claim towards labour charge and concealment of turnover by works Contractors, resulted in short payment of tax of ₹2.78 crore**

**A Incorrect application of rate of tax on works contract**

**[ST, Jowai, January 2019]**

Under the MVAT Act, 2924 dealers<sup>33</sup> were registered under the jurisdiction of the ST, Jowai. Out of the total registered dealers, Audit test checked records of 200 dealers (7 *per cent*) and noticed that two dealers<sup>34</sup> executed works contract valued at ₹7.36 crore between June 2016 and July 2017 out of which ₹2.02 crore was deducted towards cost of labour and services. On the balance taxable turnover, the dealers paid tax amounting to ₹50.42 lakh (₹12.48 lakh at the rate of 5 *per cent* on ₹2.50 crore and ₹37.94 lakh at the rate of 14.5 *per cent* on ₹2.62 crore). However, on the balance turnover of ₹0.22 crore the dealer had not claimed any exemption nor were any record

<sup>33</sup> As on 30.06.2017

<sup>34</sup> M/s Friday Hinge and M/s Trueman Passah.

available on records for including this amount in his taxable turnover. The dealers applied for non-deduction of tax certificate for the above works under Rule 39 (5) of MVAT Rules and the same was accordingly issued by the ST in Form-25A. During assessment carried out between June 2017 and December 2017, the ST failed to detect the incorrect application of rate of tax and accepted the returns furnished by the contractors as correct. Failure of the ST to apply correct rate of tax on turnover of ₹2.50 crore resulted short collection of tax ₹12.48 lakh. The Department needs to ascertain the reasons for the balance amount of ₹0.22 crore not being offered for tax.

Since the MVAT Act provided uniform rate of tax at 14.5 per cent on goods involved in the execution of works contract, levy and collection of tax at the rate of five per cent instead of 14.5 per cent was irregular. Failure of the ST to detect application of incorrect rate of tax and non-payment of tax resulted in short payment of tax of ₹27.01 lakh<sup>35</sup> on which penalty of ₹54.02 lakh was additionally leviable.

The case was reported to the Sales Tax Department, Government of Meghalaya in July 2019. The Department in its reply (April 2020) stated that notices were issued to the dealers to produce their book of accounts for the purpose of assessment. Further development was not intimated to Audit (September 2020).

Audit examined the records of one unit office out of 23 unit offices in the State and noticed that failure of the ST resulted in incorrect application of rate and subsequent short payment of ₹27.01 lakh by two works contract dealers.

**The Department may look into similar issues in the case of all unit offices.**

### **B. Excess Claim of labour charges**

#### **[ST, Jowai January 2019]**

Examination of case records of the dealers under the jurisdiction of ST, Jowai revealed that a dealer<sup>36</sup> was awarded two works contract valued at ₹5.41 crore between June 2016 and June 2017.

The dealer applied for, and availed in Form 25A, a certificate for non-deduction of tax at source on these works contract from the ST. He disclosed to the ST in his application (vide Form 24 A) that the total work valued at ₹5.13 crore comprised exempted value of ₹2.28 crore (towards labour *etc. i.e.*, 44 per cent) and gross taxable value of work of ₹2.85 crore. However, the dealer did not give details of exempted value of works done to the ST while applying for non-deduction of tax at source certificate.

The ST accordingly issued him a certificate of non-deduction of tax at source in Form 25A, without scrutiny of details of works executed by the dealer.

<sup>35</sup> Tax payable on ₹5.34 crore at 14.5 per cent = ₹77.43 lakh.  
Tax actually paid (₹12.48 lakh + ₹37.94 lakh) = ₹50.42 lakh  
Balance payable = ₹27.01 lakh - ₹50.42 lakh = ₹27.01 lakh

<sup>36</sup> M/s Friday Hinge.

In the absence of details of exempted value of works done, labour and service charges of ₹1.28 crore (25 per cent) was deductible from the gross turnover ₹5.13 crore. The ST completed the scrutiny of the returns between June 2017 and December 2017 and failed to ascertain the actual value of exempted work. The turnover of ₹3.85 crore (₹5.13 crore - ₹1.28 crore) was taxable at the rate of 14.5 per cent. Thus, the dealer was liable to pay ₹55.77 lakh<sup>37</sup> against this, the dealer paid only ₹26.49 lakh including ITC claim resulting in short payment of tax of ₹29.28 lakh<sup>38</sup>.

Failure of the ST to apply necessary checks while examining details of the contract while issuing the non-deduction of tax at source certificate, resulted in short payment of tax amounting to ₹29.28 lakh on which interest of ₹10.66 lakh<sup>39</sup> was payable. Additionally, for short payment of tax, a penalty not exceeding ₹58.56 lakh was also leviable.

Audit noticed failure of the ST to adequately scrutinise the dealer's application for issue of non-deduction of tax at source certificate, thereby allowing an excess claim of labour charge, resulting in short payment of tax on verification of records of one dealer out of 200 dealers test checked by Audit from the total 2924 registered dealers. ST may look into remaining 2724 cases to identify more such cases.

The case was reported to the Taxation Department, Government of Meghalaya in July 2019. The Department in its reply (April 2020) stated that notice was issued to the dealer to produce the book of accounts as to enable to carry out assessment. However, status of assessment done and recovery of dues made was not communicated to Audit (September 2020).

Audit examined the records of one unit office out of 23 unit offices in the State and noticed that the ST allowed excess claim towards labour charges which resulted in short payment of tax by a works contract dealer. The ST needs to adopt stringent procedures before issuing non-deduction of tax certificate in respect of the remaining dealers dealing in work contracts within his unit.

***The Department may look into similar issues in the case of other unit offices***

### **C Non-disclosure of turnover**

**[ST, Circle-II, Tura; March 2019]**

Under MVAT Act, 2970 dealers<sup>40</sup> were registered under the jurisdiction of ST, Circle-II, Tura. Out of the total registered dealers, Audit test checked records of 189

<sup>37</sup> Tax payable = 14.5% of ₹38461003 = ₹5576845.

<sup>38</sup> Tax short paid (₹ in crore)

Total work value	Exemption claimed towards labour, etc.	Taxable turnover of work disclosed by the dealer	Tax paid including ITC claim	Taxable sales turnover determinable after allowing exemption	Tax payable by the dealer	Tax short paid
5.13	2.28	2.85	26.49	3.85	55.77	29.28

<sup>39</sup> Calculated upto 31.03.2019.

<sup>40</sup> As on 30.06.2017

dealers (6 per cent) and noticed that two dealers<sup>41</sup> disclosed sales turnover valued at ₹11.43 crore<sup>42</sup> during the period from June 2010 to June 2017 for which they paid tax valued at ₹28 lakh<sup>43</sup>. The dealers did not disclose any deduction of TDS in their quarterly returns. The returns were not scrutinised by the ST either.

Audit cross verified records of the Executive Engineer (EE), Public Works Division (Roads), Barengapara, and observed that the same dealers were issued a works contract by the Chief Engineer, Public Works Division (PWD) (Roads), Meghalaya, Shillong valued at ₹23.64 crore<sup>44</sup> in August 2010. The EE had submitted the completion reports in March 2014<sup>45</sup> and February 2016<sup>46</sup> respectively. On examination of the RA bills it was noticed that a total amount of ₹24.72 crore<sup>47</sup> were paid to the dealers for the total works completed as on March 2015 without deducting any tax at source. The EE had also failed to furnish the information *viz.* TIN of the contractor, details of works and manner of deduction of tax at source to the appropriate assessing authority while entering into the contract as provided under Rule 40 of the MVAT Rules, and had passed the bills, without deducting any tax at source from the RA bills and the ST to verify the books of account of the dealer. Neither the dealer had not applied for a certificate of non-deduction of tax at source in Form 24A on this work from the Taxation Authority nor did the assessing authority had collected details of the works from the DDOs.

Thus, the dealer concealed turnover to the tune of ₹18.54 crore and evaded a minimum tax amounting to ₹2.22 crore<sup>48</sup>. Additionally, penalty (double the tax evaded) not exceeding ₹4.44 crore and interest of a minimum of ₹89.08 lakh<sup>49</sup> were also leviable for concealment of turnover as per relevant provision of the Act.

The cases were referred to the Taxation Department, Government of Meghalaya in May 2019. The ST stated (September 2019) that the onus of deducting of TDS lies with the DDO concerned and details of the work sanctioned, payments and TDS deductions are not shared with the taxation office, by the sanctioning Department. The reply of the ST is not tenable as the Assessing Officer (AO) has failed to collect the required information regarding details of the works contracts as well as payments received by the contractors during the financial year from the concerned government agencies of the State.

Further, the Department while accepting the audit observation (April 2020) stated that notice was issued to the dealer and at the same time the DDO was also requested to

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<sup>41</sup> Diwan B. Marak and Bimal Kr. Agarwala

<sup>42</sup> Diwan B. Marak - ₹3.08 crore and Bimal Kr. Agarwala - ₹8.35 crore

<sup>43</sup> Diwan B. Marak - ₹25 lakh and Bimal Kr. Agarwala - ₹3 lakh

<sup>44</sup> Diwan B. Marak - ₹11.48 crore and Bimal Kr. Agarwala - ₹12.16 crore

<sup>45</sup> In respect of the works executed by Bimal Kr Agarwala

<sup>46</sup> In respect of the works executed by Diwan B. Marak

<sup>47</sup> Diwan B. Marak - ₹11.93 crore and Bimal Kr. Agarwala - ₹12.79 crore

<sup>48</sup> Taxable sale under Section 5(2)(C) = 75 per cent of gross sale (₹24.72 crore) = ₹18.54 crore. Tax due = 13.5 per cent of taxable sale (₹18.54 crore) = (₹2.50 crore - ₹28 lakh) = ₹2.22 crore

<sup>49</sup> Calculated upto 31.03.2019.

furnish the information in respect of the dealer. However, further progress was not intimated to Audit (September 2020).

Due to failure of both the EE to deduct tax at source from the RA bills and of the ST to verify the books of account of the dealer, facilitated concealment of turnover and tax evasion.

Audit examined the records of one-unit office out of 23 unit offices in the State and noticed evasion of tax by a works contract dealer due to cumulative failure of the ST and DDO.

*The Department may look into similar issues in the case of works contractors in other unit offices.*





**CHAPTER – III  
STATE EXCISE  
DEPARTMENT**





## CHAPTER-III: STATE EXCISE DEPARTMENT

### 3.1 Tax Administration

The State Excise Department is responsible for collection of revenue under Assam Excise Act, 1910 (as adapted by Meghalaya), the Assam Excise Rules, 1945 (as adapted), the Assam Distillery Rules, 1945 (as adapted) and the Assam Bonded Warehouses Rules, 1965 (as adapted) and enforcement of Excise laws. Excise revenue comes from ad-valorem levy, establishment charges, various kinds of licence fees on foreign liquor/beer, country spirit, rectified spirit, *etc.* Further, import pass fee, export pass fee, transport pass fee, under bond pass fee, brand and label registration/renewal fee generate revenue for the Government exchequer.

The Principal Secretary/Commissioner and Secretary to the Government of Meghalaya, Excise, Registration, Taxation & Stamps (ERTS) Department is in overall charge of the State Excise Department at the Government level. The Commissioner of Excise (CoE) is the administrative head of the Department. He is assisted by a Joint Commissioner of Excise and Deputy/ Assistant Commissioners of Excise (DCEs/ ACEs). At the district level, the Superintendents of Excise (SsE) have been entrusted with the work of levy of excise duties and other dues from the licensees such as bonded warehouses, bottling plants, distilleries and retailer shops.

### 3.2 Results of Audit

Test check of the records of seven units during 2018-19 revealed non-realisation of duties, fees, *etc.* involving ₹41.42 crore in 52 cases, which fall under the following categories:

*Table 3.1*

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of duties <i>etc.</i>	24	6.35
2.	Loss of revenue	12	28.76
3.	Other irregularities	16	6.31
<b>Total</b>		<b>52</b>	<b>41.42</b>

During the year 2018-19, the Department accepted under assessments and other deficiencies of ₹3.69 crore in 19 cases. Reply in 22 cases was not furnished and in 11 cases, the Department did not accept the audit contention. The Department realised recoveries of ₹3.55 crore in six cases during the year.

A few illustrative cases having financial impact of ₹5.71 crore on under-non-realisation of licence fees, registration fees, non-realisation of Excise duty on import permits, etc., are discussed in the paragraphs 3.3 to 3.7.

### 3.3 Non-renewal of IMFL retail, bar and canteen licensees

#### Failure to renew licenses of 93 Indian Made Foreign Liquor (IMFL) retail, bars and canteen licensees resulted in non-recovery of ₹1.84 crore of revenue.

[Assistant Commissioner of Excise (ACE), Shillong, Superintendents of Excise (SsE), Jowai, Khliehriat, Williamnagar & Nongpoh; November 2017 – March 2019]

Assam Excise Rules, 1945 (as adapted by Meghalaya) (Rules 243, 244 and 252) provide for payment of annual licence fee for bonded warehouse, retail licensees and bottling plants in advance, at the rates prescribed from time to time for renewal of licenses. The validity period is from April of a year to March of the next year. The Excise Department, Government of Meghalaya in March 2017<sup>50</sup> had fixed the annual fee for renewal of retail licences and bars as under:

Table 3.2

Sl. No.	Type of Licence	Licence renewal fee (₹)
I	Retail 'OFF' licence <sup>51</sup>	150000
II	Retail 'ON' licence (Bar Licence) Starred Hotel	150000
III	Retail 'ON' licence (Bar Licence) Non-starred Hotel	75000
IV	Canteen licence	75000

Further, Section 29 read with Section 35 of the Assam Excise Act, 1910 (as adapted) stipulates that if any fee or duty payable by the licence holder has not been paid, the licence granted may be cancelled and any dues to the Government may be recovered from the defaulters from their surety, if any, by distress and sale of their movable property or as arrears of land revenue.

There were 684 IMFL retail, bar and canteen licensees registered in the State. Audit test checked the ACE<sup>52</sup> and four SsE<sup>53</sup> (November 2017 – March 2019) and noticed that out of 390 IMFL retail, bar and canteen licensees registered with ACE/ SsE, 118 IMFL retail, bar and canteen licensees failed to get their licenses renewed in advance for the period ranging between one year and two years (2017-18 to 2018-19) (*Appendix VIII*). The ACE/ SsE however, had not taken any action to direct the defaulting licensees to get their licenses renewed and subsequent payment of dues. The ACE/ SsE also did not recommend cancellation of the licences to the Commissioner of Excise (CoE) in order to prevent unauthorised operation of these retail licences in the State. Inaction on the part of the ACE/ SsE has, therefore,

<sup>50</sup> Vide Notification No. ERTS(E)24/2008/94 dated 15 March 2017

<sup>51</sup> 'OFF' licence is a term for a shop licenced to sell alcoholic beverages for consumption off the premises.

<sup>52</sup> ACE, Shillong.

<sup>53</sup> Superintendents of Excise, Nongpoh, Williamnagar, Khliehriat and Jowai.

resulted in non-renewal of licences and non-payment of licence fees amounting to ₹2.33 crore.

The cases were reported to the Excise Department, between March 2018 and May 2019. The Department in its reply (January 2020) intimated that licence fee amounting to ₹48.00 lakh was recovered from 20 IMFL retail licensees and five bar licensees. Further, it was stated that recovery of licence fee amounting to ₹24 lakh from 8 IMFL retail licensees under SE, Williamnagar was referred to the Certificate Officer (*Bakijai* Officer). However, further development has not been intimated (September 2020). In respect of one bar licensee<sup>54</sup>, the ACE, Shillong accepted ₹75000 as renewal licence fee instead of ₹150000 which resulted in short realisation of licence fee of ₹75000.

Thus, renewal licence fee amounting to ₹1.84 crore still remains to be recovered by the ACE/ SsE from 93 IMFL retail, bar and canteen licensees and there was no assurance that the licensees were not carrying on business on invalid licences.

***Recommendation: The Department may verify the remaining IMFL retail, bar and canteen licensees to check the validity of their licences. Further, the Government may digitise operations of Excise Department and information relating to bonded warehouses, liquor shops, bars, canteens licenses should be kept in digital form to facilitate timely renewal of the licences.***

### **3.4 Non-recovery of licence fee from Bonded Warehouses**

**The Commissioner of Excise (CoE) failed to realise advance licence fee of ₹2.24 crore from 38 bonded warehouses for the year 2019-20. The Department has recovered the entire amount at the instance of Audit.**

**[Commissioner of Excise (CoE), Shillong; May 2019]**

Assam Excise Rules, 1945 (as adapted by Meghalaya) (Rule 243) provides for payment of annual license fee in advance, at the rates prescribed from time to time for renewal of licences. The validity period of the licensees is from April of a year to March of the next year. The Excise Department in December 2018<sup>55</sup> revised the rate of renewal of licence fee for bonded warehouse as under:

**Table 3.3**

Sl. No.	Category	Criteria	Licence renewal fee (₹)
I	A	Turnover of more than ₹20 crore per annum	1500000
II	B	Turnover between ₹10 crore and ₹20 crore per annum	1200000
III	C	Turnover of less than ₹10 crore per annum	350000

Further, Section 29 read with Section 35 of the Assam Excise Act, 1910 (as adapted) stipulates that if any fee or duty payable by a licence holder has not been paid, the licence may be cancelled and any amount payable to the Government may be

<sup>54</sup> M/s Orchid Hotel ( being a starred hotel)

<sup>55</sup> Vide notification dated ERTS(E)24/2008/183 dated 19 December 2018

recovered from the defaulters by sale of their immovable property or as arrears of land revenue.

Audit of records<sup>56</sup> of the CoE (May 2019) revealed that all the 38 bonded warehouses in the State, whose turnover ranged between ₹nil and ₹27.73 crore per annum, failed to get their licences renewed in advance for the year 2019-20. No action was taken by the CoE to either direct the defaulters to get their licenses renewed or to cancel their licences. Instead, import permits were issued to these bonded warehouses. Thus, CoE failed to recover licence fee amounting to ₹2.24 crore (May 2019) (*Appendix IX*)

On the cases being reported to the Excise Department (July 2019) the CoE recovered (January 2020) total fees of ₹2.24 crore as renewal licence fee from 38 bonded warehouses.

***Recommendation: The Department may digitise all information relating to bonded warehouses so that the renewal of licences and payment of licence fee is monitored effectively. Before issuing import permits to the licensees, the Department Officials need to invariably verify the validity of the dealer's license.***

### **3.5 Non realisation of registration fees for registration of brand names.**

**Commissioner of Excise (CoE) registered 39 brands of eight distilleries/ companies/ bonded warehouses without realising registration fee amounting to ₹19.90 lakh.**

#### **[Commissioner of Excise (CoE), Shillong; May 2019]**

Assam Excise Rules 1945 (as adopted), (Rules 363 (1), 364 and 365) provide that no person can manufacture or sell any brand of alcoholic liquor in the State unless the brand name and the label of that product are registered with the CoE. The registration is valid up to 31 March of the next year after which it may be renewed on payment of prescribed fee. The manufacturer is required to submit applications for renewal of the certificate of registration for any year along with renewal fee, at least one month prior to the start of the year of registration *i.e.* before the last day of February of the preceding year. The Excise Department, Government of Meghalaya had fixed the fee for brand name registration fees at ₹60000 and ₹35000 for IMFL and beer brands respectively and at ₹50000 for those imported brands<sup>57</sup> bottled in the place of origin (BIO).

Audit of records (May 2019) of the CoE revealed that registrations of 54 brands manufactured by 12 distilleries/ companies out of a total 417 brands manufactured by 46 distilleries/ companies were renewed for the year 2017-18 and 2018-19, without recovery of brands registration fees amounting to ₹28 lakh (*Appendix X*). Though the CoE directed the dealers to pay the registration fee within 15 days from the date of issue of the approval letters, 12 distilleries/ companies did not pay the registration fee.

<sup>56</sup> May 2019

<sup>57</sup> Vide notification NO.ERTS(E) 06/2004/Pt/37 dated 20 March 2005

The registration of brands without realisation of the stipulated fees has not only resulted in non-realisation of revenue, but also the possibility of these products being sold in the State without payment of registration fee cannot be ruled out.

The cases were reported to the Excise Department in July 2019. The Department recovered ₹8.10 lakh from four companies as registration fee for 15 brands. It was further stated that two companies/ distilleries<sup>58</sup> out of the remaining eight companies/ distilleries did not register the brands. On examination it was seen that the two companies/ distilleries had applied for registration, which was allowed by the CoE, and as such, the reply stating that the two companies/ distilleries did not register is factually incorrect. The status of recovery of registration fees of the remaining 39 brands of eight companies amounting to ₹19.90 lakh had not been intimated (September 2020).

**Recommendation:** *The CoE may reiterate instructions to ensure that the applicable registration fees are duly realised by the Departmental officials at the time of granting registration of brands. Further, the Department may not issue permits for import and sale of unregistered brands.*

### 3.6 Non-renewal of security deposits

**Security deposits of ₹43.10 lakh were not obtained from 75 IMFL and 14 Bar licensees.**

**[Assistant Commissioner of Excise (ACE), Shillong, Superintendents of Excise (SsE), Williamnagar, Tura, Nongpoh & Khliehriat; July 2018 – March 2019]**

Meghalaya Excise Rules (Rule 246), provides for a security in the form of ‘Call Deposit’ or ‘Fixed Deposit’ valid for five years (to be pledged in favour of the Commissioner of Excise (CoE) by IMFL/ Bar licensees as a guarantee for due observance of the terms and conditions of the licence and prompt payment of licence fees. The Excise Department had fixed the security deposit at ₹300000 for a bonded warehouse, ₹50000 for an IMFL retailer licence and ₹40000 for a Bar licence (October 2010).

Audit of records (July 2018-March 2019) revealed that the “call deposits” pledged as security by two bonded warehouses, 114 IMFL licensees and 15 Bar licensees out of 29 bonded warehouses, 406 IMFL licensees and 55 Bar licensees (*Appendix XI*) in the State had expired for a period ranging between 34 days and 3069 days<sup>59</sup> and were not renewed. Despite non-renewal of security deposits over such a long period of time, no action was taken by the ACE/ SsE to direct the IMFL/ Bar licensees to get their licences renewed, resulting in non-realisation of security deposit amounting to ₹69 lakh in these cases.

It was further noticed that 11 IMFL licensees under SE, Khliehriat whose security deposit certificates were not produced to Audit had also defaulted payment of licence

<sup>58</sup> i) Mangallam Distilleries & Bottling Industries and ii) Klasic Business Advisory Pvt Ltd

<sup>59</sup> Period of delay reckoned up to 31 March 2019.

fees amounting to ₹37.50 lakh for a period ranging from one year to three years (*Appendix - XII*).

The inaction of the ACE/SsE in not realising the security deposits was fraught with the risk of loss of revenue in case of default in payment of licence fees or for other probable violations of the Excise Act in future by the aforesaid licensees. The Department may look into similar issues in the other three units also.

On the cases being reported to the Excise Department (April - May 2019), they intimated (March 2020) recovery of ₹25.90 lakh as security deposit from two bonded warehouses, 39 IMFL licensees and one Bar licensee. Balance dues of security deposit of ₹43.10 lakh from the remaining 75 IMFL licensees and 14 Bars licensees had not been communicated (September 2020).

***Recommendation: The Department may ensure that security deposits are obtained from all the licensees, for protection of Government revenue in case of default by any of the licensee on licence conditions. The Department may use IT systems to maintain detail of security deposits. The Department may also ensure internal audit to check timely renewal of licence fees and security deposits.***

**3.7 Excise duty not realised for non-executed import permits**

**The Commissioner of Excise (CoE) failed to realise excise duty of ₹10.56 lakh from four bonded warehouses that failed to execute eight import permits.**

**[CoE, Shillong; May 2019]**

Rule 2, 3 and 4 of the Assam Excise Rules, 1945 (as adopted by Government of Meghalaya) stipulates that no Indian Made Foreign Liquor (IMFL) in whatever quantity, can be imported by a licensed vendor, unless an application was made and a pass has been issued by the CoE. Further, Rule 370 of the Meghalaya Excise (Amendment) Rules, 1995 provide that no import permit shall be issued to any person unless an import pass fee for the privilege of such import has been paid.

The CoE (May 2014 and February 2015) advised that all import permits not executed within the validity period<sup>60</sup> should be returned for revalidation or cancellation within 10 days of expiry for local permits and within 15 days of expiry for permits from outside the State and the import permits whose validity had expired will be extended once and thereafter will not be considered for further extension. The CoE in his instructions *ibid* further stipulated that for import permits not executed or cancelled, the duty involved therein would have to be borne by the bonders.

Audit of records of the CoE revealed that six import permits<sup>61</sup> issued to four bonded warehouses<sup>62</sup> for import of 40 cases of IMFL and 5400 cases of beer between August

<sup>60</sup> Validity period for import permits is 45 days for import from within the State and 60 days for import from outside the State.

<sup>61</sup> Import permits No. VWB/109 dated 23.08.2017; No. VWB/114 dated 24.08.2017; No. OSB/97 dated 09.07.2018; No. VRB/87 dated 06.07.2018; No. RAMB/63 dated 09.07.2018; and No. RAMB/187 dated 19.12.2018.



2017 and December 2018, were not executed (May 2019). The bonded warehouses neither furnished non-execution certificate nor revalidated or cancelled them following the expiry of the validity period (**Appendix XIII**). Further, the CoE also did not take any action to revalidate/cancel the import permits or to recover the excise duty of ₹10.56 lakh as per the existing instruction of CoE. This resulted in non-recovery of excise duty amounting to ₹10.56 lakh.

Thus the CoE's failure to monitor the activities of the bonded warehouse, resulted in non-execution of import permits and consequent non-realisation of excise duty to the tune of ₹10.56 lakh in four bonded warehouses. The Department ought to look into similar issues in the other 36 bonded warehouses as well.

The cases were reported to the Excise Department in April - May 2019. The Department stated (March 2020) that the import permits were cancelled between February 2018 to February 2020. The delays in cancellation of the permits, ranging for more than three months to one year 5 months (after the expiry of the prescribed fifteen days period required for revalidation or cancellation), clearly indicates absence of mechanism to monitor execution of import permits issued.

***Recommendation: The Department may develop a mechanism to check execution of import permits issued. On failure of execution within the validity period, the applicable excise duty should immediately be realised from the bonded warehouse.***

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<sup>62</sup> M/s VW Bonded Warehouse, M/s OS Bonded Warehouse, M/s VR Bonded Warehouse and M/s RAM Bonded Warehouse.



**CHAPTER – IV**  
**TRANSPORT**  
**DEPARTMENT**





## CHAPTER-IV: TRANSPORT DEPARTMENT

### 4.1 Tax Administration

The collection of road tax is governed by the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder and the Assam Motor Vehicle Taxation Act, 1936 (as adapted by Government of Meghalaya). The Transport Department is responsible for collection of taxes, fees and fines on motor vehicles in Meghalaya. Motor vehicle tax is realised primarily from all commercial vehicles registered in the State and One Time Tax of 15 years is realised in case of private vehicles. For commercial vehicles, motor vehicle tax is realised every year and the vehicle owner has the option to pay it quarterly, half yearly or annually. Besides, composite fee in lieu of motor vehicle tax is also collected from commercial vehicles bearing national permit/ tourist permit of other states plying in the State. Further, there is provision for levy and collection of fines for various offences, which are imposed under the respective Acts and Rules.

The Additional Chief Secretary to Government of Meghalaya, Transport Department is in overall charge of the Transport Department at the Government level. The Commissioner of Transport (CT) is the administrative head of the Department. He is assisted by an Assistant Commissioner of Transport and the Secretary, State Transport Authority (STA). At the district level, there are 11 District Transport Officers (DTOs) who have been entrusted with the responsibilities of registration of vehicles, issue of permits including collection of duties. The Secretary, STA is responsible for issue of national, inter-State and inter-district permits for commercial vehicles and realisation of fees thereon.

### 4.2 Results of Audit

Test check of records of eight units out of fifteen units relating to the Transport Department during 2018-19 revealed non-realisation of taxes, fees and fines, *etc.* involving ₹84.82 crore in 44 cases, which fall under the following categories:

*Table 4.1*

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/ Short realisation of revenue	15	5.27
2.	Loss of revenue	11	8.04
3.	Other irregularities	18	71.51
<b>Total</b>		<b>44</b>	<b>84.82</b>

During the year 2018-19, the Department accepted under assessments and other deficiencies of ₹8.91 crore in 19 cases. The Department did not furnish replies in 12 cases and in 18 cases, the audit observations were not accepted. No recovery was intimated in any of the cases during the year.

A few illustrative cases having financial impact of ₹2.32 crore on non-levy of fine, road tax, etc., and other provisions of the Acts are discussed in paragraphs 4.3 to 4.5.

#### **4.3 Non-renewal of Commercial permits by vehicle owners**

##### **District Transport Officers/State Transport Authority failed to realise permit fee from commercial vehicle owners due to non-renewal of their lapsed permits**

**[DTOs, Khliehriat, Mawkyrwat, Williamnagar, Nongpoh, Shillong and STA, Meghalaya; May 2018-June 2019]**

Under Section 81(1) and (2) of the Motor Vehicles Act, 1988, the validity of a commercial permit issued to a passenger/goods vehicle is for five years and may be renewed on the basis of an application and on payment of the permit fee<sup>63</sup>, made not less than 15 days before the expiry of the permit. The use of vehicles without valid permit would attract a minimum penalty of ₹2000 under Section 192A of the MV Act.

Further, as per Section 66 of the Act *ibid*, no owner of a vehicle shall use his vehicle as a transport vehicle in any public place without a valid permit, whether or not such a vehicle is actually carrying a passenger or not. Rule 31 of the Assam Motor Vehicle Taxation (AMVT) Rules, 1936 (as adopted by Government of Meghalaya) further stipulates that if the vehicle is off-road for more than three months, then the owner of the vehicle must surrender the permit together with the Registration Certificate to the DTO supported with a declaration in Form 'H'.

Audit of records (May 2018-June 2019) of five DTOs and one STA, out of total eleven DTOs and one STA revealed that 2400 vehicles owners<sup>64</sup> out of 4525 vehicles owners<sup>65</sup> did not renew their permits for various periods between June 2014 and March 2019. For non-renewal of permits after expiry of validity period, penalty of ₹47.82 lakh was leviable under the provision of Section 192A of MV Act. Though, the details of the defaulters can be identified from the VAHAN software/registers maintained by the DTOs/STA, they did not take action to get the same renewed and to realise the penalty. Moreover, since declaration in Form 'H' are not available, the possibility of vehicles being on road could not be ruled out. Thus, inaction on the part

<sup>63</sup> ₹300 for Three Wheeler, ₹500 for Goods Carrier and National permit, ₹1000 for Maxi Cab/Tourist Taxi/Motor Cab and ₹3000 for Bus.

<sup>64</sup> DTO, Khliehriat: 47 vehicles, DTO, Mawkyrwat: 136 vehicles, DTO, Williamnagar: 383 vehicles, DTO, Nongpoh: 338 vehicles, DTO, Shillong: 1041 vehicles and STA, Meghalaya: 455 vehicles

<sup>65</sup> Total number of vehicles under STA, Meghalaya not available as it is yet to implement the VAHAN software. Audit extracted the information from the manual register maintain by the STA.

of the DTOs and STA had resulted in non-realisation of permit fees of ₹17.24 lakh<sup>66</sup> and penalty of ₹47.82 lakh.

The cases were reported to the Transport Department, Government of Meghalaya between October 2018 and July 2019. The Department stated (September 2020) that 333 vehicle owners under DTOs, Khliehriat and Shillong have renewed their permits and fines amounting to ₹1.03 crore were realised. It was further stated that show cause notices were issued by DTO, Mawkyrwat and random checking was resorted to by DTO, Nongpoh. In respect of DTO, Williamnagar, it was stated that most of the vehicle owners have renewed their permits. In respect of STA, Meghalaya, the Department stated that they have realised ₹29.34 lakh towards renewal and authorisation fees from 626 vehicle owners as against 455 vehicle owners pointed out by audit. However, the respective DTOs did not furnish details of amount realised from the vehicle owners. In absence of such details, audit cannot verify as to whether the 455 vehicle owners pointed out by audit were included as part of the 626 vehicle owners who have now renewed the permits as stated by the Department. No further reply was communicated (September 2020).

Audit detected failure of DTOs and STA to levy fine on vehicles plying without renewal of permit on verification of records of five DTOs and one STA out of the total 11 DTOs and one STA.

*The Department may look into similar cases in the other six DTOs as well.*

#### **4.4 Non-realisation of counter signature permit fees**

**The STA neither took follow up action nor streamlined the collection system of bank drafts, resulting in non-realisation of countersignature permit fees on permits issued by other States.**

**[State Transport Authority (STA), Meghalaya; June 2019]**

Section 88 of the Motor Vehicles (MV) Act, 1988 stipulates that a permit granted in any one State shall not be valid in another State unless the permit is countersigned by

66

Name of DTO/STA	Type of vehicles	Number of vehicles	Rate of permit fee (₹)	Total fee (₹)
STA, Meghalaya	Maxi Cab	74	1000	74000
	Tourist Taxi	327	1000	327000
	National permit	54	500	27000
DTO, Shillong	Motor Cab	711	1000	711000
	Three Wheeler	53	300	15900
	Goods Carrier	252	500	126000
	Bus	25	3000	75000
DTO, Nongpoh	-	338	300	101400
DTO, Williamnagar	-	383	300	114900
DTO, Mawkyrwat	Goods Carrier	62	500	31000
	Motor Cab	74	1000	74000
DTO, Khliehriat	Motor Cab	37	1000	37000
	Bus	2	3000	6000
	Goods Carrier	8	500	4000
<b>Total</b>	-	<b>2400</b>	-	<b>1724200</b>

the State Transport Authority (STA) of the latter State on payment of Composite Fee (CF)<sup>67</sup> fixed by the former State. The rate of CF for each vehicle is fixed at ₹300 for motor cabs, ₹3000 for maxi cabs and ₹12000 for omni buses per quarter per State, other than home State and renewable thereafter. The CF is payable by bank draft and remitted to the STA, Meghalaya when vehicles which have been issued permits by other states are authorised to ply in Meghalaya.

Audit of records of STA, Meghalaya revealed that 1853 bank drafts were forwarded by the STAs Assam and Arunachal Pradesh pertaining to the period from July 2018 to March 2019. Out of the above bank drafts, 1041 bank drafts (56 per cent) amounting to ₹39.64 lakh were returned back by the STA, Meghalaya to the STAs<sup>68</sup> concerned of other states as they had become time-barred or received with incorrect drawee bank address. The remaining 812 bank drafts were found to be valid. Further examination of records revealed that the STAs of other States belatedly forwarded the bank drafts which were already time barred. Thereafter, neither the bank drafts that were sent for revalidation were received back, nor did the STA, Meghalaya initiate any follow up action to obtain the revalidated bank drafts. Thus, failure of the STA, Meghalaya to initiate follow up action to get back the revalidated bank drafts or streamline the entire system of countersignature of permit has not only resulted in non-implementation of the provision for countersignature of permits but also resulted in non-realisation of revenue to the State to the tune of ₹39.64 lakh.

On the cases being reported to the Transport Department, Government of Meghalaya in (July 2019), the Department stated (September 2020) that the bank drafts received from STA, Assam had already expired at the time of receipt and the same were returned for revalidation. The Department reiterated (September 2020) that this process of returning the expired bank drafts to the STA, Assam for revalidation from the concerned banks would continue.

Similar nature of the observations were brought to the notice of the Department in the Audit Report of the Comptroller and Auditor General (Revenue Sector) for the year ended 31 March 2016 under the Performance Audit of “Functioning of Transport Department”. The fact that these irregularities continued showed that the Department had done nothing to change the prevalent system.

**Recommendation:** *STA may develop a mechanism to receive the remittances from other STAs by e-payments or by way of designated bank accounts where the money could be deposited by any mode, by the permit holders and do away with the outdated system of receiving money on bank drafts.*

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<sup>67</sup> Composite Fee is a fee levied on passenger vehicles covered by All India Permits granted by State Transport Authority of other States, other than the State of Meghalaya.

<sup>68</sup> 1038 to STA, Assam and 3 to STA, Arunachal Pradesh



#### 4.5 Non-realisation of road tax

**Despite availability of VAHAN computerised application system, the Department failed to recover road tax of ₹1.24 crore from 3437 commercial vehicles**

**[District Transport Officers (DTOs), Shillong, Mawkyrwat, Williamnagar, Khliehriat and Nongpoh; May 2018 - June 2019]**

Under Section 5 of the Assam Motor Vehicle Taxation (AMVT) Act (as adopted by the Government of Meghalaya) and Rules made there under, every owner of a registered commercial vehicle has to pay road tax in advance either annually or quarterly in four equal instalments<sup>69</sup> in April, July, October and January. In cases where the vehicle owners fail to pay tax, demand notices are to be issued promptly directing the defaulters to pay the tax due, failing which the following actions as per provisions of both the Motor Vehicles (MV) Act 1988 and the AMVT Act are to be initiated. These include suspension of certificate of Registration (RC), seizure/detention of vehicles, recovery of tax as arrears of land revenue (Section 53, 207 and 16 of AMV Act).

Further, Rule 31 of the AMVT Rules, 1936 stipulates that if the vehicle is off-road for more than three months, the owner of the vehicle must surrender the permit together with the Registration Certificate to the DTO supported with a declaration in Form 'H'

Section 177 of the MV Act, 1988 further stipulates that whoever contravenes any provision of the Act or of any rule, regulation or notification made there under shall, if no penalty is provided for the offence, be punishable with a fine, which may extend to one hundred rupees.

Meghalaya has computerised the functioning of the DTOs through the application of *Vahan*<sup>70</sup> software, for all activities related to registration of both private and commercial vehicles. It includes calculation of fees and taxes, fitness of vehicles and other transactions such as transfer, conversion, alteration, *etc.* In addition, the software has the facility to generate list of defaulters for non-payment of motor vehicle tax and penalty if any, levied. After computerisation tax payment were directly uploaded in the VAHAN portal.

Audit of *Vahan* database (May 2018- June 2019) of the five DTOs<sup>71</sup> out of 11 DTOs in the State revealed that out of 19290 vehicle owners, 3437 commercial vehicles owners<sup>72</sup> (18 *per cent*) had not paid road tax of ₹1.24 crore pertaining to the period

<sup>69</sup> On or before 15<sup>th</sup> of each of these four months

<sup>70</sup> *Vahan* is an application software for registration of vehicles, collection of taxes, issuing various certificates, permits and recording of fitness of vehicles *etc.*

<sup>71</sup> DTOs Shillong, Mawkyrwat, Williamnagar, Khliehriat and Nongpoh.

<sup>72</sup>

Name of the DTO	No. of vehicles	Road Tax (₹)
Shillong	1949	4423845
Mawkyrwat	106	663180
Williamnagar	129	449830
Khliehriat	126	374430
Nongpoh	1127	6461620
<b>Total</b>	<b>3437</b>	<b>12372905</b>

from March 2013 to February 2019<sup>73</sup>. There was no evidence to prove that the vehicles were off road either as no Form 'H' was made available to Audit.

Despite having access to the software, the DTOs did not take action to recover tax due from the owners of the 3437 defaulting vehicles. Further, for non-payment of road tax, the DTOs neither suspended the registration of any of the vehicles, nor detained any defaulting vehicles or referred the cases to the Deputy Commissioners for recovery of road tax as proceedings of arrears of land revenue. Thus, inaction of the DTOs in taking appropriate action as per the provision of the MV Act/AMVT Act, has resulted in non-realisation of road tax amounting to ₹1.24 crore. Penalty is also leviable for non-payment of the tax dues.

On the cases being reported to the Transport Department, Government of Meghalaya (October 2018 and July 2019), the Department stated (September 2020) that demand notices were issued by DTOs, Mawkyrwat and Khliehriat, while DTO Nongpoh had resorted to random checking. In respect of DTO, Shillong, it was stated that tax will be recovered from the vehicle owners at the time of renewal of documents and in case of failure to renew, the registration certificates would be suspended and the cases would be referred to the *Bakijai* Officer. DTO, Williamnagar informed that enforcement officials were instructed to take necessary action as per MV Act and Rules while checking vehicles on road.

Thus, the DTOs failed to utilise the facility provided in the VAHAN software to detect the arrears of road tax until pointed out by audit on sample verification of records of five out of the 11 DTOs in the State.

**The Department may take action on similar issues and cases in the remaining six DTOs also.**

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<sup>73</sup> ranging from ₹750/₹225 to ₹5250/₹1150 per annum/per quarter upto October 2018 and from ₹1030/₹315 to ₹7350/₹2100 per annum/per quarter wef November 2018

**CHAPTER – V**  
**FOREST &**  
**ENVIRONMENT**  
**DEPARTMENT**





## CHAPTER-V: FOREST & ENVIRONMENT DEPARTMENT

### 5.1 Tax Administration

Meghalaya ranks fourth among the states in terms of percentage of forest cover in the country. The forest and tree cover of the State is 17803 sq.km (79.37 *per cent* of the total geographical area of the State) contributing 2.26 *per cent* of India's total forest and tree cover. Unlike the rest of the country where forests are mostly owned by the State and managed by the State Forest Department, in Meghalaya, substantial forest areas are under the un-classed category and are owned by private individuals, clans, village councils, district councils and other traditional community institutions. Only 1145.19 sq. km of forest areas comes under the direct control of the Forest Department<sup>74</sup> in the form of Reserved Forests, Protected Forests, National Park and Wildlife Sanctuaries. The remaining forest areas are managed and administered by three Autonomous District Councils<sup>75</sup> of the State. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation, 1891 (as adopted by Government of Meghalaya).

The Principal Secretary (Forest and Environment) is the administrative head of the Department. Principal Chief Conservator of Forests (PCCF) is the head of the Department and is responsible for all forestry, wildlife and allied activities. The PCCF is assisted by Chief Conservators of Forests (CCFs) and Conservators of Forests (CFs). The Department is divided into four circles viz. Territorial, Wildlife, Social Forestry & Environment and Research & Training.

At the field level, there are 20 Divisions, each headed by a Divisional Forest Officer (DFO). DFOs are responsible for general administration, enforcement of the Forest Acts and Regulations, implementation of various schemes and monitoring of forest activities. Range Officers (ROs) assist DFOs.

### 5.2 Results of Audit

Test check of records of 13 units out of 33 units relating to the Forest & Environment Department during 2018-19 revealed under-assessment of tax and other irregularities involving ₹315.36 crore in 62 cases which fall under the following categories:

<sup>74</sup> Source: Forest Survey of India State Forest Report 2017

<sup>75</sup> Garo, Khasi and Jaintia Autonomous District Councils

Table 5.1

			(₹ in crore)
Sl. No.	Category	Number of cases	Amount
1.	Non/ Short realisation of revenue	43	269.01
2.	Loss of revenue	13	44.82
3.	Other irregularities	6	1.53
<b>Total</b>		<b>62</b>	<b>315.36</b>

During the course of Audit, the Department accepted under assessments and other deficiencies of ₹114.26 crore in 49 cases. No recovery was intimated in any of the cases during the year 2018-19. The Department did not furnish replies in the remaining 13 cases.

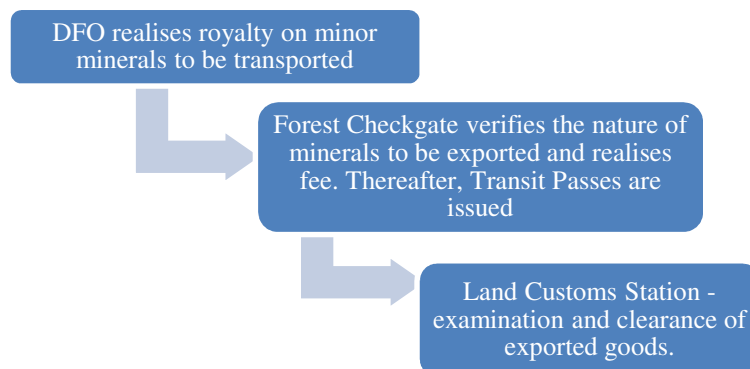
A few illustrative cases having financial impact of ₹16.25 crore on loss of revenue due to under reporting of export, non-realisation of fee on transit pass and other provisions of the Acts are discussed in paragraphs 5.3 to 5.4.

**5.3 Under reporting of export of boulders and limestone by Forest check-gates**

**Three Forest check-gate under-reported export of stone/ boulders and limestone exported to Bangladesh resulted in non-recovery of revenue of ₹1.73 crore.**

**[DFO (Territorial) Shillong and Jowai; February-March 2019]**

The Forest Department issues transit passes for transporting extracted minor mineral on the basis of pre-payment of royalty. Further, Section 40 of the Meghalaya Forest Regulation (Application and Amendment) Act, 1973 read in conjunction with Rule 2(a)(iii) of the Transit Rules under the Act *ibid* states that, no forest produce shall be removed unless covered by a transit pass issued by a forest officer, in token of full payment of royalty. The DFO was required to collect an additional amount of 10 per cent of the sale value as contribution to Meghalaya Minor Mineral Reclamation Fund (MMMRF) at the time of issuing the transit pass. In order to check illegal transportation of minor minerals and forest produce, the Forest Department had established 37 check-gates in the State for regulating and control of export of minor minerals and other forest produce. The procedure involved in export of minor minerals outside the Country is indicated in the work flow chart below:



In Meghalaya, the rate of royalty for boulders is ₹240 per cum and contribution to MMMRF<sup>76</sup> is ₹130 per cum. The rate of royalty for limestone is ₹80 per MT and contribution to MMMRF is calculated at the rate of 10 per cent of the sale proceeds<sup>77</sup> of minor minerals. In case of exports, sale value would be determined as per the Letter of Credit.

Audit test checked ten check-gates<sup>78</sup> (February-March 2019) out of 37 check-gates and noticed that the Department had established check-gates at Erbamon (Pynursla) and Majai-Bholaganj, under the control of the DFO (Territorial) Khasi Hills Division, Shillong and at Dawki, under the control of the DFO (Territorial) Jaintia Hills Division, Jowai for regulating export of minor minerals from Khasi Hills and Jaintia Hills to Bangladesh. The export of such minerals to Bangladesh through Khasi Hills and Jaintia Hills are required to pass through the Land Custom Station (LCS) under the Custom Department, Government of India situated at Dawki and Majai-Bholaganj.

Our cross verification of the records with the LCS at Dawki under the Customs Department, with the records<sup>79</sup> of the forest check-gates, revealed that the forest check-gates located at Erbamon (Pynursla) and Dawki under reported export of 0.34 lakh Cu.m of stone/boulder to Bangladesh during 2017-18. Similarly, for export of limestone under reporting was seen by Forest check-gate at Majai-Bholaganj to the tune of 0.34 lakh MT limestone exported to Bangladesh during 2017-18. The details are tabulated below:

**Table 5.2- Under reporting of export of minerals by forest check-gates**

Forest Check-gates	Land Custom Stations	Quantity reported by Forest Check gates	Quantity reported by land Custom Station	Under reported by forest Check-gates	Royalty not realised (₹ in lakh)	MMMRF not realised (₹ in lakh)
Dawki and Erbamon (in lakh Cu.m)	Dawki	1.16	1.50	0.34	80.57	43.65
Majai-Bholaganj (in lakh MT)	Majai-Bholaganj	3.28	3.62	0.34	27.20	21.42
<b>Total</b>					<b>107.77</b>	<b>65.07</b>

<sup>76</sup> Based on sale price of ₹1300 per cum as per the Meghalaya Public Works Department Schedule of Rates 2015-16 as communicated by Forest Department.

<sup>77</sup> Sale value for limestone was decided at \$10 per MT as per letter of credit issued by the importers in Bangladesh. Thus, the contribution to MMMRF was \$1 per MT (10 per cent of sale value). For calculation purpose, the exchange rate has been taken as \$1 = ₹63.

<sup>78</sup> Bagli, Bholaganj, Erbamon, Byrnihat and Khanapara under Khasi Hills Division and Thangskai, Umkiang, Amsarin (Dawki), Saitsama and Saphai under Jaintia Hills Division.

<sup>79</sup> Audit called for details of royalty realised from export of minerals and observed the details from the registers maintained by the DFOs for this purpose.

From the above table, it appears that a total quantity of 1.16 lakh cum of stone/ boulder was exported to Bangladesh between April 2017 and March 2018 through the forest check-gates located at Erbamon (Pynursla) and Dawki and 3.28 lakh MT of limestone was exported through the forest check-gate of Majai-Bholaganj. However, as per the records of LCS situated at Dawki and Majai-Bholaganj a total quantity of 2.51 lakh MT *i.e.* 1.50 lakh cum<sup>80</sup> of boulders and 3.62 lakh MT of limestone respectively was exported to Bangladesh during the aforementioned period.

The mismatch between the data of the three forest check-gates showed absence of monitoring of the check-gates by the DFOs. The forest check-gates at Erbamon (Pynursla) Dawki had under-reported 0.34 lakh cum quantity of boulders and Majai-Bholaganj under reported 0.34 lakh MT of limestone exported to Bangladesh. This resulted in unauthorised transportation and non-collection of royalty amounting to ₹1.08 crore and MMMRF of ₹65.07 lakh<sup>81</sup>.

The cases were reported to the Forest and Environment Department, Government of Meghalaya in July 2019.

The Department in its reply (March 2020) stated that as per reconciliation report, total quantity of 3.06 MT of limestone was transported through the LCS Majai-Bholaganj and hence there was no under-reporting. Audit examined the reconciliation report, which revealed that the information provided pertains to the period from October 2017 to March 2018 and not from April 2017 to March 2018 as reported in audit. The claim of the Department that there was no under-reporting on the basis of incomplete information was therefore, factually incorrect.

The case of under-reporting of 1.05 lakh cum boulders exported to Bangladesh during the year 2016-17 through Dawki check-gate resulting in loss of revenue amounting to ₹3.89 crore was mentioned in the Audit Report for the year ended 31 March 2018. The matter was also discussed in the meeting of the Public Account Committee (PAC) held on 15 January 2020, however, action taken by the Department is yet to be intimated (September 2020).

Failure of the DFOs to monitor the activities of the forest check-gate under their jurisdiction, has resulted in the check-gate officials under-reporting the quantity of boulders and limestone actually transported through the check-gate which led non recovery of ₹1.73 crore.

***Recommendation: The Department may strengthen the system of recording of mineral transported from the check-gates and establish system of cross verification with the Land Custom Stations (LCSs) in case of export of minerals. They may fix responsibility on the erring officials for the revenue leakage. There should also be regular reconciliation of figures of transport permits issued and validated at Forest check-gates and Land Custom Stations.***

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<sup>80</sup> As per the conversion table of the Meghalaya Cess Rules, 1989, 1.680 MT = 1 cum

<sup>81</sup> 33574 cu.m x ₹130 per cu.m = ₹4364620.



#### 5.4 Non-realisation of fee for issue of transit pass

**The State Forest Department failed to realise a fee of ₹11.87 crore at the check-gates while issuing transit passes to 118682 trucks, transporting limestone outside the State.**

**[DFO, Jaintia Hills Territorial Division, Jowai; February 2019]**

Under Section 15 of the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, Government of Meghalaya, the Mining and Geology Department notified the Meghalaya Minor Minerals Concession Rules (MMMCR), 2016 for regulating the grant of mining leases and quarry permits in respect of minor minerals. Clause (g) of Rule 2 read with Schedule III of the Rule *ibid* provides that limestone of any grade may be termed as minor minerals when it is used in kilns for manufacturing of lime used as building materials.

Under Section 40 of the Meghalaya Forest Regulation (Application and Amendment) Act 1973 read with Rules 2(a)(iii) of the Transit Rules under the Act *ibid*, no forest produce shall be removed unless covered by a transit pass issued by a forest officer, in token of full payment of amounts due to the Government.

The Department of Forest & Environment, Government of Meghalaya had 37 check-gates out of which, 23 check-gates were established along the inter-State boundary in order to prevent unauthorised transportation of forest minerals and to ensure payment of royalty and other fees. The Department of Forest & Environment, Government of Meghalaya notified (October 2013) that all trucks carrying minor minerals outside the State shall be required to pay a sum of ₹1000 per truck as transit fee at the State Forest check-gate, established along the inter-state boundary.

Audit observed (February 2019) from the records<sup>82</sup> of the DFO, Jaintia Hills Territorial Division, Jowai that 118682 trucks were issued transit passes by three check-gates<sup>83</sup> for transporting limestone outside the State/country between October 2016<sup>84</sup> and March 2018, without realising the fees at the prescribed rates from the trucks as per the Government notification. Thus, inaction on the part of the DFO and the Departmental staff has not only resulted in contravention of the Government's notification but has also led to non-realisation of fee of ₹11.87 crore<sup>85</sup> to the Government.

The case was reported to the Forest and Environment Department, Government of Meghalaya in July 2019. The Department in its reply (March 2020) stated that minerals accrued from mining lease areas under MMMCR, 2016 was certified as

<sup>82</sup> Audit called for the number of trucks transporting limestone that passed through the Forest check-gates under the jurisdiction of the DFO, Jaintia Hills Territorial Division, Jowai.

<sup>83</sup> (i) Dawki, (ii) Umkiang and (iii) Thangskai.

<sup>84</sup> The MMMCR came into effect from September 2016 and hence the details were taken with effect from October 2016.

<sup>85</sup> fee for issuing of transit pass = 118682 trucks x ₹1000 per truck = ₹118682000

non-forest produce and collection of export fee is not applicable. The reply is not tenable as per Government's notification (October 2013), whereby fee for issuing of transit pass is required to be levied on trucks carrying minor minerals **from any forest or non-forest area as well**. Since the audit observation pertains to the period October 2016 to March 2018, the notification mentioned above was in effect and therefore, fee for issuing of transit pass is required to be realised. Subsequent Notification of January 2020 was not applicable in these cases. Thus, the non-realisation of fee for issuing of transit pass on minor minerals exported outside the State has resulted in loss of revenue to the State exchequer. No further reply was communicated (September 2020).

Due to absence of proper procedure and controls of the DFO to direct the check-gates officials to realise the fee against transport passes issued, transporting minor minerals outside the Country/State passed through three check-gates gates without payment of transit fee resulting in non-realisation of fee of ₹11.87 crore.

***Government may review operation in remaining 14 check-gates for proper recovery of transport fees.***

**CHAPTER – VI**  
**STAMPS &**  
**REGISTRATION**  
**DEPARTMENT**





## CHAPTER-VI: STAMPS & REGISTRATION DEPARTMENT

### 6.1 Tax Administration

The Stamps & Registration Department is responsible for collection of revenue under the Indian Stamps Act, 1899 and the Indian Stamps (Meghalaya Amendment) Act, 1993.

The Additional Chief Secretary to the Government of Meghalaya, Excise, Registration, Taxation & Stamps (ERTS) Department is in overall charge of the Stamps & Registration Department at the Government level. The Inspector General of Stamps is the administrative head of the Department. There are District Registrars/ Sub-registrars at the district level for levy and collection of stamp duty and registration fee.

### 6.2 Results of Audit

Test check of the records of four units out of nine units relating to the Stamps & Registration Department during 2018-19 revealed non-realisation of taxes and duties, etc. involving ₹0.87 crore in 11 cases, which fall under the following categories:

*Table 6.1*

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of stamp duty	08	0.65
2.	Loss of revenue	03	0.22
<b>Total</b>		<b>11</b>	<b>0.87</b>

During the year 2018-19, the Department accepted under assessments and other deficiencies of ₹0.73 crore in seven cases. The Department did not furnish replies in the remaining four cases. An amount of ₹4.60 lakh was recovered at the instance of Audit.

A few illustrative cases having financial impact of ₹39.16 lakh on short realisation of stamp duty and registration fee are discussed in paragraph 6.3.

**6.3 Short realisation of stamp duty and registration fee**

**District/ Sub-Registrars incorrectly calculated stamp duty in respect of mining leases resulting in short realisation of stamp duty amounting to ₹38.87 lakh and registration fee of ₹0.29 lakh**

**[District/Sub-Registrar, Pynursla, Sohra and Shillong; December 2018-May 2019]**

Under Rule 5 of the Meghalaya Minor Minerals Concession Rules, 2016, the Principal Chief Conservator & Head of Forest Force or the competent officer shall grant mining lease and quarry permit in respect of minor minerals for uses other than in industries. Further, under Section 26 of the Indian Stamp Act, 1899, in case of lease of a mine in which royalty is received as rent, such royalty shall be considered for computing stamp duty. Clause 35(a) (iii) to (v) of the Indian Stamp (Meghalaya Amendment) Act, 1993 lays down stamp duty of ₹99 per thousand on lease depending on the term of the lease.

Further, Section 17 of the Indian Registration Act, 1908 provides for compulsory Registration of leases of any immovable property for any term exceeding one year, or reserving a yearly rent. The Stamps & Registration Department, Government of Meghalaya (GoM) fixed (June 2011) the fees for registration of documents at ₹15 per thousand<sup>86</sup>.

The Stamps & Registration Department, GoM vide notification dated 11 July 1983 exempted 50 *per cent* of stamp duty and registration fee payable in respect of all instruments of conveyance executed by or in favour of members of Scheduled Castes/ Tribes.

The Forest and Environment Department, GoM had granted eight mining leases to seven limestone/boulder stone lessees<sup>87</sup> between September 2017 and January 2019. The Forest Department had also stipulated that these mining lease agreements had to be executed and registered with the Stamps and Registration Department and communicated the anticipated royalty to the Deputy Commissioner, East Khasi Hills District, Shillong for the purpose of calculation of stamp duty. The Sub-Registrars, accordingly calculated the stamp duty due and forwarded the same to the lessees. The lease agreements were executed for periods ranging from 10 years to 30 years between September 2017 and January 2019.

<sup>86</sup> Upto ₹1000 Registration fee is ₹26. Above ₹1000, Registration fee is ₹15 per thousand for every additional ₹1000 plus ₹26.

<sup>87</sup> (1) Khrikshon L yngkhoi, (2) Tamdor Sing Nadon (2 leases), (3) Reader Force Sarubai, (4) Suren Chyne, (5) Marbat Dohkrut, (6) Plenty K. Pyngrope and (7) Edingson Khongnohbeh

Audit scrutiny of records of the District/ Sub-Registrars, Shillong, Pynursla, Sohra and Jowai (December 2018-May 2019) revealed that the Sub-Registrars incorrectly calculated the stamp duty for all the eight leases. The actual realisation of stamp duty against the applicable stamp duty is shown in *Table 6.2*.

*Table 6.2 Actual realisation of stamp duty against the applicable stamp duty*

Name of the Registrar/ Sub-Registrar	Name of the Lessee	Anticipated Royalty value communicated (in ₹)	Applicable Stamp Duty (in ₹)	Stamp Duty actually realised (in ₹)	Short realisation of Stamp Duty (in ₹)	Short realisation of Registration fee (in ₹)
Sub-Registrar, Pynursla	Khrikshon Lyngkhoi	16745712	2486738	834040	1652698	12401
Sub-Registrar, Sohra	Tamdor Sing Nadon (2 leases)	11988880	593450	429000	164450	1239
	Reader Force sarubai	4000000	594000	396100	197900	1490
	Suren Chyne	2000000	297000	198100	98900	747
	Marbat Dohkrut	9058160	896758	448472	448286	3368
District Registrar, Shillong	Plenty K. Pyngrope	17474880	1730013	865013	865000	6493
	Edingson Khongnohbeh	9302880	460493	100	460393	3458
<b>Total</b>		<b>70570512</b>	<b>7058452</b>	<b>3170825</b>	<b>3887627</b>	<b>29196</b>

As against the applicable stamp duty of ₹70.58 lakh, the District/Sub-Registrars realised ₹31.71 lakh only. Besides, there was short realisation of registration fee of ₹0.29 lakh. The District/Sub-Registrars calculated the stamp duty without taking into consideration of stamp duty of ₹99 per thousand on lease depending on the term of the lease as per the provision of Indian Stamp (Meghalaya Amendment) Act, 1993, resulting in short realisation of stamp duty and registration fee.

Mention was made in Para 7.3 of the Audit Report for the year ended 31 March 2018 of failure to apply the correct provision of the Indian Stamp Act resulting in similar short realisation of stamp duty of ₹12.48 crore and registration fee of ₹43.40 lakh. Despite being reported, the matter of incorrect application of the provision of the Indian Stamp Act still persists and is yet to be rectified by the Department.

Failure of the District/ Sub-Registrars to correctly apply the provisions of the Indian Stamp Act (Meghalaya Amendment) Act, 1993, resulted in short realisation of stamp duty amounting to ₹38.87 lakh and registration fee of ₹0.29 lakh.

On this being pointed out to the Department, they recovered ₹21.9 lakh (₹17.30 lakh + ₹4.60 lakh) in two cases. In respect of the remaining lessees, it was stated that notices were issued but details of recovery were awaited (September 2020).

***Recommendation: The Government may internally check the wrong calculation, which led to short realisation of stamp duty and may fix responsibility of the officials concerned. The process of calculation of stamp duty should be computerised to avoid human errors and miscalculation, which are resulting in short computation and subsequent loss of revenue to the government exchequer every year.***



**(SHEFALI S. ANDALEEB)**

**Accountant General (Audit) Meghalaya**

Shillong

The 25 January 2021

*Countersigned*



**(GIRISH CHANDRA MURMU)**

**Comptroller & Auditor General of India**

New Delhi

The 01 February 2021



# APPENDICES



Appendix I

(Ref: Para: 2.3.6.4)

*Statement showing position of dealers migrated from VAT to GST (circle-wise)*

<i>Circle</i>	<i>Number of dealers registered under VAT upto 30 June 2017</i>	<i>Number of dealers registered with GST from 1 July 2017 to 31 March 2019 (under State jurisdiction)</i>	<i>Number of dealers registered with GST from 1 July 2017 to 31 March 2019 (under Centre jurisdiction)</i>	<i>Total number of dealers registered under GST in the State from 1 July 2017 to 31 March 2020</i>	<i>Number of dealers registered with GST from 1 July 2017 to 31 March 2019 (under State jurisdiction) who migrated from VAT</i>	<i>Number of dealers registered with GST from 1 July 2017 to 31 March 2019 (under Centre jurisdiction) who migrated from VAT</i>	<i>Total number of migrated dealers from VAT to GST</i>	<i>Percentage of VAT dealers who migrated to GST</i>	<i>Number of dealers who cancelled GST registration (State jurisdiction)</i>	<i>Percentage of cancelled GST registration (State jurisdiction)</i>
<b>I</b>	1333	992	492	1484	506	<b>1185</b>	<b>10,329</b>	<b>33.76%</b>	53	<b>4.74%</b>
<b>II</b>	1755	1219	400	1619	796				62	
<b>III</b>	3051	1606	513	2119	1002				86	
<b>IV</b>	952	487	195	682	309				37	
<b>V</b>	968	682	221	903	489				61	
<b>VI</b>	1808	1098	440	1538	659				64	
<b>VII</b>	1012	767	250	1017	437				52	
<b>VIII</b>	2081	1609	563	2172	817				104	
<b>IX</b>	2400	731	328	1059	359				30	
<b>X</b>	3999	1587	735	2332	680				47	
<b>XI</b>	1899	1954	725	2679	925				23	
<b>XII</b>	1793	1205	519	1724	714				91	
<b>XIII</b>	456	0	43	43	0				0	
<b>XIV</b>	2957	1226	765	1991	452				56	
<b>XV</b>	1375	891	354	1245	409				21	
<b>XVI</b>	2760	1628	964	2592	590				51	
	<b>30599</b>	<b>17692</b>	<b>7507</b>	<b>25199</b>	<b>9144</b>				<b>838</b>	

Source: Compilation of data from the back end system as provided by the Taxation Department

**Appendix II**

(Ref: Para: 2.3.6.6)

**Statement showing position of returns filed by dealers registered under GST (State jurisdiction) during 1 July 2017 to 31 March 2019**

Month	Normal dealers											Composition dealers			
	Total dealers registered	Total no of composition, TDS, TCS dealers	Total dealers registered other than Composition, TDS, TCS	Minimum GSTR 1 due	GSTR 1 filed	Percentage filed	Minimum GSTR 3B due	GSTR 3B filed	Percentage filed	GSTR 9 due to file	GSTR 9 filed	Percentage filed	GSTR 9 A due to file	GSTR 9 A filed	Percentage filed
Jul-17	10315	as on 31.03.18, Composition= 1107; TDS= 208 and TCS = 19	8981	8981	7918	88.13	8981	8988		12235	6444	52.67	1107	808	73
Aug-17	11301		9967	9967	4171	41.85	9967	9533	95.65						
Sep-17	11990		10656	10656	8701	81.65	10656	9896	92.87						
Oct-17	12323		10989	10989	4365	39.72	10989	9673	88.02						
Nov-17	12628		11294	11294	4463	39.52	11294	9630	85.27						
Dec-17	12897		11563	11563	8726	75.46	11563	9609	83.1						
Jan-18	13126		11792	11792	4434	37.6	11792	9675	82.05						
Feb-18	13302		11968	11968	4462	37.28	11968	9720	81.22						
Mar-18	13566		12232	12232	8945	73.13	12232	9852	80.54						
Apr-18	13988		upto 28.08.2020, Composition= 1841, TDS= 308 and TCS= 32	11807	11807	4025	34.09	11807	10104						
May-18	14806	12625		12625	4194	33.22	12625	10758	85.21						
Jun-18	15595	13414		13414	9579	71.41	13414	11340	84.54						
Jul-18	16260	14079		14079	4500	31.96	14079	11790	83.74						
Aug-18	16604	14423		14423	4535	31.44	14423	12016	83.31						
Sep-18	16813	14632		14632	10211	69.79	14632	12089	82.62						
Oct-18	16969	14789		14789	4566	30.87	14789	12120	81.95						
Nov-18	17144	14963		14963	4532	30.29	14963	12104	80.89						
Dec-18	17281	15100		15100	10072	66.7	15100	12100	80.13						
Jan-19	17440	15259		15259	4518	29.61	15259	12111	79.37						
Feb-19	17539	15358	15358	4482	29.18	15358	12115	78.88							

<b>Mar-19</b>	17692		15511	15511	9871	63.64	15511	12098	78						
				<b>271402</b>	<b>131270</b>		<b>271402</b>	<b>227321</b>		<b>27749</b>	<b>8117</b>		<b>2948</b>	<b>986</b>	

Source: Compilation of data from the back end system as provided by the Taxation Department

**Appendix III**

(Ref: Para: 2.3.6.6)

**Statement showing position of returns filed by dealers registered under GST (State jurisdiction) during 1 July 2017 to 31 March 2019**

Month	Tax deduction at source							Tax collection at source			
	Total TDS dealers	Minimum GSTR 7 due	Minimum GSTR 7A due	GSTR 7 filed	GSTR 7A filed	Percentage of GSTR 7 filed	Percentage of GSTR 7A filed	Total TCS dealers	Minimum GSTR 8 due	GSTR 8 filed	Percentage of GSTR 8 filed
<b>Jul-17</b>	as on 31.03.18, 208 TDS dealers were registered	208	208	NA	NA	NA	NA	as on 31.03.18, 19 TCS dealers were registered	19	NA	0
<b>Aug-17</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Sep-17</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Oct-17</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Nov-17</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Dec-17</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Jan-18</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Feb-18</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Mar-18</b>		208	208	NA	NA	NA	NA		19	NA	
<b>Apr-18</b>		upto 28.08.2020, 308 TDS dealers were registered	208	208	NA	NA	NA		NA	upto 28.08.2020, 32 TCS dealers were registered	
<b>May-18</b>	208		208	NA	NA	NA	NA	19	NA		
<b>Jun-18</b>	208		208	NA	NA	NA	NA	19	NA		
<b>Jul-18</b>	208		208	NA	NA	NA	NA	19	NA		
<b>Aug-18</b>	208		208	NA	NA	NA	NA	19	NA		
<b>Sep-18</b>	208		208	NA	NA	NA	NA	19	NA		
<b>Oct-18</b>	208		208	22	9	10.58	4.33	19	1		5.26
<b>Nov-18</b>	208		208	42	24	20.19	11.54	19	12		63.16
<b>Dec-18</b>	208		208	73	58	35.1	27.88	19	11		57.89
<b>Jan-19</b>	208		208	57	36	27.4	17.31	19	12		63.16
<b>Feb-19</b>	208	208	64	42	30.77	20.19	19	12	63.16		
<b>Mar-19</b>	208	208	127	105	61.06	50.48	19	14	73.68		

Source: Compilation of data from the back end system as provided by the Taxation Department

Appendix IV

(Ref: Para: 2.3.6.8)

*Statement showing composition dealers who crossed the threshold of ₹50 lakhs in 2017-18 but still continued to pay GST as composition dealer in 2018-19*

(in ₹)

Sl. No.	GST No.	Name	Circle	Turnover as on 31/3/2018	Turnover in 2018-19	Tax payable	Tax paid	Tax unpaid	Rate of tax	Interest @ 24%	Penalty @10%
1	17AAJHV3072Q1ZC	Vivek Chokhani & Sons (Huf)	ML002	6240751	4940528	247026	49405	197621	5%	35572	19762
2	17ABPPC5804Q1Z6	Sampati Devi Chomal	ML005	5196802	6095547	304777	60955	243822	5%	43888	24382
3	17AEIPD6629N1Z3	Gauranga Kumar Das	ML001	5557130	5729370	286469	57294	229175	5%	41251	22917
4	17AFJPC0037K1ZP	Abhishek Chokhani	ML003	5369950	5132460	256623	51325	205298	5%	36954	20530
5	17AGRPB4101G1ZS	Debabrat Bordoloi	ML008	8660156	12121933	1454632	121219	1333413	12%	240014	133341
6	17AIXPG9164A1ZZ	Rajkumar Goyal	ML015	5224662	4115025	740705	41150	699554	18%	125920	69955
7	17ALQPR0243K1ZQ	Uday Kumar Ray	ML001	6184868	5397381	269869	53974	215895	5%	38861	21590
8	17AYNPM4105H1ZE	Bajrangi Prasad Maurya	ML015	5827346	4062380	203119	40624	162495	5%	29249	16250
9	17AZOPP2175J2ZS	Rajesh Pandey	ML010	5165752	1727113	207254	17271	189982	12%	34197	18998
10	17FQAPK3771B1Z2	Shanborpat Kharlyngdoh	ML014	6153991	6822976	341149	68230	272919	5%	49125	27292
11	17HFUPS7185J1Z6	Lari Iaki Samati	ML011	7248411	2225882	267106	22259	244847	12%	44072	24485
13	17AFJPC0037K1ZP	M/s Ganesh Store	ML003	5369950	5132460	256623	51325	205298	5%	36954	20530
14	17ABPPC5804Q1Z6	M/s S D C Motors	ML005	5196802	6095547	304777	60955	243822	5%	43888	24382
15	17AGRPB4101G1ZS	Sanjivinee Ayurveda	ML008	8660156	8581347	429067	85813	343254	5%	61786	34325
<b>Total</b>				<b>86056727</b>	<b>78179950</b>	<b>5569196</b>	<b>781799</b>	<b>4787396</b>		<b>861731</b>	<b>478740</b>

**Appendix V**

(Ref: Para:2.3.6.8)

**Statement showing composition dealers who crossed the threshold of ₹50 lakhs in different quarters of 2018-19 but still continued to pay as composition dealer**

(in ₹)

Sl. No.	GSTIN	Circle	Trade Name	Total Turnover in 2018-19	Turnover upto the quarter crossing 50 lakh limit	Tax paid	Quarter in which 50 lakh limit exceeded	Turnover from next Quarter	Tax paid	Min. Tax payable	Revenue loss	Interest @24%	Penalty @10%
1	17ADRPP0677L1ZS	ML001	M/s S. Paul & Brothers	8342599	6339904	63396	Dec-18	2002695	20027	100135	80108	19226	8011
2	17AXUPS3713K1ZS	ML001	M/s Md Shahban	6916485	5189725	51896	Dec-18	1726760	17268	86338	69070	16577	6907
3	17BHTPR7010Q1ZG	ML003	M/s. Harison Enterprise	7225205	5580345	55804	Dec-18	1644860	16449	82243	65794	15791	6579
4	17BYGPD1181A1Z1	ML005	R K Deb	10000724	6141330	61413	Sep-18	3859394	38594	192970	154376	37050	15438
5	17ABWPA7279C1ZD	ML005	M/s Spare Auto Centre	7337644	5327221	53276	Dec-18	2010423	20104	100521	80417	19300	8042
6	17AICPD1797K1Z3	ML005	S.M. Drugs Store	6885750	5015161	50150	Dec-18	1870589	18706	93529	74824	17958	7482
7	17FDLPS2908J1Z0	ML006	Anjalee Automobile	9099598	7191198	71912	Dec-18	1908400	19084	95420	76336	18321	7634
8	17AACHJ9394N1ZG	ML006	M/s Giftorium	8558707	5821430	58214	Dec-18	2737277	27373	136864	109491	26278	10949
9	17BCTPP0872R1ZI	ML006	Randolf Howard Pariat	7387240	5557865	55578	Dec-18	1829375	18294	91469	73175	17562	7318
10	17ADYPN2156R1ZH	ML008	M/s Proccycling	7367788	5362628	53626	Dec-18	2005160	20052	100258	80206	19250	8021
<b>Total</b>				<b>79121740</b>	<b>57526807</b>	<b>575265</b>		<b>21594933</b>	<b>215949</b>	<b>1079747</b>	<b>863797</b>	<b>207311</b>	<b>86380</b>



Appendix VI

(Ref:Para: 2.3.6.10)

*Statement showing list of dealers claimed excess ITC for the period from July 2017 to March 2019*

(in ₹)

Sl. No.	Name	Circle	GSTN Number	ITC availed ( GSTR 3B)	ITC available (GSTR 2A )	Excess ITC claimed	Interest @24% as on Dec 19	Penalty
1	Itc Ltd	ML012	17AAACI5950L1ZB	428840680	383063068	45777612	8239970	4577761
2	Maithan Alloys	ML012	17AABCM7758B1ZH	108421840	32405703	76016137	13682905	7601614
3	Nezone Pipes	ML012	17AAHFN6854E1Z3	748671650	342639779	406031871	73085737	40603187
4	Ribhoi Ispat & Rolling Mills	ML012	17AALFR5078E1ZX	100588929	85614688	14974241	2695363	1497424
5	M/S Umesh & Co	ML012	17AHTPP6878K1Z5	3350761	3122372	228389	41110	22839
6	Shiv Hardware	ML012	17ACGPG8443D1ZR	3020138	2547287	472851	85113	47285
7	M/s Meghalaya Bitchem Pvt Ltd	ML012	17AADCM9849B1ZB	78016844	35848808	42168036	7590246	4216804
8	M/s Megha Agencies	ML012	17AEBPC3532N1ZN	100512433	97579646	2932787	527902	293279
9	Bhajanlal	ML002	17ADXPB5652K1Z1	81776063	77942518	3833544	690038	383354
10	Hanumanbux Motilal	ML002	17ACRPJ7703N1ZZ	26136784	18119539	8017245	1443104	801725
11	M/s Reliance Retail Ltd	ML002	17AABCR1718E1ZQ	203140970	118598478	84542492	15217649	8454249
12	Mukund System & Networking Pvt	ML002	17AAECM5260H1ZH	51091326	42496037	8595289	1547152	859529
13	M/s Jc Infra Corporation Ltd	ML002	17AABCI9987D1Z5	37679786	16579945	21099841	3797971	2109984
14	M/s Goldstone Cements Ltd	ML015	17AADCG2870Q1Z3	454148189	195315434	258832756	46589896	25883276
15	M/s Hill Cement Company ITd	ML015	17AABCH4787P1ZU	113360079	107994425	5365654	965818	536565
16	Rajasthan Food Grain Store	ML01	17AACFR1007L1ZE	152928296	146488454	6439842	1159172	643984
17	M/s City Sales Agency	ML01	17AYUPD9616R1ZD	30471635	29272594	1199041	215827	119904
<b>Total</b>				<b>2722156403</b>	<b>1735628774</b>	<b>986527629</b>	<b>177574973</b>	<b>98652763</b>

**Appendix – VII**

(Ref: Para 2.4)

**Statement showing non/short collection of tax and non levy of interest from the dealers**

(₹ in crore)

Nature of Non-Compliance as per Table 2.3	Circle	Name of dealer	Period of tax	Turnover	Tax liability	Shortfall
<b>1 – Incorrect application of rate of tax</b>	ST, Circle V, Shillong	M/s Banti Agarwala	July 2015 to March 2016	1.68	0.34	0.34
	ST, Circle II, Shillong	M/s RAM Bonded Warehouse	June 2016 to September 2018	11.16	3.79	1.56
	ST, Circle IV, Shillong	M/s OS Bonded Warehouse	June 2017 to June 2018	1.65	0.66	0.33
	ST, Circle VII, Shillong	M/s AP Bonded Warehouse	September and December 2017	0.48	0.20	0.10
	-	-	-	<b>14.97</b>	<b>4.99</b>	<b>2.33</b>
<b>2 – Concealment /Suppression of turnover</b>	ST, Circle VIII, Shillong	M/s Shillong Hyundai	April 2005 to March 2017	2.49	0.36	0.36
	ST, Circle I, Shillong	M/s Achates International Pvt Ltd	April 2005 to June 2017	4.60	0.67	0.67
	-	-	-	<b>7.09</b>	<b>1.03</b>	<b>1.03</b>
<b>4 – Irregular claim of concessional rate of tax</b>	ST, Nongstoin	M/s Porla Ply Products'	April 2015 to March 2017	12.09	0.54	0.54
	ST, Nongstoin	M/s Dledringnad Wahlang	April 2012 to March 2015	5.41	0.25	0.25
	-	-	-	<b>17.50</b>	<b>0.79</b>	<b>0.79</b>
<b>5 – Concealment of purchase of motor spirits/high speed diesel</b>	ST, Jowai	M/s Bilsina Passah Refilling Station, Wapung	April 2017 to March 2018	0.71	0.10	0.10
	-	-	-	<b>0.71</b>	<b>0.10</b>	<b>0.10</b>
<b>6 – Incorrect claim of input tax credit</b>	ST, Circle VII, Shillong	M/s Melinda Langrin	June 2014 to December 2016	0.80	0.07	0.07
	ST, Nongpoh	M/s Hi Tech Construction	December 2015 to June 2017	8.24	0.58	0.58
	-	-	-	<b>9.04</b>	<b>9.69</b>	<b>0.65</b>
<b>Total</b>	-	-	-	<b>49.31</b>	<b>16.60</b>	<b>4.90</b>

**Appendix - VIII**

(Ref: para 3.3)

**Non-renewal of licences by licencees**

Name of Commissioner/SE	Category	Sl. No.	Name of the licencee	Period not renewed	Amount of licence fee payable (₹)
Superintendent of Excise, Nongpoh	IMFL licencees	1	Tracy Massar	2017-18 2018-19	300000
		2	Erica Dkhar	2017-18 2018-19	300000
		3	Joel G. Dorphang	2017-18 2018-19	300000
		4	Esnolin Myrboh	2017-18 2018-19	300000
		5	Beatrice Mukhim	2017-18 2018-19	300000
		6	Icydora Paliar	2017-18 2018-19	300000
		7	Amica Sawian	2017-18 2018-19	300000
		8	J. Khongwir	2018-19	150000
		9	Puspa Majhong	2018-19	150000
	Bar licencees	10	Johny's Bar	2017-18 2018-19	150000
		11	Maplinsina Diengdoh	2017-18 2018-19	150000
		12	Boss Bar	2017-18 2018-19	150000
Superintendent of Excise, Williamnagar	IMFL licencees	13	Biginath Ch. Marak	2017-18 2018-19	300000
		14	Manseng Sangma	2017-18 2018-19	300000
		15	Easyborn Marak	2017-18 2018-19	300000
		16	Senggaline Sangma	2017-18 2018-19	300000
		17	Limberth Sangma	2017-18 2018-19	300000
		18	Najip G Momin	2017-18 2018-19	300000
		19	Marconi S Mankin	2017-18 2018-19	300000
		20	Lereritha Sangma	2017-18 2018-19	300000
		21	Luson R Marak	2017-18 2018-19	300000
		22	Gatchen N Sangma	2017-18 2018-19	300000
Assistant Commissioner of Excise, Shillong	IMFL Licencees	23	Punsuklang Hynniewta	2018-19	150000
		24	Anthony Momin	2018-19	150000
		25	Lucas Majaw	2018-19	150000
		26	Banrilang Wahlang	2018-19	150000
		27	Ilinda Massar	2018-19	150000
		28	Janet Dkhar	2018-19	150000
		29	Kelly Nongbet	2018-19	150000
		30	J.R. Kurbah	2018-19	150000
		31	Sanjay Sharma	2018-19	150000
		32	N.R. Kurbah	2018-19	150000
		33	K.M. Warjri	2018-19	150000
		34	Jaspal Singh	2018-19	150000
		35	Lolita Ryntathiang	2018-19	150000
		36	Happy Kharwanlang	2018-19	150000
		37	Chrisfeda Lyngdoh	2018-19	150000
		38	Ignatius Lyngdoh	2018-19	150000
		39	Ajay Kr. Agarwal	2018-19	150000
		40	H. Soanes	2018-19	150000
		41	Shanborlang Sohtun	2018-19	150000
		42	Lorina Nongsiej	2018-19	150000

		43	Yona Khyлле	2018-19	150000
		44	Danny Nongsiej	2018-19	150000
		45	Rebecca Jenny Nongkhlaw	2018-19	150000
		46	Darius Shangpliang	2018-19	150000
		47	Kerbhalin Kurbah	2018-19	150000
		48	Ripil Rymbai	2018-19	150000
		49	G.M. Blah	2018-19	150000
		50	MartINETTE Shallam	2018-19	150000
		51	Phidamon Lamare	2018-19	150000
		52	Tinora Nongkynrih	2018-19	150000
		53	Merita Wallang	2018-19	150000
		54	Evelyne M. Wahlang	2018-19	150000
		55	Rajest D. Sangma	2018-19	150000
		56	George Clearance Sunn	2018-19	150000
		57	Laphlang Lynshiang	2018-19	150000
		58	Banshanlang L. Mawphlang	2018-19	150000
		59	D. Khonglah	2018-19	150000
		60	Debashish Barun Laloo	2018-19	150000
	<b>Bar licences</b>	61	Malcolm Warjri	2018-19	75000
		62	Antad Laloo (starred hotel)	2018-19	150000
		63	Vikash C. Gupta	2018-19	75000
		64	Ritalang Tariang	2018-19	75000
		65	Jiswat K	2018-19	75000
		66	M/s Pegasus Crown (starred hotel)	2018-19	150000
		67	Simon Bany Jaiswal	2018-19	75000
		68	Namgyal Dorjee	2018-19	75000
		69	Agness L. Passah	2018-19	75000
		70	Slem Liang	2018-19	75000
		71	Mark Rahmi Lyngdoh (starred hotel)	2018-19	150000
		72	M/s Pinewood Hotel (starred hotel)	2018-19	150000
		73	M/s Magie Bar	2018-19	75000
		74	M/s Orchid Hotel (starred hotel)	2018-19	150000
	<b>Canteen</b>	75	Canteen Officer, HQ 24 Mountain Brigade Umroi	2018-19	75000
		76	Canteen Officer, HQ 101 Area	2018-19	75000
		77	Canteen Officer, DGM(HQ) CSD Canteen, Laitkor	2018-19	75000
		78	Sq. Ltd Officer-in-Charge, Wet Canteen, HQ Eastern Airforce	2018-19	75000
		79	The Commandant Assam Rifles Signal Unit, Happy Valley	2018-19	75000
<i>Superintendent of Excise, Khliehriat</i>	<b>IMFL licences</b>	80	Showme Suchiang	2017-18 2018-19	300000
		81	Heimonki Sayoo	2017-18 2018-19	300000
		82	Ieidlin Suchiang	2017-18 2018-19	300000
		83	Kmenbha Kyndiah	2017-18 2018-19	300000
		84	Rimika Dkhar	2017-18 2018-19	300000
		85	Nimis Dkhar	2017-18 2018-19	300000
		86	Johny Rymbai	2017-18 2018-19	300000
		87	Myplease Siangshai	2017-18 2018-19	300000
88	Roy Siangshai	2017-18 2018-19	300000		

		89	Justin Rymbai	2017-18 2018-19	300000
		90	Shillong Dkhar	2017-18 2018-19	300000
		91	Wansuk Syiem	2018-19	150000
		92	Brass Talang	2017-18 2018-19	300000
		93	Hun Shylla	2017-18 2018-19	300000
		94	Plol Siangshai	2017-18 2018-19	300000
		95	Jublis Swer	2017-18 2018-19	300000
		96	Ken Langstang	2017-18 2018-19	300000
		97	Koi Chyrmang	2017-18 2018-19	300000
		98	Donald Paul Chyrmang	2018-19	150000
		99	Francis Dkhar	2017-18 2018-19	300000
		100	Simon Dhar	2017-18 2018-19	300000
		101	Martin Shylla	2017-18 2018-19	300000
		102	Melis Bang	2017-18 2018-19	300000
		103	Abraham Kyndait	2017-18 2018-19	300000
		104	Tyngshain Phawa	2017-18 2018-19	300000
		105	TSD Dkhar	2017-18 2018-19	300000
		106	Phrit Chyrmang	2017-18 2018-19	300000
		107	Wanchwa Nongtdu	2017-18 2018-19	300000
		108	Arils Chyrmang	2017-18 2018-19	300000
		109	Shortimon Jamu	2018-19	150000
		110	B.S. Dkhar	2018-19	150000
		111	Jenally Dkhar	2018-19	150000
<i>Superintendent of Excise, Jowai</i>	<b>IMFL licences</b>	112	K. Papang	2017-18	150000
		113	W. Suchiang	2017-18	150000
		114	P. Siangshai	2017-18	150000
		115	E. Dkhar	2017-18	150000
		116	D. Laloo	2017-18	150000
		117	International Wine Shop	2017-18	150000
		118	Y. Ymbon	2017-18	150000
<b>Total</b>					<b>23250000</b>

**Appendix - IX**  
(Ref: Para 3.4)

**Statement showing non-realisation of licence fee from bonded warehouses**

Sl. No.	Name of the Bonded Warehouse	Period	Turnover during 2017-18 (₹)	Amount of licence fee payable (₹)	No of Import permits issued
1	M/s Valentine Bonded Warehouse, Shillong	2019-20	277321666	1500000	49
2	M/s V.W. Bonded Warehouse, Shillong	2019-20	156102158	1200000	24
3	M/s Reliance Bonded Warehouse, Shillong	2019-20	6718720	350000	5
4	M/s RAM Bonded Warehouse, Shillong	2019-20	156474827	1200000	29
5	M/s B.A. Bonded Warehouse, Shillong	2019-20	137191195	1200000	56
6	M/s A.P. Bonded Warehouse, Shillong	2019-20	74766733	350000	12
7	M/s Mohan Meakin Ltd, Shillong	2019-20	173447705	1200000	26
8	M/s O.S. Bonded Warehouse, Shillong	2019-20	221989108	1500000	41
9	M/s S.K. Bonded Warehouse, Shillong	2019-20	191594241	1200000	39
10	M/s V.R. Bonded Warehouse, Shillong	2019-20	106588743	1200000	52
11	M/s T.D. Bonded Warehouse, Khanapara	2019-20	126205019	1200000	41
12	M/s Suchona Bonded Warehouse, Baridua	2019-20	126494304	1200000	57
13	M/s O.S. Sub-Depot Bonded Warehouse, Baridua	2019-20	58376450	350000	10
14	M/s Nico Bonded Warehouse, Baridua	2019-20	2907878	350000	0
15	M/s Jorabat Bonded Warehouse, Jorabat	2019-20	4248005	350000	4
16	M/s Purbanchal Bonded Warehouse, Byrnihat	2019-20	3747487	350000	4
17	M/s SRS Bonded Warehouse, 8th Mile, Baridua	2019-20	27332842	350000	50
18	M/s Megha Bonded Warehouse, Tura	2019-20	95016401	350000	25
19	M/s Gloria Bonded Warehouse, Tura	2019-20	86590824	350000	74
20	M/s Hill View Bonded Warehouse, Tura	2019-20	51554392	350000	4
21	M/s Gogaira Bonded Warehouse, Tura	2019-20	17871106	350000	6
22	M/s Tura Bonded Warehouse, Tura	2019-20	86590824	350000	10
23	M/s Planet Bonded Warehouse, Baghmara	2019-20	75952841	350000	15
24	M/s Narombi Bonded Warehouse, Jadigitm	2019-20	3258428	350000	0
25	M/s DMB Bonded Warehouse, Williamnagar	2019-20	31691702	350000	10
26	M/s Simsang Bonded Warehouse, Williamnagar	2019-20	4281944	350000	2
27	M/s Twinkle Bonded Warehouse, Williamnagar	2019-20	26881799	350000	13
28	M/s Sweeti Bonded Warehouse, Ampati	2019-20	83325138	350000	53
29	M/s D.S. Bonded Warehouse, Lad Rymbai	2019-20	73406691	350000	5
30	M/s LBS Bonded Warehouse, Lad Rymbai	2019-20	71622938	350000	12
31	M/s JPD Bonded Warehouse, Diengshynrum	2019-20	9253289	350000	2
32	M/s Western Bonded Warehouse, Nongstoin	2019-20	31054909	350000	3
33	M/s J.N. Bonded Warehouse, Jowai	2019-20	18146345	350000	11
34	M/s O.K. Bonded Warehouse, Jowai	2019-20	96373364	350000	36
35	M/s VRF Bonded Warehouse, Jowai	2019-20	4036379	350000	11
36	M/s Wasa Bonded Warehouse, Resubelpara	2019-20	62814424	350000	15
37	M/s SNNS Bonded Warehouse, Mendipathar	2019-20	24374050	350000	13
38	M/s N.A. Bonded Warehouse, Dainadubi	2019-20	-	350000	11
<b>TOTAL</b>				<b>22400000</b>	<b>830</b>

**Appendix – X****(Ref Para 3.5)*****Registration of brand names without realisation of registration fee***

Sl No	Name of the Company	Name of the Distillery	Brand's name	Size (in ml)	Period of registration	Amount (₹)
1	Radico Khaitan Ltd	Radico Khaitan Ltd, Bareilly Road, Rampur - 244901 (UP)	M2 Magic Moments Remix Grapefruit & Watermelon smooth flavoured Vodka	750	2017-18	35000
				375		35000
				180		35000
			M2 Magic Moments Remix Cucumber & Wild Green Lemon smooth flavoured Vodka	750		35000
				375		35000
				180		35000
2	Edrington Kyndal India Pvt Ltd	M/s Gemini Distilleries (GOA) Pvt Ltd, Phase-III B, Sancoale Industrial Estate, Zuarinagar, Goa - 403726	Cutty Sark Blended Scotch Whisky	750	2017-18	60000
3	Bols Kyndal India Pvt Ltd	M/s Bols Kyndal India Pvt Ltd (Lessee) Gemini Distilleries (Goa) Pvt Ltd, Sancoale Industrial Estate, Zuarinagar, Goa - 403726	Bootz Dark Jamaican Rum	750	2017-18	60000
				375		60000
				180		60000
			Bols Premiere XO Excellence Brandy	750		60000
				375		60000
				180		60000
4	Axis Enterprise	M/s Axis Enterprise Pvt Custom Bonded Warehouse, Sikaria Compound, G.S. Road, Guwahati - 781005	Grey Goose Vodka	750	2017-18	50000
			Bombay Sapphire Distilled London Dry Gin	750		50000
			Tequila Camino Real Blanco	750		50000
			Tequila Camino Real Gold	750		50000
5	Crown Beers India Pvt Ltd	M/s Tulsi Global Logistics Pvt Ltd, C/O Central Warehousing Corp, F-82 Okhla Ind. Area Phase-1, New Delhi - 110020	Stella Artois Beer	330	2017-18	50000
			Hoegarden Wit Blanc	330		50000
			Lefee Blonde Blond Beer	330		50000
			Corona Extra Beer	355		50000
6	United Spirits Limited	M/s CMJ Breweries Pvt Ltd, Extended EPIP, Umtru Road, PO Byrnihat, Ri-Bhoi District, Meghalaya - 793101	Captain Morgan the Original Rum	750	2017-18	60000
				375		60000
				180		60000
7	United Spirits Limited	M/s CMJ Breweries Pvt Ltd, Extended EPIP, Umtru Road, PO Byrnihat, Ri-Bhoi District, Meghalaya - 793101	Antiquity Blue Ultra Premium Whisky	750	2017-18	60000
				375		60000
				180		60000
			Signature Premiere Grain Whisky	750		60000
				375		60000
				180		60000
8	Spencer Distilleries & Breweries Pvt Ltd	M/s Spencer Distilleries & Breweries Pvt Ltd, Plot No-86, Tupudana Industrial Area, PO Hatia, Ranchi - 834003	Kick Strong Beer	500	2017-18	35000

9	Mangallam Distilleries & Bottling Industries	M/s Marwet Bottling Industries, Them Marwet, Dist Ri-Bhoi, Khanapara, Meghalaya	Pacific Blue Whisky	750	2018-19	60000
				375		60000
				180		60000
			Twist Vodka	750		35000
				375		35000
				180		35000
			Old Harbour Rum	750		60000
				750(P)		60000
				375		60000
				180		60000
						60000
			10	Crown Beers India Pvt Ltd		M/s Priviledge Industries Ltd Plot No C2, MIDC, Lonand, Khandala, Taluka Dist Satara, Maharashtra - 415521
	500	35000				
11	Klassic Business Advisory Pvt Ltd	M/s Klassic Business Advisory Pvt Ltd, C/O SM & Daughters Pvt Ltd, Central Warehousing Corporation Custom Bonded Warehouse, 4-B Maligaon, Guwahati - 781011	Lindemans premiere Selection Shiraz Cabernet (Red Wine)	750	2018-19	50000
			Lindemans premiere Selection Chardonay (White Wine)	750		50000
			Korean Soju Chum Churum Wine (Original)	360		50000
			Korean Soju Chum Churum Wine (Apple)	360		50000
			Rahaua Makkoli (Korean Rice Beer)	350		50000
			Cass Fresh Korean's No. 1 Beer (Bottle)	330		50000
			Cass Fresh Korean's No. 1 Beer (Can)	355		50000
						50000
12	Duomo Distribution Pvt Ltd	M/s DUOMO Distributor Pvt Ltd, 1st Floor NBBC Inox Tower Plot, No 17, Sector-16A, Noida - 201301	Acapulco Tequila Silver	700	2018-19	50000
			Glen Forest Single Malt Scotch Whisky	700		50000
			Sangiovese Wine	750		50000
			London Dry Gin	700		50000
			Triple Sec Liquer	700		50000
<b>Total</b>						<b>2800000</b>



**Appendix – XI****(Ref: Para 3.6)*****Non-renewal of lapsed security deposits***

Name of the ACE/SE	Category	Sl No	Name of the Licencee	Date of expiry of security deposit	Amount payable (₹)	Delay upto	Period of delay (in days)
<b>Assistant Commissioner of Excise, Shillong</b>	<b>IMFL Licence</b>	1	Shri Darius	29/10/2015	50000	31/03/2019	1249
		2	Smt Aloka Das	30/10/2015	50000	31/03/2019	1248
		3	Smt Juliana Khongwir	04/11/2010	50000	31/03/2019	3069
		4	Shri L.J. Blah	06/11/2015	50000	31/03/2019	1241
		5	Smt Biola Biam	08/11/2015	50000	31/03/2019	1239
		6	Shri Herbert Diengdoh	08/11/2015	50000	31/03/2019	1239
		7	Shri R.D. Laloo	08/11/2015	50000	31/03/2019	1239
		8	Smt Phidamon Lamare	09/01/2015	50000	31/03/2019	1542
		9	Shri R. Ranee	16/11/2015	50000	31/03/2019	1231
		10	Shri D.K. Choudhury	08/11/2015	50000	31/03/2019	1239
		11	Shri Satbir Kapoor	09/11/2015	50000	31/03/2019	1238
		12	Shri Ignatius Lyngdoh	09/11/2015	50000	31/03/2019	1238
		13	Shri B.M. Syiem	10/11/2015	50000	31/03/2019	1237
		14	Shri O.W. Kharkongor	09/11/2015	50000	31/03/2019	1238
		15	Smt Arlynda Warjri	09/11/2015	50000	31/03/2019	1238
		16	Shri C. Marbaniang	12/11/2015	50000	31/03/2019	1235
		17	Shri Anvil Lyngdoh	10/11/2015	50000	31/03/2019	1237
		18	Shri Rajesh D. Sangma	08/11/2015	50000	31/03/2019	1239
		19	Smt Happy Janong	08/11/2015	50000	31/03/2019	1239
		20	Shri Ajay Kumar	11/11/2015	50000	31/03/2019	1236
		21	Smt B. Kurbah	12/11/2015	50000	31/03/2019	1235
		22	Shri K.M. Warjri	11/11/2015	50000	31/03/2019	1236
		23	Smt Rita Malniang	09/11/2015	50000	31/03/2019	1238
		24	Shri Kamino Tyngkan	16/11/2015	50000	31/03/2019	1231
		25	Shri Vincent Sohliya	06/11/2015	50000	31/03/2019	1241
		26	Shri Luckas Majaw	15/11/2015	50000	31/03/2019	1232
		27	Smt Happy	22/11/2015	50000	31/03/2019	1225
		28	Shri Sanjay Sharma	18/11/2015	50000	31/03/2019	1229
		29	Shri James Roy	25/04/2015	50000	31/03/2019	1436
		30	Shri L.S. Marbaniang	19/11/2015	50000	31/03/2019	1228
		31	Smt O.B. Tariang	25/11/2015	50000	31/03/2019	1222
		32	Smt I. Synnah	25/11/2015	50000	31/03/2019	1222
		33	Smt Merita Wahlang	19/11/2015	50000	31/03/2019	1228
		34	Smt D. Khonglah	02/12/2015	50000	31/03/2019	1215
		35	Shri Embar Laloo	01/12/2015	50000	31/03/2019	1216
		36	Smt R. Syiemiong	01/12/2015	50000	31/03/2019	1216
		37	Shri B. Lyngdoh	08/11/2015	50000	31/03/2019	1239
		38	Shri D.M. Singhanian	12/05/2016	50000	31/03/2019	1053
		39	Smt N. Thangkhiew	30/04/2017	50000	31/03/2019	700
		40	Smt A. Khongsit	02/05/2016	50000	31/03/2019	1063
		41	Shri Shanborlang	01/05/2017	50000	31/03/2019	699
		42	Smt K. Pariat	10/05/2017	50000	31/03/2019	690
		43	Smt Distilda Dkhar	28/05/2017	50000	31/03/2019	672
		44	Shri Pynksanlang Siej	21/11/2016	50000	31/03/2019	860
		45	Shri Anthony Momin	22/01/2018	50000	31/03/2019	433

		46	Shri Dayobha Pyrbot	25/01/2018	50000	31/03/2019	430	
		47	Shri F.P. Marbaniang	24/01/2018	50000	31/03/2019	431	
		48	Smt Lung Pathaw	12/02/2018	50000	31/03/2019	412	
		49	Smt Wandinecia	19/02/2018	50000	31/03/2019	405	
		50	Smt Evelyne Wahlang	19/02/2018	50000	31/03/2019	405	
		51	Smt R. Myrboh	19/02/2018	50000	31/03/2019	405	
		52	Shri Ripil Rymbai	14/03/2018	50000	31/03/2019	382	
		53	Smt Iona Khylllep	26/03/2018	50000	31/03/2019	370	
		<b>Bar Licence</b>	54	Hotel Alpine Continental	08/11/2015	40000	31/03/2019	1239
			55	Eee Cee Bar	08/11/2015	40000	31/03/2019	1239
			56	Hotel Silk Route	08/11/2015	40000	31/03/2019	1239
			57	Fusion Bar	10/11/2015	40000	31/03/2019	1237
			58	Hotel Assembly	24/11/2015	40000	31/03/2019	1223
			59	Tango Bar	15/11/2015	40000	31/03/2019	1232
			60	Kawloon Bar	18/11/2015	40000	31/03/2019	1229
			61	Kimsang Bar	18/11/2015	40000	31/03/2019	1229
			62	Shotz Bar	24/05/2017	40000	31/03/2019	676
			63	Astoria Bar	30/04/2017	40000	31/03/2019	700
			64	Aqua Bar	26/03/2017	40000	31/03/2019	735
			65	The Shillong Club Ltd	15/05/2017	40000	31/03/2019	685
66	The Shillong Golf Club		15/05/2017	40000	31/03/2019	685		
<b>Superintendent of Excise, Khliehriat</b>	<b>IMFL licence</b>	67	Sharatimon Janu	21/02/2016	50000	31/03/2019	1134	
		68	B.S. Dkhar	21/04/2016	50000	31/03/2019	1074	
		69	Showme Suchiang	02/01/2016	50000	31/03/2019	1184	
		70	Heimonki Saioo	02/11/2016	50000	31/03/2019	879	
		71	Nimis Dhar	16/05/2016	50000	31/03/2019	1049	
		72	Lucy Rymbai	02/11/2011	50000	31/03/2019	2706	
		73	Johny Rymbai	06/06/2016	50000	31/03/2019	1028	
		74	Jespar Bareh	01/07/2016	50000	31/03/2019	1003	
		75	Myplease Siangshai	21/02/2017	50000	31/03/2019	768	
		76	Ple (Trodiss) Siangshai	19/12/2016	50000	31/03/2019	832	
		77	Wanshwa Nongtdu	09/03/2016	50000	31/03/2019	1117	
		78	Shillong Dkhar	11/03/2016	50000	31/03/2019	1115	
		79	Augustine Susngi	06/04/2012	50000	31/03/2019	2550	
		80	Yoorest Sympli	02/11/2016	50000	31/03/2019	879	
		81	Wansuk Syiem	02/11/2016	50000	31/03/2019	879	
		82	Nowell Siangshai	02/11/2011	50000	31/03/2019	2706	
		83	Nirmali Siangshai	02/11/2016	50000	31/03/2019	879	
		84	Phrit Chyrmang	02/11/2016	50000	31/03/2019	879	
		85	Martin Shylla	24/04/2017	50000	31/03/2019	706	
		86	Monica H. Rymbai	02/11/2011	50000	31/03/2019	2706	
		87	Jubilis Swer	02/11/2016	50000	31/03/2019	879	
		88	Tyngshain Phawa	01/09/2016	50000	31/03/2019	941	
		89	Abraham Kyndait	13/01/2017	50000	31/03/2019	807	
		90	Dapsngithiang Suting	28/11/2011	50000	31/03/2019	2680	
<b>Superintendent of Excise, Tura</b>	<b>IMFL licence</b>	91	Shri Badith T. Sangma	28/01/2019	50000	31/03/2019	62	
		92	Shri Jingjang Marak	21/03/2017	50000	31/03/2019	740	
		93	Shri Rajesh M. Sangma	05/12/2017	50000	31/03/2019	481	
		94	Shri Probin D. Marak	22/11/2016	50000	31/03/2019	859	
		95	Shri Rajdeep Hajong	17/10/2016	50000	31/03/2019	895	
		96	Smt Kalpana D. Sangma	16/07/2016	50000	31/03/2019	988	
		97	Smt Sweety R. Marak	12/08/2016	50000	31/03/2019	961	
		98	Smt Lucy Ch. Marak	10/12/2018	50000	31/03/2019	111	

<i>Superintendent of Excise, Nongpoh</i>	<i>IMFL Licence</i>	99	Ranima G. Momin	21/11/2017	50000	31/03/2019	495
		100	Ratan Kr. Shome	28/08/2017	50000	31/03/2019	580
		101	Rajkumar Koch	29/06/2017	50000	31/03/2019	640
		102	Baleng D. Sangma	18/02/2018	50000	31/03/2019	406
		103	Tracy Massar	30/03/2016	50000	31/03/2019	1096
		104	Doris Mary Kharsati	31/03/2016	50000	31/03/2019	1095
		105	Macdonald Sawkmie	18/06/2016	50000	31/03/2019	1016
		106	Joel G. Dorphang	29/03/2016	50000	31/03/2019	1097
		107	Gudhuli Sohpdang	14/03/2016	50000	31/03/2019	1112
		108	Puspa Majhong	04/04/2016	50000	31/03/2019	1091
		109	M. Shadap	08/06/2016	50000	31/03/2019	1026
		110	J. Khongwir	13/06/2016	50000	31/03/2019	1021
		111	W.A. Nongkhlaw	26/08/2016	50000	31/03/2019	947
		112	B. Gudhi Kurbah	29/08/2016	50000	31/03/2019	944
		113	Erica Dkhar	04/08/2017	50000	31/03/2019	604
		114	Amica Sawian	28/06/2016	50000	31/03/2019	1006
		115	Markos Lapang	21/03/2017	50000	31/03/2019	740
116	Esnolin Myrboh	11/03/2017	50000	31/03/2019	750		
117	Beatrice Mukhim	17/03/2017	50000	31/03/2019	744		
<i>Superintendent of Excise, Williamnagar</i>	<i>Bar Licence</i>	118	Ananta Timung	15/07/2016	40000	31/03/2019	989
		119	Maplinsina Diengdoh	22/11/2017	40000	31/03/2019	494
<i>Superintendent of Excise, Williamnagar</i>	<i>IMFL Licence</i>	120	Easyborn Marak	29/06/2018	50000	31/03/2019	275
		121	Saljrang Ch. Momin	14/11/2014	50000	31/03/2019	1598
		122	Limberth Sangma	08/06/2017	50000	31/03/2019	661
		123	Bablu Sangma	08/06/2017	50000	31/03/2019	661
		124	Manseng Ch Sangma	08/06/2017	50000	31/03/2019	661
		125	Lereritha Sangma	09/06/2017	50000	31/03/2019	660
		126	Lohatson N. Marak	24/08/2017	50000	31/03/2019	584
		127	Doudstone C Marak	01/02/2018	50000	31/03/2019	423
		128	Jontilla N Sangma	25/02/2019	50000	31/03/2019	34
		129	Gredencestone R	19/07/2018	50000	31/03/2019	255
		<i>Bonded Warehouse Licence</i>	130	DMB Bonded Warehouse	11/05/2018	300000	31/03/2019
131	Simsang Bonded Warehouse		07/05/2018	300000	31/03/2019	328	
<b>TOTAL</b>					<b>6900000</b>		

**Appendix – XII**

**(Ref: Para 3.6)**

**Security deposit not obtained from IMFL licencees who defaulted payment of licence fees**

Sl. No.	Name of Licencee	Amount of security deposit payable (₹)	Period of licence fee not paid
1	Ieidlin Suchiang	50000	2016-17 to 2018-19
2	Kmenbha Kyndiah	50000	2016-17 to 2018-19
3	Rimika Dhar	50000	2016-17 to 2018-19
4	Hill Syrti	50000	Licence fee paid
5	Roy Siangshai	50000	2016-17 to 2018-19
6	Justin Rymbai	50000	Licence fee paid
7	Simon Dhar	50000	2016-17 to 2018-19
8	T.D.S. Dkhar	50000	Licence fee paid
9	Ken Langstang	50000	2016-17 to 2018-19
10	Hum Shylla	50000	2016-17 to 2018-19
11	Koi Chyrmang	50000	2016-17 to 2018-19
12	Plol Siangshai	50000	2016-17 to 2018-19
13	Donald Paul Chyrmang	50000	2018-19
14	Basterwell Bareh	50000	Licence fee paid
15	Chasmon Malang	50000	Licence fee paid
16	Brass Talang	50000	2016-17 to 2018-19
17	Francis Dkhar	50000	Licence fee paid
<b>TOTAL</b>		<b>850000</b>	

**Appendix - XIII**

(Ref: Para 3.7)

**Statement showing details of import permits not executed, revalidated or cancelled**

Sl No	Impor Permit No	Date of issue	Validity period	Name of the bonded warehouse	Name of the distillery/ bottling plant	Name of the brand	Size (in ml)	Quantity (in cases)	Rate of advalorem per case (₹)	Total advalorem (₹)
1	VWB/109	23.08.2017	23.08.2017 to 22.10.2017	VW bonded warehouse	Mahou India Pvt Ltd, Rajasthan	Dare Devil Extra Stong Premium Beer	650	200	137.87	27574
						Mahou Clasica Premium Beer	500	150	197.52	29628
						Mahou Clasica Premium Beer	330	300	144.88	43464
2	VWB/114	24.08.2017	24.08.2017 to 23.10.2017		United Spirits Limited, Nashik, Maharashtra	Black Dog Triple Gold Reserve Blended Scotch Whisky	750	20	1660.66	33213
							375	10	1660.66	16607
							180	10	1660.66	16607
3	OSB/97	09.07.2018	09.07.2018 to 07.09.2018	OS bonded warehouse	Celebrity Breweries Pvt Ltd, Hooghly, West Bengal	Haywards 5000 Super Strong Beer	500	1150	209.35	240753
4	VRB/87	06.07.2018	06.07.2018 to 04.09.2018	VR bonded warehouse	Celebrity Breweries Pvt Ltd, Hooghly, West Bengal	Haywards 5000 Super Strong Beer	500	1200	209.35	251220
5	RAMB/63	06.07.2018	06.07.2018 to 04.09.2018	RAM bonded warehouse	Celebrity Breweries Pvt Ltd, Hooghly, West Bengal	Haywards 5000 Super Strong Beer	500	1200	209.35	251220
6	RAMB/187	19.12.2018	19.12.2018 to 17.02.2019		Celebrity Breweries Pvt Ltd, Hooghly, West Bengal	Haywards 5000 Super Strong Beer	650	1000	120.85	120850
						Fosters Lager Beer	650	100	88.98	8898
							500	100	156.86	15686
<b>TOTAL</b>								<b>5440</b>	<b>-</b>	<b>1055719</b>



<b>Glossary</b>		
<b>Chapter I- General</b>		
<b>ACM</b>		Audit Committee Meeting
<b>ATN</b>		Action Taken Note
<b>BE</b>		Budget Estimate
<b>C&amp;AG</b>		Comptroller and Auditor General
<b>GoI</b>		Government of India
<b>GoM</b>		Government of Meghalaya
<b>IR</b>		Inspection Report
<b>PAC</b>		Public Accounts Committee
<b>Pr. AG</b>		Principal Accountant General
<b>SGST</b>		State Goods and Service Tax
<b>VAT</b>		Value Added Tax
<b>Chapter II- Taxation Department</b>		
<b>ACT</b>		Assistant Commissioner of Taxes
<b>AMC</b>		Annual Maintenance Contract
<b>AO</b>		Assessing Officer
<b>CBIC</b>		Central Board of Indirect Taxes and Customs
<b>CGST</b>		Central Goods and Services Tax
<b>CoT</b>		Commissioner of Taxes
<b>CST</b>		Central Sales Tax
<b>DDO</b>		Drawing and Disbursing Officer
<b>EE</b>		Executive Engineer
<b>ERTS</b>		Excise, Registration, Taxation and Stamps
<b>GST</b>		Goods and Services Tax
<b>GSTR</b>		Goods and Services Tax Returns
<b>HSD</b>		High Speed Diesel
<b>IGST</b>		Inter-State Goods and Services Tax
<b>IT</b>		Information Technology
<b>ITC</b>		Input Tax Credit
<b>JCT</b>		Joint Commissioner of Taxes
<b>MGST</b>		Meghalaya Goods and Services Tax
<b>MS</b>		Motor Spirits
<b>MSL</b>		Motor Spirit and Lubricants
<b>MT</b>		Metric Tonne
<b>MVAT</b>		Meghalaya Value Added Tax
<b>NIC</b>		National informatics Center
<b>PAN</b>		Permanent Account Number
<b>PWD</b>		Public Works Department
<b>SAN</b>		Storage Area Network

<b>ST</b>		Superintendent of Taxes
<b>TAN</b>		Tax Deduction and Collection Account Number
<b>TDS</b>		Tax Deducted at Source
<b>TIN</b>		Taxpayer Identification Number
<b>TRAN</b>		Transition form
<b>VAT</b>		Value Added Tax
<b>Chapter III- State Excise Department</b>		
<b>ACE</b>		Assistant Commissioner of Excise
<b>BIO</b>		Bottled in place of origin
<b>CoE</b>		Commissioner of Excise
<b>DCE</b>		Deputy Commissioner of Excise
<b>ERTS</b>		Excise, Registration, Taxation and Stamps
<b>IMFL</b>		Indian Made Foreign Liquor
<b>SE</b>		Superintendent of Excise
<b>Chapter IV- Transport Department</b>		
<b>AMVT</b>		Assam Motor Vehicle Taxation
<b>CF</b>		Composite Fee
<b>CT</b>		Commissioner of Transport
<b>DTO</b>		District Transport Officer
<b>MV</b>		Motor Vehicle
<b>RC</b>		Certificate of Registration
<b>STA</b>		State Transport Authority
<b>Chapter V- Forest &amp; Environment Department</b>		
<b>ADC</b>		Autonomous District Council
<b>CCF</b>		Chief Conservator of Forests
<b>CF</b>		Conservator of Forests
<b>Cu.m</b>		Cubic meter
<b>DFO</b>		Divisional Forest Officer
<b>F&amp;E</b>		Forest & Environment
<b>LCS</b>		Land Custom Station
<b>MMRF</b>		Meghalaya Minor Mineral Reclamation Fund
<b>MSPCB</b>		Meghalaya State Pollution Control Board
<b>MT</b>		Metric Tonne
<b>PCCF&amp; HoFF</b>		Principal Chief Conservator of Forests& Head of Forest Force
<b>RO</b>		Range Officer
<b>Chapter VI- Stamps &amp; Registration Department</b>		
<b>ERTS</b>		Excise, Registration, Taxation and Stamps
<b>GoM</b>		Government of Meghalaya





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