

OVERVIEW

The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2020 (Government of Meghalaya) is brought out in six chapters. The Report contains two Subject Specific Compliance Audit Paragraphs on '*Refund Claims under GST for the period from 01 July 2017 to 31 July 2020*' and '*Arrears of Assessment and Revenue under VAT Regime post GST roll out*' and seven Audit Paragraphs relating to Taxation, State Excise, Transport, Forest & Environment and Mining & Geology departments involving ₹ 267.66 crore. The major findings are mentioned below:

Chapter-I: General

➤ During the year 2019-20, the revenues raised by the State Government (₹ 2,421.36 crore) was 25.72 *per cent* of the total revenue receipts (₹ 9413.52 crore). The balance 74.28 *per cent* of receipts during 2019-20 comprised of State's share of net proceeds of divisible taxes and duties amounting to ₹ 4,211.78 crore and grants-in-aid from Government of India amounting to ₹ 2,780.38 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 2019-20 revealed under assessments/short/non-levy/loss of revenue amounting to ₹ 1,166.89 crore in 498 cases. During the year, the departments accepted under assessments/short/non-levy/loss of revenue of ₹ 376.97 crore in 293 cases pointed out in 2019-20, and recovered ₹ 12.81 crore.

(Paragraph 1.10)

Chapter-II: Taxation Department

(i) Subject Specific Compliance Audit of Refund Claims under GST for the period from 01 July 2017 to 31 July 2020

A timely refund mechanism constitutes a crucial component of tax administration, as it facilitates the release of blocked funds for working capital requirements, expansion and modernization of existing businesses. The provisions pertaining to refund contained in the GST laws aim to streamline and standardize the refund procedure online under the GST regime. Audit of refund claims under GST revealed the following:

- Maintenance and availability of records was not adequate since the record of 56 refund applications could not be produced to Audit.
- There is no mechanism for post audit of refund claims.
- Refund claims were sanctioned with inadequate documentation.
- Inordinate delays were observed in sanctioning of refunds and issue of deficiency memo. Interest was not paid in cases of delayed refund.

- There were inordinate delays in communicating/forwarding the refund orders to the Treasury/PAO resulting in delays in crediting the refund amount to the taxpayers' account. All the above indicates absence of monitoring mechanism in the Department.

(Paragraph 2.3)

(ii) Subject Specific Compliance Audit of Arrears of Assessment and Revenue under VAT Regime post GST roll out

Prior to the roll-out of the Goods and Services Tax (GST) Act, 2017, the Taxation Department was responsible for the administration of taxes on trade and commerce. The collection of tax in the State of Meghalaya was governed by the provisions of Acts and Rules which are no longer in force after the roll-out of GST. The Subject Specific Compliance Audit (SSCA) on "Arrears of Assessment and Revenue under VAT regime post GST roll out" was conducted with a view to assess the assessments pending and the resultant arrears of revenue and efforts made by the Department in assessing the pending cases and to recover the arrears of revenue. Audit has noticed the following deficiencies:

- The Taxation Department failed to complete assessments in respect of 74,501 cases pertaining to assessments under VAT.
- There was an addition of VAT arrear amounting to ₹ 98.98 crore between 01 April 2018 and 30 September 2020 after the roll-out of GST.
- There was a dismal rate of disposal of arrear assessments pertaining to VAT, with only 20.57 per cent of cases disposed at the end of the pre-GST period to 17.96 per cent of cases disposed at the end of the post-GST period.
- In 65 cases involving arrears of ₹ 76.16 crore, no demand notices had been issued by the Tax Recovery Officer (TRO) resulting in loss of revenue to that extent.
- The Department has not instituted a system to monitor arrears in assessment and recovery of arrear revenue and year-wise target of completion of assessment was also not fixed by the Department.

(Paragraph 2.4)

- Superintendent of Taxes, Circle – III, Shillong failed to assess the case records of the dealers which resulted in concealment of turnover on motor spirits/high speed diesel and consequent evasion/short payment of tax to the tune of ₹ 0.89 crore.

(Paragraph 2.5)

- Superintendents of Tax, Circle IV and VI, Shillong failed to initiate action against two dealers who had suspended their businesses and stopped furnishing their tax returns resulting in loss of ₹ 28.78 lakh and non-realisation of assessed revenue amounting to ₹ 84.81 lakh.

(Paragraph 2.6)

Chapter-III: State Excise Department

- Failure of the Excise Department to notify norms for production of Indian Made Foreign Liquor (IMFL) from ENA and norms for production of ENA from raw materials led to shortfall in yield of IMFL during production and resulted to a loss of revenue to the tune of ₹ 57.83 crore.

(Paragraph 3.3)

Chapter-IV: Transport Department

- Delay in implementation of revised rates of penalties/fines from defaulting vehicles owner resulted in short collection of penalties/fines to the tune of ₹ 1.23 crore.

(Paragraph 4.3)

Chapter-V: Forest & Environment Department

- Three Forest check-gates under-reported export of boulders and limestone to Bangladesh which resulted in loss of ₹ 3.49 crore.

(Paragraph 5.3)

Chapter-VI: Mining & Geology Department

- Divisional Mining Officer, Jowai failed to realise interest amount of ₹ 34.10 lakh from three cement companies for belated payment of District Mineral Foundation Fund.

(Paragraph 6.3)

- Divisional Mining Officer, Jowai failed to collect mineral cess amounting to ₹ 10.56 crore from cement companies.

(Paragraph 6.4)

