सत्यमेव जयते

Report of the Comptroller and Auditor General of India

(Revenue Sector)

For the year ended 31 March 2020

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

GOVERNMENT OF MEGHALAYA
(REPORT NO. 2 OF 2022)

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 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 2019-20 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 2019-20 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 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 3.4)

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)

CHAPTER – I
GENERAL

CHAPTER-I
GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Meghalaya during the year 2019-20, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1.**

Table 1.1 Trend of Revenue Receipts **(₹ in crore)**

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	**Revenues raised by the State Government**					
	Tax revenue	1056.82	1186.01	1450.10	1793.24	1891.25
	Non-tax revenue	228.60	685.24	366.63	427.70	530.11
	Total	**1285.42**	**1871.25**	**1816.73**	**2220.94**	**2421.36**
2.	**Receipts from the Government of India**					
	Share of Union taxes/ duties	3276.46	3911.05	4323.14	4889.07	4211.78
	Grants-in-aid and contributions	2481.25	3156.65	3133.61	2608.61	2780.38
	Total	**5757.71**	**7067.70**	**7456.75**	**7497.68**	**6992.16**
3.	**Total revenue receipts of the State Government (1 and 2)**	**7043.13**	**8938.95**	**9273.48**	**9718.62**	**9413.52**
4.	**Percentage of 1 to 3**	**18.25**	**20.93**	**19.59**	**22.85**	**25.72**

Source: Finance Accounts, Government of Meghalaya.

As seen in **Table 1.1** above, during the financial year (FY) 2019-20, revenues raised by the State Government (₹ 2,421.36 crore) was 25.72 *per cent* of the total revenue receipts, which is the highest percentage during the preceding five years. The balance 74.28 *per cent* revenue receipts during 2019-20 were received from the Government of India in the form of State Share of Union taxes and duties and Grants-in-aid from the Government of India. Total Revenue Receipts of the State during 2019-20 decreased by ₹ 305.10 crore which was 3.14 *per cent* over the previous year. The decrease was mainly under Share of Union taxes /duties[1] as compared to previous year

1.1.2 The details of the tax revenue raised during the period 2015-16 to 2019-20 are given in **Table 1.2**.

Table 1.2 Details of Tax Revenue raised **(₹ in crore)**

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Sales Tax	766.36	811.79	940.47	931.06	1223.25	766.63	1339.73	627.50	1650.00	567.13	(+)23.16	(-)9.62
2.	State Goods & Services Tax (SGST)	--	--	--	--	--	376.00	--	805.96	--	909.78	--	(+)12.88
3.	State Excise	194.15	170.04	238.24	168.98	229.13	199.30	263.50	226.21	289.85	276.27	(+)10	(+)22.13
4.	Taxes on Vehicles	41.30	42.01	50.68	48.22	60.82	67.01	69.94	86.95	100.00	99.24	(+)42.98	(+)14.13
5.	Stamp duty and	12.59	12.74	14.48	17.19	18.83	20.25	19.39	26.19	21.33	20.34	(+)10	(-) 2.34

[1] Share of Union taxes/duties are based on the recommendations of the Finance Commission.

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
	Registration fees												
6.	Land revenue	4.77	3.18	5.49	1.27	5.60	2.08	1.54	2.73	1.69	1.00	(+)9.74	(-)63.37
7.	Taxes on goods and passengers	5.78	4.92	6.97	5.31	5.62	7.83	6.18	8.45	9.41	9.13	(+)52.27	(+)8.05
8.	Others[2]	10.62	12.14	12.22	13.98	15.73	11.00	15.93	9.25	17.52	8.36	(+)79.69	(-)9.62
	TOTAL	**1035.57**	**1056.82**	**1268.55**	**1186.01**	**1558.98**	**1450.10**	**1716.21**	**1793.24**	**2089.80**	**1891.25**	**(+)22.20**	**(+)5.47**

Source: Finance Accounts and Budget, Government of Meghalaya.

As shown in **Table 1.2** above, during 2019-20, the actual realisation of revenue was ₹ 1,891.25 crore as against the budget estimate (BE) of ₹ 2,089.80 crore, which was short by ₹ 198.55 crore (10.50 *per cent*). However, in comparison to the previous year, the overall revenue realisation was increased by 5.47 *per cent.* Percentage of increase under other revenue heads ranged between 8.05 *per cent* to 22.13 *per cent* of the collection in the previous year. On the other hand, the actual realisation in case of 'Stamp Duty and Registration fees', 'Land Revenue' and under 'Others' heads were deficient to the extent of 9.62 *per cent* to 63.37 *per cent.*

It was further observed that revenue on account of State Goods and Services Taxes was not estimated in the Budget although the details of minimum assured revenue from GST, based on the formula[3] devised by the GoI, were available with the State Government. As per the formula, minimum assured revenue for the year 2019-20 was ₹ 1,074.47 crore (base year revenue ₹ 636.17 crore). Had the revenue amount receipt under the SGST (₹ 909.78 crore) or the assured amount (₹ 1,074.47 crore) been accounted for in the budget estimate, the shortfall of actual realisation of revenue over the BE would have been increased manifold. This indicates that the budget estimate was not realistic.

The increase in collection of tax revenue pertaining to 'State Excise' was stated to be due to implementation of new Excise policies to generate more revenue. However, the reasons for increase or decrease of revenue collection under the remaining heads of tax revenue had not been intimated till date (March 2022) by the Departments concerned though the same was requisitioned in July 2020.

1.1.3 The details of the BE and actual non-tax revenue raised during the period 2015-16 to 2019-20 are indicated in **Table 1.3**:

[2] It includes- Taxes on profession, Trades, callings and employment, taxes and duties on electricity and other taxes and duties on commodity and services.

[3] The Government of India in the GST Compensation to States Act, 2017 had set 2015-16 as the base year for all states and offered compensation for five years starting from the date of implementation of State GST Act. The revenue growth rate for each state is considered at 14 *per cent* per year. In Meghalaya the base year revenue has been worked out at ₹ 636.17 crore.

Table 1.3: Non-Tax Revenue raised **(₹ in crore)**

Sl. No.	Head of revenue	2015-16		2016-17		2017-18		2018-19		2019-20		Percentage of increase (+) or decrease (-) in 2019-20 over 2018-19	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1.	Interest receipts	34.77	39.34	39.99	46.25	43.27	52.50	47.60	58.26	55.06	28.91	(+) 15.67	(-)50.38
2.	Dividends and profits	0.14	0.07	0.15	0.11	0.17	0.11	0.19	0.11	0.21	0.14	(+) 10.53	(+)27.27
3.	Non-ferrous mining and metallurgy	112.21	60.75	232.40	469.52	264.87	207.88	291.39	147.56	320.53	322.84	(+) 10	(+)118.79
4.	Forestry and wildlife	68.44	72.08	81.85	103.99	112.55	55.61	114.39	78.31	125.83	81.27	(+) 10	(+)3.78
5.	Other administrative services	8.86	3.49	10.19	3.11	6.67	3.76	7.18	9.25	7.90	41.30	(+) 10.03	(+)346.49
6.	Public works	12.57	8.40	14.46	10.22	10.78	17.01	11.60	17.64	18.71	9.78	(+) 61.29	(-)44.59
7.	Police	9.69	16.28	11.14	25.21	7.32	4.51	7.88	16.27	8.67	8.17	(+) 10.03	(-)49.78
8.	Animal husbandry	2.59	1.96	2.98	1.59	2.28	1.85	2.50	2.10	2.75	1.91	(+) 10	(-)9.05
9.	Crop husbandry	6.28	3.18	7.23	3.46	7.81	4.49	8.59	6.71	9.45	2.29	(+) 10.01	(-)65.87
10.	Others	56.62	23.06	65.77	21.78	57.05	18.91	46.78	91.49	51.46	33.50	(+) 10	(-)63.38
	TOTAL	**312.17**	**228.61**	**466.16**	**685.24**	**512.77**	**366.63**	**538.10**	**427.70**	**600.57**	**530.11**	**(+)11.61**	**(+)23.94**

Source: Finance Accounts and Budget, Government of Meghalaya.

As seen from **Table 1.3** above, during 2019-20 the actual realisation of revenue under non-tax receipts was ₹ 530.11 crore against the BE of ₹ 600.57 crore, which was short by ₹ 70.46 crore (11.73 *per cent*). The shortfall was most pronounced in 'Interest receipts' (₹ 26.15 crore), 'Forestry and wildlife' (₹ 44.56 crore), 'Public Works' (₹ 8.93 crore) and 'Crop Husbandry' (₹ 7.16 crore).

However, in comparison to the previous year (2018-19), the revenue realisation from non-tax receipts has increased from ₹ 427.70 crore to ₹ 530.11 crore i.e., by 23.94 *per cent.*

The decrease in revenue collection in 'Forestry and wildlife' was stated to be due to court cases filed under NGT that affected extraction and export of minor minerals, as well as strict implementation of the Meghalaya Minor Minerals Concession Rules, 2016 that allowed only legal mining leases to operate in Meghalaya. The other departments did not intimate reasons for increase/decrease (March 2022), though the same was requisitioned in July 2020.

Recommendation: 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.

1.2 Goods & Services Tax

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. GST is a multi-stage tax system which is comprehensive in nature and applied on the sale of goods and services. In Meghalaya, GST was launched with effect from 01 July 2017.

1.2.1 GST Registrations

Under GST Law any dealers with annual turnover of ₹ 10 lakh or more with effect from 01 July 2017 and ₹ 20 lakh or more with effect from 01 February 2019 for North Eastern (NE) and Hill States were required to be registered in the State under the new GST law. Position of various categories of dealers registered under the State GST as on 31 August 2020 are shown in the table below:

Table 1.4: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) up to 31 August 2020

Category of registrant	No. of registrants	Percentage of total
Normal taxpayers	18811	89.58
Composition taxpayers	1841	8.77
Tax deductors at source	310	1.48
Tax collectors at source	31	0.15
Input Service Distributors	NA	NA
Others (Casual, NRTP, OIDAR)	5	0.02
Total Registrants	**20998**	

Source: Information provided by Department.
NA: Not Available.

It is seen from the above table that as on 31 August 2020, total number of registered dealers under the State GST were 20,998, of which 'normal taxpayers' accounted for 89.58 *per cent* followed by 'composition taxpayers' with 8.77 *per cent* and 'Tax deductors at source' with 1.48 *per cent*. Of the total registrations, 9,145 i.e. 43.55 *per cent* were migrated from pre-GST regime, while balance were new registrations under GST regime.

1.2.2 GST Return filing pattern

1.2.2.1 Filing pattern of GSTR-1 and 3B

The filling of GSTR-1[4] and GSTR-3B[5] returns is mandated under Section 37 and 39(1) of the MGST Act. 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.

The trends of filing of GSTR-1 and 3B as on 31 March 2020 for the period from April 2019 to March 2020, as compiled from the information furnished by the Department, have been depicted in the following **Table**:

[4] GSTR-1: It is a sales return that is required to be filed by every GST registered person.
[5] GSTR-3B: It is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST common portal.

Table 1.5: Details of Return filing (GSTR-1 and GSTR-3B)

Return Type	GSTR-1			GSTR-3B				
Months	Due for filing	Return filed	Return filing per cent	Due for filing	Returns filed as on the last day of the report period	Return filing per cent	Returns filed by due date	Per cent filed by due date
April 2019	23,763	7,159	43.40	23,703	18,754	78.92	Data not available	Data not available
May 2019	24,195	7,232	43.61	23,763	19,092	78.91		
June 2019	24,878	15,851	63.71	24,195	19,672	79.07		
July 2019	25,640	7,411	44.76	24,878	20,210	78.82		
August 2019	25,884	7,390	45.86	25,640	20,342	78.59		
September 2019	26,140	16,467	63.00	25,884	20,483	78.36		
October 2019	26,255	7,420	46.12	26,140	20,543	78.24		
November 2019	26,357	7,356	46.03	26,255	20,503	77.79		
December 2019	26,428	16,089	60.88	26,428	20,485	77.51		
January 2020	26,536	7,443	46.78	26,536	20,496	77.24		
February 2020	26,675	7,113	44.75	26,675	20,408	76.51		
March 2020	26,706	14,930	55.91	26,706	20,202	75.65		

Source: Information provided by Department.

It can be seen from the above table that filling of GSTR-1 increased from 43.40 *per cent* in April 2019 to 55.19 *per cent* in March 2020. However, the filling of GSTR-3B returns decreased from 78.92 *per cent* in April 2019 to 75.65 *per cent* in March 2020. 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.

1.3 Revenue from GST

GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation. It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST levied by the Centre is called Central GST(CGST) and that levied by the State is called State GST (SGST). Besides, an Integrated GST (IGST) would be levied on inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.

1.3.1 SGST Revenue

The Taxation Department has not included any estimations of revenue on account of SGST in the Budget. However, the figures of actual realisation of revenue from collection under SGST for three years from 2017-18 to 2019-20 is given in the **Table** below:

Table 1.6: Revenue from SGST

(₹ in crore)

Year	Actuals
2017-18	141.40
2018-19	284.02
2019-20	334.63

Source: Information provided by Department.

It is observed that revenue collection under SGST has shown an upward trend, with collections rising by as much as 101 *per cent* in the year 2018-19 over the previous year. However, during 2019-20, the SGST collections rose by merely 18 *per cent* over 2018-19.

1.3.2 Compensation

Under the GST (Compensation to States) Act, 2017, states were guaranteed bi-monthly compensation for any loss of revenue in the first five years of GST implementation, starting from 01 July 2017. **Table 1.7** below shows the figures of bi-monthly compensation under GST received by the State from the Union Government.

Table 1.7: Bi-monthly compensation received from the Union Government

(₹ in crore)

Month	Provisional Compensation due	Provisional compensation received	Shortfall/ surplus, if any
April-May 2019	179.00	0.00	(-) 179.00
June-July 2019	179.00	21.00	(-) 158.00
August-September 2019	179.00	55.00	(-) 124.00
October-November 2019	179.00	29.00	(-) 150.00
December 2019-January 2020	179.00	25.23	(-) 153.77
February-March 2020	179.00	26.77	(-) 152.23
Total	**1074.00**	**157.00**	**(-)917.00**

Source: Information provided by Department in February 2021.

During the period from April 2019 to March 2020, the State had been compensated with ₹ 157.00 crore.

1.3.3 Apportionment through IGST

Under Section 17 of the IGST Act, apportionment of tax and settlement of funds is provided to the States and IGST has to be shared between the Centre and states in the ratio of 50:50. The provisional apportionment of IGST to the State of Meghalaya for the years 2017-18 to 2019-20 is given as under:

Table 1.8: Apportionment of IGST **(₹ in crore)**

IGST component	2017-18	2018-19	2019-20
IGST apportioned to the State as per Section 17 of IGST Act, 2017	79.67	79.68	101.82
IGST provisionally/ ad-hoc apportioned to the State.	0.00	104.10	26.25
IGST cross utilised between			
SGST as IGST	(-)11.70	29.57	(-)37.53
IGST as SGST	166.62	373.33	522.49

Source: Information provided by Department.

1.3.4 Collection of SGST revenue from top 10 commodities/services

The detail lists of top 10 commodities and services which contribute maximum State GST collection during the year 2019-20 are given in **Table 1.9** below:

Table 1.9: Revenue from Top 10 commodities/Services for the year 2019-20

(₹ in crore)

Sl. No.	Name of Commodity/Service	SGST/UTGST
Commodities		
1.	Portland Cement, Aluminous Cement, Slag Cement, Supersulphate Cement and Similar Hydraulic Cements etc.	20.51
2.	Telephone Sets, including Telephones for Cellular Networks or for other Wireless Networks, other than transmission or reception apparatus of certain types	12.40
3.	Limestone Flux, Limestone or other Calcareous Stones used for the manufacture of Lime or Cement	8.29
4.	Motor Cars and Other Motor Vehicles including Station Wagons and Racing Cars/Parts and Accessories	4.07
5.	Structures Excluding Prefabricated Buildings of Heading 9406 and Parts of Structures like Bridges and Bridge Sections, Lock-Gates, Towers and Lattice Masts	1.69
6.	Structures Excluding Prefabricated Buildings of Heading 9406 and Parts of Structures like Bridges and Bridge Sections, Lock-Gates, Tubular Steel Poles for Electric Transmission and Distribution Lines	1.09
7.	Textile Fabrics impregnated, coated, covered or laminated with plastics/Other Footwear	1.23
8.	Paints and varnishes including enamels and lacquers based on synthetic polymers or chemically modified natural polymers dispersed or dissolved in a non-aqueous medium	1.02
9.	Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for recording sound or other phenomena, including matrices and masters for the production of discs	0.54
10.	Bread, Pastry, Cakes, Biscuits and other Bakers Wafers, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	0.48
Services		
1.	Life Insurance Services/Insurance Auxiliary/ Services provided by an Insurer of Life Insurance under Unit Linked Insurance Plan (ULIP)	7.69
2.	Supply of Outdoor Catering, at premises other than specified premises provided by any person other than (a) Suppliers providing hotel accommodation at specified premises or (b) Suppliers located in specified premises	6.10
3.	Telecommunication Services/ Internet Telecommunication (Telephony) Service	5.87
4.	Works Contract Services	5.14
5.	Banking and Financial	3.12
6.	Consulting Engineer	2.98
7.	Accommodation in Hotels/ Inn/ Guest House/ Club or Camp Site etc. Service/ Restaurant Service	2.86
8.	Construction Services in respect of commercial or industrial buildings and civil structures	2.57
9.	Manpower Recruitment Agency	1.10
10.	Health Services by a Clinical Establishment, Health Check-up, Diagnosis etc.	0.59

Source: Information provided by Department.

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2020 under some principal heads of revenue amounted to ₹ 209.23 crore, of which, ₹ 78.73 crore was outstanding for more than five years as detailed in **Table 1.10**.

Table 1.10: Details of Arrears of Revenue Collection **(₹ in crore)**

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2020	Amount outstanding for more than 5 years as on 31 March 2020	Department's reply
1	0040-Taxes on Sale, Trade etc.	186.68	58.31	Reason for arrears was not furnished by the Department.
2	0039- State Excise	1.91	1.39	Accumulation of arrears was due to non-realisation of licence fee by non-operational "OFF" and "ON" retailers and due to the non-payment of 50% revenue share by local chiefs.
3	0406 – Forestry and Wildlife	20.64	19.03	The accumulation of arrears of revenue was due to pendency of payment of Forest remittances from the Forest Development Corporation of Meghalaya, on account of timber allotted to them and also due to short realisation of royalty from User Agencies using Minor minerals. Furthermore, royalty had been previously collected after transportation, hence there was pendency in royalty collection.
Total		**209.23**	**78.73**	

Source: Information furnished by the Departments.

As seen in **Table 1.10** above, recovery of ₹ 209.23 crore was pending against three of the principal heads of revenue which was 8.64 *per cent* of the State's own revenue collection from tax revenue for 2019-20. Revenue amounting to ₹ 78.73 crore (37.63 *per cent* of the total revenue arrears) was pending for recovery for more than five years which indicates that the chances of recovery are remote. Other departments[6] did not intimate the arrears of revenue despite repeated requests (March 2022).

1.5 Pendency of Refund Cases

The number of refund cases under Sales Tax/MVAT and State GST pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department is given in **Table 1.11** below**.**

Table 1.11: Details of pendency of refund cases **(₹ in crore)**

Sl. No.	Particulars	Sales Tax/VAT		State GST	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	26	20.70	76	0.72
2.	Claims received during the year	10	5.56	81	25.64
3.	Refunds made during the year	3	5.33	47	0.50
4.	Balance outstanding at the end of the year	33	20.93	110	25.86

Source: Information furnished by the departments.

[6] Transport, Mining & Geology, Stamps and Registration and Land Revenue.

As seen from **Table 1.11** above, out of the total 36 pending refund cases valued with ₹ 26.26 crore under the Sales Tax/MVAT, only three cases valued at ₹ 5.33 crore (20.29 *per cent*) were refunded. Similarly, under the State GST, 47 cases valued at ₹ 0.50 crore (1.89 *per cent*) was refunded against the total 157 pending cases valued with ₹ 26.36 crore. The balance 33 cases involving ₹ 20.93 crore under Sales Tax/MVAT and 110 cases involving ₹ 25.86 crore under the State GST were yet to be refunded at the end of the year (March 2020).

The Meghalaya Value Added Tax Act provides for the payment of interest in case of refund 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. Likewise, under Section 56 of the MGST Act, the Taxation Department is liable to pay interest at the rate of six *per cent* per annum if any tax ordered to be refunded to the applicant within sixty days from the date of receipt of application.

As such, the Department may expedite the process of refund in such cases which are outstanding to avoid payment of interest on delayed 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 **1.7.1** 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 upto March 2020 disclosed that 2,067 paragraphs involving money value of ₹ 3,179.44 crore relating to 438 IRs remained outstanding at the end of June 2020 as mentioned in **Table 1.12**, for want of replies or for unacceptable replies by various Government Departments.

Table 1.12: Position of outstanding IRs

Year/Details	June 2017	June 2018	June 2019	June 2020
Number of outstanding IRs	308	346	389	438
Number of outstanding audit observations	1403	1417	1577	2067
Amount involved (₹ in crore)	1,775.00	1,573.69	1,941.06	3,179.44

Department-wise details of IRs, audit observations pending settlement as on 30 June 2020 and the amounts involved are mentioned in **Table 1.13.**

Table 1.13: Outstanding IRs and paragraphs

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Excise, Registration, Taxation & Stamps	(a) Taxes on sales, trade, *etc.*	158	1010	1989.03
		(b) State Excise	71	315	130.74
		(c) Stamps & Registration	27	48	3.69
		(d) State Lotteries	1	1	34.42
2.	Transport	Taxes on motor vehicles	87	243	59.64
3.	Mines and Minerals	Mining receipts	27	123	255.93
4.	Environment and Forests	Forestry and wild life	67	327	705.99
Total			**438**	**2067**	**3,179.44**

In respect of 13 IRs out of 64 IRs issued during 2019-20, 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 upto March 2022. Pendency of IRs due to non-receipt of the replies may be because the Heads of offices and Heads of the departments had not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

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

1.7 Summarised position of Inspection Reports

The summarised position of IRs issued during the year 2019-20 including those of previous four years and their status as on 01 April 2020 are mentioned in **Table 1.14** below.

Table 1.14: Position of IRs **(₹ in crore)**

Year	Opening balance			Addition			Clearance			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
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	06	195	664.54	402	1742	2551.89
2019-20	402	1742	2551.89	64	498	1166.89	11	157	224.64	455	2083	3494.14

It would be seen from the above table that the number of outstanding IRs and audit observations increased in 2019-20 over 2018-19 which indicates that the departments

have made little progress in settlement of the audit observations. As such, departments need to take suitable action to settle the audit observations.

1.7.1 Response of the Departments to the Draft Audit Paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned Departments 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.

Eight audit paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2020, Government of Meghalaya (Revenue Sector), were forwarded to the Secretaries of the concerned Departments between July 2021 and December 2021. The Departments furnished the replies in respect of seven draft paragraphs and the same were incorporated in this Report.

1.7.2 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 400 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 2019, were placed before the State Legislature between May 2010 and March 2021. The *suo motu* explanatory notes from the Departments concerned are awaited in respect of 187 paragraphs, which constitute 46.75 *per cent* of the total audit observations (March 2022).

The PAC discussed 53 selected paragraphs[7] between April 2011 and March 2022 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37th and 39th Reports) for the years 2008-09 and 2009-10. However, ATNs have not been received from the Departments concerned (March 2022) in respect of 14 recommendations made by the PAC as mentioned in **Table 1.15** below.

Table 1.15: Outstanding ATNs

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

[7] Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14, 2016-17 and 2017-18.

1.8 Analysis of the mechanism for dealing with the issues raised by audit

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

1.8.1 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 March 2020 are shown below:

Table 1.16: 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
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
2019-20	59	278	104.24	08	50	51.49	2	26	20.92	65	302	134.81

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

1.8.2 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 2019-20 are mentioned in **Table 1.17** below:

Table 1.17: Status of recovery 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
2014-15	06	4.58	--	--	--
2015-16	06	2.93	--	--	--
2016-17	05	2.74	--	--	0.59
2017-18	02	5.72	--	--	--
2018-19	05	5.71	--	--	--
Total	**24**	**21.68**	**--**	**--**	**0.59**

As can be seen from the above table, the Excise Department had recovered only ₹ 0.59 crore during the five-year period (2014-19) against the total of ₹ 21.68 crore, which represents only 2.72 *per cent*.

1.9 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 include 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 2019-20, out of 153 auditable units, 50 units (32.67 *per cent)* were audited.

1.10 Results of Audit

1.10.1 Position of local audits conducted during the year 2019-20

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 underassessments/short/non-levy/loss of revenue amounting to ₹ 1,166.89 crore (which is 48.19 *per cent* of the State's own tax revenue for 2019-20) 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.

1.11 Internal Controls

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 royalties, excise duty, *etc.*

This Report contains two Subject Specific Compliance Audit Reports on "Refunds under GST" and on "Arrears of Assessment and Revenue under VAT Regime post GST roll out" as well as seven selected paragraphs from test audit done by the Accountant General (Audit) Meghalaya during the year 2019-20 amounting to ₹ 267.66 crore. Paragraphs for earlier years, which could not be included in the previous Audit Reports, have also been included. These audit paragraphs are discussed in the succeeding Chapters.

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 21 units (out of 23 units relating to VAT) during 2019-20 revealed under-assessment of tax and other irregularities in 240 cases involving ₹ 459.04 crore, which fall under the following categories:

Table 2.2.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Loss of revenue	04	1.08
2.	Evasion/Non-payment of tax	62	64.94
3.	Concealment	26	18.57
4.	Non-levy/ Short levy of tax	23	24.25
5.	Other irregularities	125	350.20
Total		**240**	**459.04**

During the year 2019-20, the Department accepted under assessment and other deficiencies to the tune of ₹ 138.83 crore in 183 cases. They did not furnish replies in 57 cases. Recovery at the instance of audit was ₹ 2.01 crore in 18 cases during the year.

Two Subject Specific Compliance Audits on "Refund Claims under GST" and "Arrears of Assessment and Revenue under VAT Regime post GST roll out" as well as select cases bearing financial impact of ₹ 2.36 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 Subject Specific Compliance Audit on Refund Claims under GST for the period from 01 July 2017 to 31 July 2020

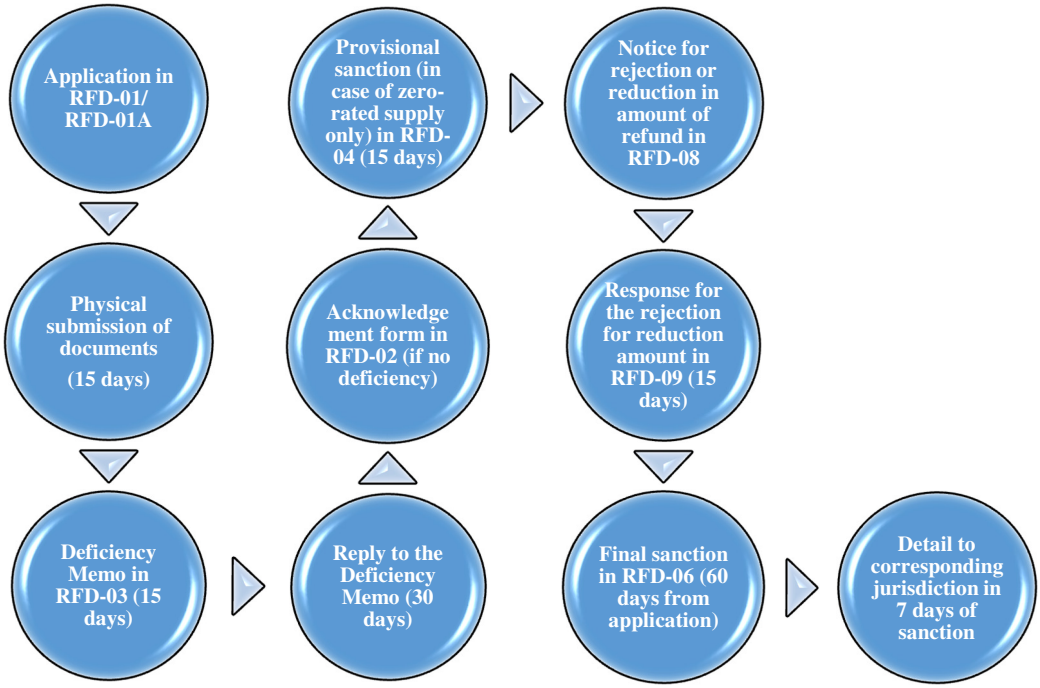
2.3.1 Introduction

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. Processing of refund applications, *i.e.* issuance of acknowledgement, deficiency memo, passing of provisional/final refund orders, payment advice *etc*., was being done manually upto 25 September, 2019. This process of refund has been made fully electronic with effect from 26 September 2019 (also called Automation of Refund Process) through a circular[1] issued by the Central Board of Indirect Taxes and Customs (CBIC) in this regard. The organisational set-up of the Goods and Services Tax Department, Government of Meghalaya is given at **Appendix – 2.3.1**.

The Refund process is depicted in the chart given below:

[1] Circular No. 125/44/2019-GST dated 18 November 2019. However, the same has not yet been endorsed by the Taxation Department, Government of Meghalaya.

Chart 2.3.1



2.3.2 Provisions governing Refunds under GST

Refunds under GST can be claimed by taxpayers as per Sections 54, 55 and 77 of the MGST[2] Act, 2017, Section 15 of the IGST[3] Act, 2017, Rule 89 and 98 of the MGST[4] Rules, 2017 and Rule 51 of the CGST[5] Rules, 2017, refunds under GST can be claimed by registered dealers on the following grounds:

(i) Refund of balance in electronic cash ledger.

(ii) Excess GST payment;

(iii) Export of goods or services;

(iv) Refund of accumulated Input Tax Credit of GST on account of inverted duty structure/Reverse Charge cases.

(v) Refund arising on account of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court;

(vi) Supplies to SEZs units and developers;

(vii) Refund of CGST & SGST paid by treating the supply as intra-state supply which is subsequently held as inter-state supply and *vice versa*.

(viii) Deemed exports;

(ix) Refund of taxes on purchase made by UN or embassies *etc*.;

(x) Finalization of provisional assessment;

(xi) Refund of pre-deposit;

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[2] Meghalaya Goods and Services Tax Act, 2017.
[3] Integrated Goods and Services Tax Act, 2017.
[4] Meghalaya Goods and Services Tax Rules, 2017.
[5] Central Goods and Services Tax Rules, 2017.

(xii) Refunds to International tourists of GST paid on goods in India and carried abroad at the time of their departure from India;

(xiii) Refund on account of issuance of refund vouchers for taxes paid on advances against which, goods or services have not been supplied;

During the period under audit (01 July 2017 to 31 July 2020) a total number of 239 refund applications involving ₹ 28.73 crore were received by the Department as shown in the table below:

Table 2.3.1: Number of cases of refund claimed and processed

(₹ in crore)

Period	Refund claimed		Refund sanctioned	
	No. of cases filed	Amount claimed	No. of cases sanctioned (%)	Amount sanctioned (%)
(A) Manual phase (pre- automation)				
01 July 2017 to 31 March 2018	65	1.43	4 (6)	0.87 (61)
01 April 2018 to 31 March 2019	53	0.65	38 (72)	0.49 (75)
01 April 2019 to 25 September 2019	20	21.65	17 (70)	0.38 (2)
Sub-total of A	***138***	***23.73***	***59 (43)***	***1.74 (7)***
(B) Online phase (post-automation)				
26 September 2019 to 31 March 2020	61	3.99	30 (49)	0.12 (3)
01 April 2020 to 31 July 2020	40	1.01	64 (160)	2.55 (252)
Sub-total of B	***101***	***5.00***	***94 (93)***	***2.67 (53)***
Total (A+B)	**239**	**28.73**	**153 (64)**	**4.41 (15)**

Source: Office of the Commissioner of Taxes, Meghalaya, Shillong, Government of Meghalaya.

From 01 July 2017 to 25 September 2019, 138 refund applications were filed manually, of which 43 *per cent* of the cases, involving ₹ 1.74 crore was sanctioned for refund. Online system of filing for refund applications was introduced from 26 September 2019, and 101 applications had been filed online upto 31 July 2020, and of which, 93 *per cent* of the cases involving ₹ 2.67 crore was sanctioned for refund. Thus, as of March 2021, the Department had sanctioned 153 (64 *per cent)* out of 239 applications of refunds amounting to ₹ 4.41[6] crore (15 *per cent*) of the total amount of ₹ 28.73 crore claimed. The head-wise break up of numbers of applications for refund vis-a-vis refund sanctioned under manual and online system is given in the table below:

Table 2.3.2: Table showing head-wise break up of numbers of applications for refund *vis-à-vis* refund sanctioned under manual and online system

(₹ in crore)

Sl. No.	Heads	No of Cases (Refund applications)				Total	
		Manual	Amount	Online	Amount	No. of cases	Amount
1	Excess balance in cash ledger (EXBCL)	123 (52)	2.47 (1.57)	82 (82)	1.46 (1.46)	205 (134)	3.93 (3.03)
2	Excess payment of tax (XSPAY)	0 (0)	0 (0)	13 (7)	1.87 (1.19)	13 (7)	1.87 (1.19)
3	Refund of ITC on Export of goods and services without payment of tax (EXPWOP)	2 (0)	17.79 (0)	0 (0)	0 (0)	2 (0)	17.79 (0)
4	Export of service with payment of tax (EXPWP)	1 (0)	0.003 (0)	1 (1)	0.0002 (0.002)	2 (1)	0.0032 (0.002)

[6] ₹ 1,74,16,300 sanctioned for refund claims filed manually + ₹ 2,66,33,869 sanctioned for refund claims filed online = ₹ 4,40,50,169 total refund sanctioned.

Sl. No.	Heads	No of Cases (Refund applications)				Total	
		Manual	Amount	Online	Amount	No. of cases	Amount
5	Refund on account of ITC accumulated due to Inverted Tax Structure (INVITC)	11 (7)	0.24 (0.17)	0 (0)	0 (0)	11 (7)	0.24 (0.17)
6	Any other (ANYOTH)	1 (0)	3.23 (0)	5 (4)	1.67 (0.02)	6 (4)	4.90 (0.02)
Total		**138 (59)**	**23.73 (1.74)**	**101 (94)**	**5.00 (2.67)**	**239 (153)**	**28.73 (4.41)**

2.3.3 Audit objectives

Audit of Refund cases under GST was conducted to assess:

(i) The adequacy of acts, rules, notifications, circulars *etc*., issued in relation to grant of GST refund.

(ii) The compliance of extant provisions by the tax authorities and the efficacy of the systems in place to ensure compliance by taxpayers.

(iii) Whether an effective internal control mechanism exists to check the performance of officials in settling refund applications.

2.3.4 Audit scope and sample

The field work for the Subject Specific Compliance Audit (SSCA) was conducted between January 2021 and March 2021 and covered the period between 01 July 2017 to 31 July 2020. A sample of 136 refund cases involving an amount of ₹ 24.70 crore was selected from the GST Network for verification by Audit. Out of these 136 cases, 79 cases pertained to the period prior to 26 September 2019 (Pre-automation era where cases were processed manually) and the remaining 57 cases pertained to the period following full automation of the refund process (where cases were processed online).

2.3.5 Audit criteria

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

(i) Meghalaya GST Act 2017 (MGST Act, 2017);

(ii) Meghalaya GST Rules 2017 (MGST Rules, 2017);

(iii) Guidelines issued by Central/State Government and GST Council from time to time.

2.3.6 Non-production of records

Audit had selected a sample of 136 refund cases from the GST Network for verification. Out of these 136 cases, 79 cases pertained to the pre-automation period and were processed manually and the remaining 57 cases pertained to the post-automation period where claims were processed online. During the pre-automation period, the applicant was required to file the refund claim online in Form RFD-01A and submit the printout of the application in hard copy along with requisite documents

to the jurisdictional tax officer. From the list of 79 refund cases filed during the pre-automation period, the State GST Commissionerate could only produce records of 23 cases, which is only 29.11 *per cent* of the total sample of 136 refund cases. Despite active pursuance, the records of the 56 Refund cases (**Appendix – 2.3.2**) were not made available even until the completion of audit. Thus, the audit sample is limited to 80 cases out of the sample of 136 cases (total money value of ₹ 24.70 crore) selected for audit. The total monetary value of 56 refund cases not produced to Audit was ₹ 4.93 crore *i.e.* 20 *per cent* of money value of total sampled cases.

On this being pointed out (February 2021) the Department stated (March 2021) that these cases were unavailable because the taxpayer had not submitted the hard copies of their applications and other documents. Department further stated that in some instances the tax payer may have filed the refund application in RFD-01A but never furnished the hard copies of the supporting documents. The Department referred the matter to NIC, Shillong seeking details after being pointed out by Audit. The reply of the Department is not backed by any evidence that systematic exercise was carried out to examine these cases and maintain adequate documentation. **Audit also observed that the Commissionerate did not have any mechanism to trace and close such cases**.

The audit scope is therefore limited to the extent of records actually produced by the Department and cannot vouchsafe for the 56 cases not produced to Audit.

2.3.7 AUDIT FINDINGS – SYSTEMIC

2.3.7.1 Delay/Absence of post-audit of refund claims

For centrally administered tax payers, CBIC has put in place a system of post-audit of refund orders. It was noticed during audit that no refund case was sent for post-audit in the State.

Audit observed (March 2021) that the Commissioner of Taxes, Meghalaya is yet to develop a mechanism for post-audit of refund claims. During the period covered by audit, 239 refund cases were processed without a system of post-audit of refund claims.

Audit recommends that a mechanism for post-audit of refund claims may be put in place at the earliest.

2.3.8 AUDIT FINDINGS – COMPLIANCE

The summary table of deviations depicting the extent of deficiencies noticed is as below:

Table 2.3.3: Statement showing extent of deficiencies noticed in audit

(₹ in lakh)

Nature of Audit findings (indicative only)	Audit sample		Number of deficiencies noticed		Deficiencies as percentage of sample
	Number	Amount	Number	Amount	
Delay in issue of refund orders	80	19.77	40	170	50
Delay in communicating refund orders to counterpart tax authority	80	19.77	5	50	6.25
Delay/ non-conducting of post audit of refund claims	80	19.77	136	2470	100
Refund issued despite deficiencies in refund application	80	19.77	5	5.69	6.25
Non-payment of interest of delayed processing of funds	80	19.77	40	3.68	50
Delay in issue of deficiency memo	80	19.77	2	1780	2.5

Audit findings are included in the subsequent paragraphs.

2.3.8.1 Refund processed without requisite documents

The MGST Act, 2017, MGST Rules, 2017, the CBIC Circular No. 125/44/2019 – GST dated 18 November 2019 and the Taxation Department's Notification No. ERTS(T) 79/2017/471 dated Shillong 29th December, 2017 makes the submission of certain documents[7] mandatory for claiming of GST refunds. However, the CBIC Circular has not been endorsed by the Taxation Department of the State of Meghalaya.

Out of the 80 cases of refund involving amount of ₹ 19.77 crore examined in Audit, the following irregularities were noticed in three cases, as described below:

A. Declaration not submitted and sanction of a time barred claim

According to Rule 89(2)(l) of the MGST Rules, 2017, in cases of refund claims not exceeding two lakh rupees, the dealer has to submit a declaration to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person. Again, according to section 54(1) of MGST Act, 2017, any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the

[7] Including (i) various self-declarations relating to drawback availed by supplier, grant of Input Tax Credit to the supplier, incidence of tax, and non-prosecution of the claimant under the GST or any existing law for an amount above ₹ 250 lakhs (ii) statements on relevant invoices and Bank Realisation Certificate/Foreign Inward Remittance Certificate (BRC/FIRC) (iii) copy of GSTR-2A return for the relevant period containing details of inward supplies vis-à-vis Input Tax Credit, *etc.*

relevant date in such form and manner as may be prescribed. Further, according to Rule 54 (8) (e) of the Rules *ibid*, the refundable amount, if the applicant had not passed the incidence of tax or interest to another person, shall be paid to the applicant. Under this provision, refund claims for excess payment of tax can also be sanctioned to the applicant.

Scrutiny of records revealed that M/s G.T.L. Infrastructure Ltd[8] and M/s S.B Industries[9] claimed refund of ₹ 0.78 lakh and ₹ 0.54 lakh respectively towards excess payment of tax for the period February 2018 and August 2019 without uploading the self-declaration on the GST Portal as required by the Rule. Audit noticed that the refunds were processed and sanctioned by the Commissionerate in February and July 2020 even though the required declaration was not submitted by the applicants. Moreover, it was also noticed that M/s GTL Infrastructure Ltd filed the refund application in May 2020 after a lapse of more than two years from the relevant date, which is two years after the date of payment of tax, as per Rule 89 (2) (l) of the MGST Rules, 2017. As per extant provisions, this claim has already become time-barred. Yet the claims were processed by the Commissionerate in contravention of the relevant rules.

The matter was reported to the Department (February 2021). The Department accepted (March 2021) that the refunds were processed without requisite documents and assured Audit that letters would be issued to the two claimants asking them to furnish the declaration as per Rules.

B. Inadequacy in deficiency memo

According to Rule 89(2)(l) of the MGST Rules, 2017 a Certificate in Annexure 2 of FORM GST RFD-01 issued by a chartered accountant or a cost accountant to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds two lakh rupees.

M/s Bharti Airtel Ltd.submitted (April 2019) a refund claim of ₹ 4.32 lakh on account of excess balance in the Electronic Cash Ledger on the GST portal. Audit observed that the Commissionerate issued a deficiency memo to the company (July 2019) citing the reason that the requisite self-declaration was not furnished by the company. However, Audit noticed that the same had already been furnished by the company in June 2019 as per Rule 89(2)(l) of MGST Rule, 2017. It was also noticed that even though the refund claim was above ₹ 2 lakhs, the Commissionerate did not ask for a Chartered Accountant's certificate which was required as per extant provisions but merely insisted for self-declaration which the company has already furnished. The Commissionerate did not apply due diligence and sanctioned (26 September 2019) the refund claimed.

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[8] GST Number-17AACCG2107K1ZU, ARN Number-AA1705200002324.

[9] GST Number-17AAEHA9941E2ZC, ARN Number-AA1702200000861.

The matter was reported to the Department (February 2021). The Department accepted (March 2021) the audit observation and assured Audit that the requisite documents would be obtained from the taxpayer. Audit observes that such instances indicate that the procedures to ensure compliance with the law are not in place.

2.3.8.2 Inordinate delay in processing as well as sanctioning of refund claims

Section 54 (7) of the MGST Act, 2017 read with Rule 90 of the MGST Rules, 2017 provides that the refund application needs to be processed within a maximum period of 60 days from the date of receipt of application complete in all respects, and if any deficiencies[10] are observed in the refund application, the same should be communicated to the dealer within a period of 15 days of filing the application. Further, Section 56 of the MGST Act states that, if any tax ordered to be refunded under sub-section (5) of section 54 to any applicant is not refunded within sixty days from the date of receipt of application under sub- section (1) of that section, interest is liable to be paid at such rate not exceeding six *per cent.*

Audit noticed persistent delays in processing of the refund claims as well as delays in communicating the sanction orders of refund to the Treasury or the Pay & Accounts Office. The details of these cases are brought out in the succeeding paragraphs.

A. Delay in processing of refund claim

Scrutiny of records revealed that in **40[11] out of 80 cases** examined by Audit, ₹ 1.70 crore out of total sanctioned amount of ₹ 4.41 crore was sanctioned towards refund with delays ranging between 5 days to 471 days. The period of delay in months and number of cases involved is given in the table below:

Table 2.3.4: Table showing range of delay:

Sl. No.	Range of delay	No of cases
1.	Upto 3 months	25
2.	3-6 months	10
3.	More than 6 months	05
Total		**40**

Delay in processing of the refund claims test checked by Audit suggests not only a lackadaisical approach of the Department in processing the claims but also the absence of adequate monitoring by the administrative Department to ensure timely processing of such cases.

When Audit pointed this out (February 2021) the Department accepted (March 2021) that there were delays in processing of refund claims and though there was a liability of the Department to pay interest, however, so far, no taxpayers have claimed interest. The reply is untenable since the Department was required to pay interest on all cases of delayed payment.

[10] Deficiencies such as incomplete/improper application or supporting documents not filed.
[11] 13 cases were pre-automation and 27 were post-automation.

Refund case of M/s Lafarge Umiam Private Ltd.

On 13 June 2019, M/s Lafarge Umiam Private Ltd. filed two separate applications for refund of Input Tax Credit (ITC) of ₹ 4.74 crore and ₹ 13.06 crore respectively on account of export of goods and services without payment of tax for the financial year 2018-19.

Audit observed (February 2021) that the Commissionerate issued deficiency memos after significant delays on 27 November 2020 and on 20 January 2021 for claims of ₹ 4.74 crore and ₹ 13.06 crore respectively on the ground that the Company did not submit the CA certificate. These memos were issued after a delay of 17 months and 19 months respectively, thus violating the provisions of the MGST Act and Rules. The issue raised in the deficiency memos was also incorrect, since the CA's certificate is not required in the case of 'zero-rated' supply. As a result, the GST refunds of the taxpayer were unnecessarily delayed. Further, till the date of audit, M/s Lafarge Umiam Pvt. Ltd. has neither replied to the deficiency memos nor has the Commissionerate sanctioned the refunds.

The Department stated (March 2021) that there was a delay in processing of refund and added that the case is under examination and the Department will take appropriate action in due course.

B. Delay in communicating sanction of refund claims to Treasury/PAO

During the period between 1 July 2017 to 25 September 2019 (in the pre-automated phase of processing), seven MGST refund cases were sent to the Treasury and five cases were sent to PAO for payment to claimants after prolonged delays as shown in **Tables 2.3.5** and **2.3.6** below:

Table 2.3.5: Statement showing inordinate delay in forwarding of refund cases to Treasury

Sl. No.	Taxpayer	Refund application date	Date of refund sanctioned	Delay in sanction (col 4 – (col 3 - 60 days)	Date of forwarding of payment advice to Treasury	Delay in forwarding payment advice to Treasury (in days)	Actual date of credit by Treasury	Total delay (col 5– (col 3 -60 days)	Amount of claim (₹) (MGST)
1	2	3	4	5	6	7	8	9	10
1	OML Entertainment Private Limited	15/05/2019	17/02/2020	218	12/11/2020	269	16/11/2020	491	2,50,000
2	Shri Phrangsngi Shylla	16/11/2018	14/01/2019	-	06/03/2019	51	15/03/2019	59	2,050
3	M/S Anabond Limited	10/11/2018	18/03/2019	68	24/06/2019	98	28/06/2019	170	1,72,394
4	Balawanhun Kharkongor	07/02/2019	18/03/2019	-	24/06/2019	98	28/06/2019	81	3,190
5	M/S Laxmi Caterer	19/08/2019	26/11/2019	-	06/11/2019	-	15/11/2019	No delay	1,18,642
6	M/S B.K.Marak	12/09/2019	18/11/2019	7	09/03/2020	112	20/03/2020	130	62,440
7	M/S Godrej Consumer Products Ltd.	16/07/2019	22/11/2019	69	12/03/2020	111	19/03/2020	187	5,154
Total									**6,13,870**

Table 2.3.6: Statement showing inordinate delay in forwarding of refund cases to Pay and Accounts Officer

Sl. No.	Refund application date	Refund application date	Sanction date	Delay in sanction (col 4 – (col 3 - 60 days)	Forwarding of payment advice to PAO	Delay in forwarding payment advice to PAO (in days)	Actual date of credit by PAO	Total delay (col 5– (col 3 - 60 days))	Amount of claim (CGST /IGST) (₹)
1	2	3	4	5	6	7	8	9	10
1	M/S Reliance Jio Infocomm Ltd	13/03/2019	26/09/2019	137	14/10/2019	18	01/11/2019	173	3,372
2	M/S Bharti Airtel Limited	25/04/2019	26/09/2019	94	14/10/2019	18	01/11/2019	130	4,31,938
3	M/S Godrej Consumer Products Ltd.	16/07/2019	22/11/2019	69	26/11/2019	4	15/02/2020	154	37,51,992
4	North East Power Line Industries	27/12/2018	21/06/2019	116	01/07/2019	10	15/02/2020	355	7,01,006
5	North East Power Line Industries	08/04/2019	21/06/2019	14	01/07/2019	10	07/09/2019	92	1,34,092
Total									**1,96,780**

It can be seen from **Tables 2.3.5** and **2.3.6** above that out of the above 12 cases, the Commissionerate sanctioned nine cases after delays ranging from 07 to 218 days. The payment advice to the Treasury/PAO was further delayed in 11 cases by 51 to 269 days. Payment to the claimants was finally made with overall delay ranging from 59 to 491 days.

The matter was reported to the Department (February 2021). The Department stated (March 2021) that the delay can be partially attributed to the Department in processing of the refund claims. It stated further that the applicants may also be responsible for delays in complying with the deficiencies noted in RFD-03. The reply of the Department is deficient at many levels. To start with, the Department has failed to explain the reasons for delay in processing the sanction of refund applications. Further, though the Department has attributed the delay partly to late submission of compliance by the applicants to the deficiency memos, it did not provide any documentary evidence in support of its contention. Finally, the Department has not been able to explain the reason of delays in communication of sanction orders to the respective Treasury or the PAO, which is actually the responsibility of the tax authority as the applicant has no role whatsoever at this stage.

Audit is of the view that the Department has failed to set up an appropriate and effective monitoring and internal control mechanism for timely disposal of refund cases.

C. Non-payment of interest on delayed refunds

Section 56 of the MGST Act states that if any tax ordered to be refunded under sub-section (5) of section 54 to any applicant is not refunded within sixty days from the date of receipt of application under sub-section(1) of that section, interest is liable to be paid at such rate not exceeding six *per cent*.

As discussed in the preceding **paragraphs 2.3.8.2 (A)** and **2.3.8.2 (B)**, Audit observed (February 2021) that there was a delay in processing of refund claims against 40 cases ranging between 05 to 491 days and final payment made to 11 claimants after a delay period ranging from 59 to 491 days. These refunds were, however, sanctioned without payment of interest in violation of the Act. The Department did not pay interest of ₹ 3.68 lakh on delayed refunds **(Appendix-2.3.3 A & B)**.

The Department while accepting the Audit observations stated (March 2021) that so far there have been no interest claims by the taxpayers. The Department however, assured Audit that the reasons for the delay would be examined. Further, communication in this regard is still awaited from the Department (December 2021). The Department's response that no taxpayer has claimed interest on delayed payment is untenable because the Department is liable to suo moto pay interest on delayed payment refund under section 56 of MGST Act, 2017.

Audit recommends that the Department should put in place a monitoring mechanism to track refund applications so as to ensure timely disposal of refund claims in order to avoid interest liability.

2.3.9 Conclusion

The audit on processing of GST refund claims revealed the following shortcomings attributable to the Department:

- 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.

2.3.10 Recommendations

- Audit recommends that Taxation Department may put in place a well-designed and functional system for maintenance of complete documentation of refund cases. These documents should be easily retrievable in order to maintain transparency and accountability in the system.
- Audit recommends that the Department may put in place a mechanism to ensure that refunds granted comply with the extant provisions of the MGST Act, 2017 and are processed timely.
- Audit recommends that a mechanism for post-audit of refund claims may be put in place at the earliest.

- Audit also recommends that the Department should put in place a monitoring mechanism to track refund applications so as to ensure timely disposal of refund claims and also avoid interest liability on such delays.

2.4 Subject Specific Compliance Audit on Arrears of Assessment and Revenue under VAT Regime post GST roll out

2.4.1 Introduction

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, such as the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Value Added Tax (MVAT) Act, 2003 and the MVAT Rules, 2005; erstwhile repealed Acts such as the Meghalaya Sales Tax (MST) Act, the Meghalaya Finance Sales Tax (MFST) Act and the Meghalaya Purchase Tax (MPT) Act. Several other Acts[12] which were not subsumed under GST are still in vogue in the State of Meghalaya.

With the introduction of the GST Act on 01 July 2017, the CST Act and the MVAT Act are no longer in operation. However, a number of cases pertaining to tax returns filed under the subsumed Acts continue to remain outstanding.

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 assessment 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 was conducted during October 2020 to December 2020. Statistical information on arrears in assessment and recoveries of arrears of VAT was obtained from all the 17 Taxation Circles[13] in the State. Audit test checked records at the offices of the Commissioner of Taxes, the Superintendent of Taxes (ST) Enforcement Branch cum *Bakijai* Officer, Shillong and at nine Taxation Circles[14] within East Khasi Hills District. For the purpose of the CA, the period covered by Audit (i.e. 01 April 2015 to 30 September 2020) has been divided into two phases; viz (i) the Pre-GST period covering 01 April 2015 to 31 March 2018[15] and (ii) the Post-GST period covering the period from 01 April 2018 to 30 September 2020.

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[12] Such as the Meghalaya Cement Cess Act 2010, the Assam Professions, Trades and Callings and Employments Taxation Act, 1947 (as adapted by Meghalaya), the Meghalaya Sales of Petroleum and Petroleum Products (including Motor Spirit) and Lubricant Taxation (MSL) Act, 1955 and the Meghalaya Regulation of the Game of Arrow and the Sales of Teer Tickets Act, 2018.

[13] Sixteen Taxation Circles and one Enforcement Branch cum Bakijai Officer.

[14] Circle – I, Circle – II, Circle – III, Circle – IV, Circle – V, Circle – VI, Circle – VII, Circle – VIII and Circle – XIII (Non- Resident Circle).

[15] Since the break-up of arrear for the period from 01 April 2017 to 30 June 2017 and from 01 July 2017 to 31 March 2018 was not available, taking a conservative view, the whole period of 2017-18 has been considered under Pre-GST period and comments on position of arrears under Post-GST period was taken from 01 April 2018 to 30 September 2020.

2.4.2 Audit findings

Audit findings were benchmarked with the provisions of MVAT Act, 2003, which stipulated that:

- Each and every return furnished by a registered dealer for any tax period shall be subject to scrutiny by the assessing authority (Section 39);
- If the dealer furnishes incorrect returns or fails to furnish any returns, then the Superintendent of Taxes (ST) can assess him to the best of his judgement (Section 45)
- If a dealer has filed returns for any tax period within the prescribed time and these returns are found to be in order, this shall be accepted as self-assessment (Section 53);
- The Assessing Officer (AO) is empowered to conduct provisional assessment and audit assessments of a dealer (Section 54, 55 and 56);
- No assessment shall be made after the expiry of five years from the end of the tax period to which the assessment relates (Section 57).

Returns that have undergone scrutiny by the Assessing Officer under the above provisions of the Act are treated as disposed assessments. Any returns for which scrutiny has not been completed under these provisions are treated as pending assessments. A comprehensive picture of the position of completed/disposed assessments *vis-à-vis* pending assessments for the pre-GST period and the post-GST period is given below.

2.4.2.1 Status of assessment during Pre-GST Period (01 April 2015 to 31 March 2018)

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. Section 57 of the MVAT Act, 2003 states that no assessment under Section 55 or 56 shall be made after the expiry of five years from the end of the tax period to which the assessment relates.

During the pre-GST period (April 2015 to March 2018), the Taxation Authorities of the State had completed assessment of 1,71,905 cases against the total due for assessment of 4,72,444[16] cases, which represent an assessment rate of 36 *per cent* only. The number of pending assessments, new additions, completed assessments *vis-à-vis* number of cases likely to be time barred pertaining to the period from 01 April 2015 to 31 March 2018 (Pre-GST period) is given in the **Table** below:

[16] Opening balance 266565cases + new addition 205879 cases.

Table 2.4.1: Details of assessments in the Pre-GST period

Year	Opening balance of outstanding assessments	Additions during the year	Total number of assessments due	Assessments completed during the year (%)	Closing balance	No. of cases likely to be time barred[17]
2015-16	266565	70491	337056	31251 (9)	305805	NA
2016-17	305805	100240	406045	62811 (15)	343234	27390
2017-18	343234	35148	378382	77843 (21)	300539	**33702**
Total		**205879**		**171905**		

Sources: Information furnished by the SsT.

It is seen from the above table that the rate of completed assessments had slowly picked up from 9 *per cent* in 2015-16 to 21 *per cent* in 2017-18. The number of cases likely to be time barred has increased to 33,702 cases in March 2018 from 27,390 cases in 2016-17. Even at the end of 2017-18, eight months after the roll out of GST, efforts to expedite the disposal of cases pending for assessment was absent.

Thus, as the Taxation Department failed to complete the assessments, the revenue implication on both the pending cases and cases likely to be time barred remained unassessed.

2.4.2.2 Status of Assessment during Post-GST Period (01 April 2018 to 30 September 2020)

The number of pending assessments, new additions, completed assessments as well as cases likely to be time barred during Post-GST period is shown in the **Table** below:

Table 2.4.2: Details of assessments in the Post-GST period

Year	Opening balance of outstanding assessments	Additions during the year	Total number of assessments due	Assessments completed during the year (%)	Closing balance	No. of cases likely to be time barred
2018-19	300539	455[18]	300994	177151 (59)	123843	39637
2019-20	123843	377	124220	33537 (27)	90683	46802
2020-21 (upto September 2020)	90683	125	90808	16307 (18)	74501	51134
Total		**957**		**226995**		

Sources: Information furnished by the SsT.

It is seen from the table above that during the post-GST period 957 cases were added, and assessment of 2,26,995 cases (i.e. 75.29 *per cent*) was completed against the total due of 3,01,496 cases. Although there was an improvement on the overall assessment rate (75.29 *per cent*) in comparison to the Pre-GST period (36.39 *per cent*), the assessment rate has sharply declined from 59 *per cent* in 2018-19 to 18 *per cent* in

[17] Returns remaining unassessed for five years or more from the end of the tax period to which the assessment relates were counted as time barred. For example, unassessed cases pending from the year 2005 onwards upto 31 March 2013 have been taken as time barred for the tax year of 2016-17.

[18] From 01 July 2017 onwards no new returns were required to be filed under MVAT, 2003. However, the SsT of Circle-V, Circle-VII, Circle-VIII (Shillong) and the SsT of Khliehriat and Nongpoh continued to report new additions of assessment under these Acts during the year. Audit has called for clarification in this regard, but no reply has been received so far (March 2022).

2020-21. On the contrary, the number of cases likely to be time barred had increased to 51,134 cases as on 30 September 2020 from 39,637 cases in 2018-19.

Audit observed that one of the main reasons for the high number of cases of pending assessments was that the Taxation Department had not fixed any target for assessment and disposal of pending cases by the Assessing Officers. It was only after a departmental meeting held on 13 February 2020 that a target of six months was fixed to complete all pending assessments. Nevertheless, it was seen that the SsT failed to meet the target for disposal of cases and no tangible reasons for this failure could be stated to Audit.

Thus, due to pending assessments under MVAT Act, the revenue implication against the unassessed cases could not be quantified by the Department and the potential loss of revenue to the Government owing to time barred cases which are pending for more than five years, could not be ruled out.

2.4.3 Position of accumulation of revenue arrears

2.4.3.1 Pre-GST Period (01 April 2015 to 31 March 2018):

Rule 38 (4) of the MVAT Rules, 2005 states that where any amount is payable by a dealer in respect of any period on account of tax assessed, interest or penalty is found due from him in an order of assessment, re-assessment *etc*., the appropriate assessing authority shall serve a notice of demand in Form 10 in the manner specified in the notice therein. Further Section 107 of the MVAT Act, 2003 prescribes that where the amount of tax, interest, penalty or other sum payable under sub-section (1) of Section 48 remains unpaid, it may be recovered as an arrear of land revenue under the Meghalaya Land and Revenue Regulation (Assam Land and Revenue Regulation, 1886 as adopted) for the purpose of recovering the sums.

Arrears of tax accumulate from assessed cases when the dealers fail to respond to the demand notices issued to them and pay the amount demanded therein. Based on the information received from the 17[19] Taxation Circles, the monetary value of arrears, new additions as well as recovered arrears for the pre-GST period are shown in the **Table** below:

Table 2.4.3: Position of arrears in the Pre-GST period **(₹ in crore)**

Year	Opening Balance	Addition	Total arrears due	Recovery made during the year (%)	Closing Balance
2015-16	58.31	7.10	65.41	8.04 (12)	57.37
2016-17	57.37	5.92	63.29	10.60 (17)	52.69
2017-18	52.69	87.25	139.94	30.72 (22)	109.22
Total		**100.27**		**49.36**	

Sources: Information furnished by the SsT

It is seen from the above table that total recoverable amount at the beginning of 2015-16 was ₹ 58.31 crore and an amount of ₹ 100.27 crore was added during

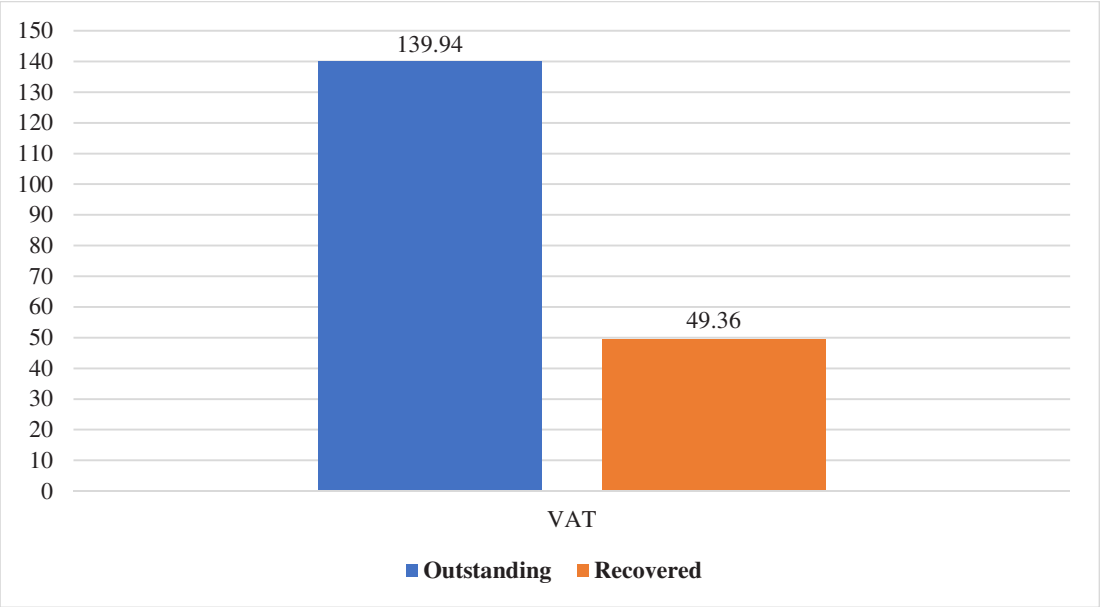
[19] Sixteen Taxation Circles under Assessing Officers and one Taxation Circle under Tax Recovery Officer.

2015-16 to 2017-18. Out of this an amount of ₹ 49.36 crore was recovered leaving a balance of ₹ 109.22 crore at the end of 2017-18 as unrecovered.

A graphical representation of the position of arrear recovery based on the data furnished by the Taxation Circles is given in the **Chart** below:

Chart 2.4.1: Outstanding arrear amount and recovered amount

(₹ in crore)



2.4.3.2 Post-GST Period (01 April 2018 to 30 September 2020):

Table 2.4.4 below shows the position of the monetary value of arrears, new additions as well as recovered arrears for the post-GST period:

Table 2.4.4: Position of arrears in the Post-GST period

(₹ in crore)

Year	Opening Balance	Addition	Total arrears due	Recovery made during the year (%)	Closing Balance
2018-19	109.22	20.84	130.06	11.65 (9)	118.41
2019-20	118.41	72.27	190.68	4.00 (2)	186.68
2020-21 (upto Sept 2020)	186.68	5.87	192.55	0.42 (0.2)	192.13
Total		**98.98**		**16.07**	

Sources: Information furnished by the SsT.

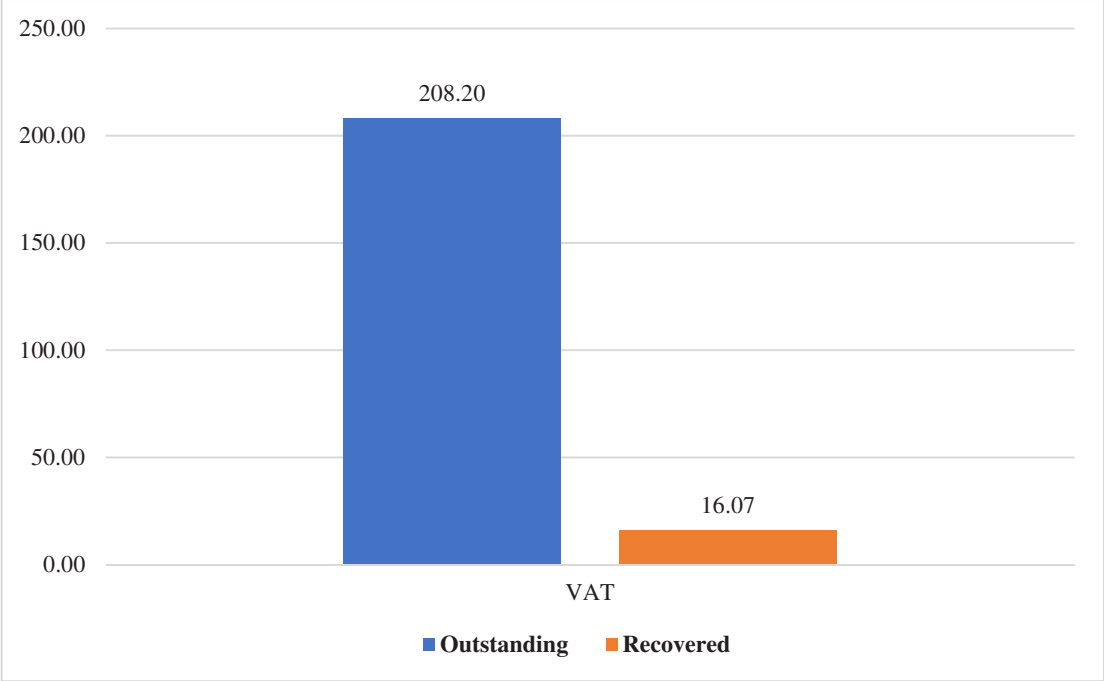
From the table above, it is seen that during 2018-19 to 2020-21, the Taxation Department had recovered ₹ 16.07 crore against the total assessed arrear of VAT of ₹ 208.20[20] crore i.e. with the overall recovery rate of only 8 *per cent*. It can also be seen that the recovery rate of assessed arrears of VAT has been declining from nine *per cent* in 2018-19 to 0.2 *per cent* in 2020-21. This clearly indicates weakening of efforts towards recovery of assessed arrears of VAT.

[20] Opening balance of ₹ 109.22 crore + ₹ 98.98 crore new addition during the period.

A graphical representation of the position of arrear recovery based on the data furnished by the Taxation Circles is given in the **Chart** below:

Chart 2.4.2: Outstanding arrear amount and recovered amount

(₹ in crore)



Both the slow pace of assessment of MVAT cases and declining percentage of recovery of arrears from assessed cases in the post-GST period indicates that the Taxation Department has not accorded high priority towards collection of Government revenue recoverable under the erstwhile MVAT. Audit observed that the Department had taken routine steps like issue of demand notices/reminders instead of targeted measures like fixing the last date for payment of the tax. In the event of failure of the assessee to pay the taxes, the Department could have fast-tracked the adjudication process for recovery of arrears.

Since the amount of unrecovered VAT revenue is substantial, the Department should put in all efforts to ensure recovery of the assessed arrears of VAT without further delay.

2.4.4 Disputed and Undisputed Arrears

Section 65 (1) of the MVAT Act, 2003 states that any dealer may appeal to the prescribed authority against any assessment within forty-five days or such further period as may be allowed by the said authority for cause shown to his satisfaction from the receipt of a notice of demand in respect thereof. However, no appeal shall be entertained by the prescribed authority unless he is satisfied that the amount of tax, penalty or interest, as the dealer may admit to be due from him, and such percentage of the disputed tax, as may be prescribed, has been paid.

Therefore, when an assessed dealer files an appeal or review to the Assessing Authority against the assessment made by the Assessing Officer, the arrears due from the dealer are known as **disputed** arrears. However, when the assessee neither complies to the demand issued by the Assessing Officer for rectification of any discrepancy noticed during assessment yet files no appeal or review against the assessment, the arrears emerging thereof is known as **undisputed** arrears.

Data furnished by the Taxation Circles in Meghalaya revealed that out of the total amount of ₹192.13 crore pending for recovery, an amount of ₹ 22.21 crore (11.56 *per cent*) was disputed revenue. The break-up of disputed arrear pending under VAT and under other Acts are given in the **Table** below:

Table 2.4.5: Pendency of arrears **(₹ in crore)**

Pendency of Arrears	Disputed arrears	Undisputed arrears	Total
Pending with AOs	3.11	64.63	67.74
Pending with TRO	19.10	105.29	124.39
Total	**22.21**	**169.92**	**192.13**

Source: Information furnished by the SsT.

Audit examination of the information furnished by the Taxation Circles revealed that as on 30 September 2020, a total of 87 cases of disputed arrears with revenue implication of ₹ 22.21 crore were pending with the Appellate Authority/Revision Authority/Appellate Tribunal/ Court.

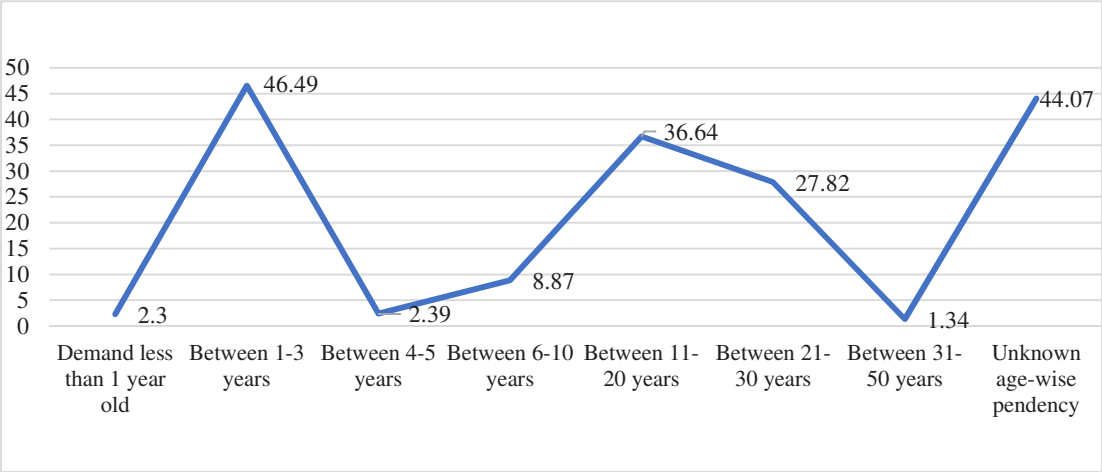
It is clear from the above table that the percentage of disputed revenue of the total revenue is only 11.56 *per cent* indicating that the major portion of revenue (88.44 *per cent)* is undisputed.

2.4.4.1 Age-wise pendency of undisputed arrears

Audit observed that out of the undisputed arrears of ₹ 169.92 crore pending under VAT, ₹ 65.80 crore had been outstanding for a period of more than 10 years. The age-wise pendency of the total assessed arrears of VAT is given in the **Chart** below:

Chart 2.4.3: Age-wise pendency of VAT arrears

(₹ in crore)



Sources: Based on information furnished by the SsT.

Audit noticed that the SsT had reported the outstanding arrears during internal review meetings. However, no proactive steps had been taken against tax defaulters as provided for under Section 60 (1) of the MVAT Act, 2003, which prescribes the issuance of notice to banks/individuals who hold money for or on account of any defaulting dealer, in order for them to pay into Government Treasury such of the money as is sufficient to recover the arrear revenue. No reasons were furnished to Audit by the AOs/TRO for long pendency of arrears.

In view of the above, Audit observed that with such lengthy delays in taking further action to follow up the cases, the possibility of recovering the arrear revenue from such cases is very minimal and almost nonexistent as the dealers may have closed down business many years since and would be untraceable.

2.4.4.2 Arrears pending with the Assessing Officers

Rule 38 (4) of the MVAT Rules, 2005 provides that where any amount payable by a dealer or a person in respect of any period on account of tax assessed, interest or penalty is found due from him in an order of assessment, re-assessment, re-determination, appeal, revision or review, as the case may be, the assessing authority shall serve a notice of demand in Form 10 in the manner specified in the notice therein.

Further, Section 107 of the MVAT Act prescribes that where the amount of tax, interest, penalty and other sum payable remains unpaid, it may be recovered as an arrear of land revenue. The State Government may empower the Commissioner of Taxes or any person appointed to assist him to exercise the power under the Meghalaya Land and Revenue Regulation Act, 1972,[21] for the purpose of recovering the sums.

In Meghalaya, the ST, Enforcement Branch-cum- Bakijai Officer functions as the Tax Recovery Officer (TRO) under this Act. Any arrears pending and unrecoverable by the AOs are forwarded to the TRO to issue notice to the tax defaulters under the Bengal Public Demand Recovery Act, 1913.

As on 30 September 2020, it was observed that total undisputed arrears under VAT amounting to ₹ 64.63 crore were pending with the Assessing Officers. Test check of records of selected nine Assessing Officers by Audit revealed the following:

- None of the nine selected Taxation Circles maintained systematic records or registers either manually or electronically to track the position of recovery of arrear tax from defaulting dealers.
- In 34 cases involving arrear revenue of ₹ 6.83 crore, first demand notices were issued with delays ranging from 25 to 643 days from the date of assessment,

[21] Adapted by Meghalaya from the Assam Land and Revenue Regulation, 1886.

of which 12[22] cases involving ₹ 5.41 crore (79.21 *per cent)* falls under ST Circle-III (**Appendix-2.4.1**).

- 104 dealers with arrear revenue amounting to ₹ 12.94 crore had not been issued with reminders for payment of assessed tax, even after a lapse ranging between 2 months and 13 years from the date of issue of the first demand notice. Out of these, 23 cases involving ₹ 5.46 crore (42.19 *per cent)* falls under ST Circle-III (**Appendix-2.4.2**).
- In 10 cases involving arrear revenue of ₹ 2.50 crore, the AOs failed to recover the arrears for five years and more but did not refer these cases to the TRO for recovery, of which 2 cases involving ₹ 2.36 crore (94.40 *per cent)* pertained to ST Circle-XIII (**Appendix-2.4.3**).

Thus, delay in taking timely action like issue of demand notices and reminders and failure to refer the cases to the Tax Recovery Officer (TRO) has resulted in loss of government revenue amounting to ₹ 64.63 crore.

2.4.4.3 Arrear pending with the Tax Recovery Officer (Bakijai Officer)

In Meghalaya, the ST, Enforcement Branch-cum- Bakijai Officer functions as the Tax Recovery Officer (TRO) under Section 107 of MVAT Act. Any arrears yet pending and unrecoverable are forwarded to the Bakijai Officer under the Deputy Commissioner (DC) to recover them as arrears of land revenue. The Bakijai Officer under the DC issues notice to the tax defaulters under the Bengal Public Demand Recovery Act, 1913.

Audit examination of the records of the defaulting dealers revealed the following irregularities:

- The Taxation Department issues legal notices through the Government Pleader for recovery of outstanding dues. It was observed that in March 2015, 41 legal notices issued by the Department involving arrears of ₹ 9.32 crore under VAT and older, repealed Acts[23] were returned as the tax defaulters could not be traced, resulting in loss of Government revenue to that extent.
- In 65 cases involving arrears of ₹ 76.16 crore, no demand notices had been issued by the TRO. Absence of specific timeframe instructing the TRO to issue demand notices to defaulters within a specified period of time has resulted in laxity in the pace of issuance of notices, resulting in non-recovery and loss of Government revenue to that extent.
- Even in cases where demand notices had been issued to defaulters, these demand notices had been issued with delays ranging from one year to 25 years from the date of receipt of information from the AOs.

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[22] Several persistent, large defaulters are (1) Shri Hardeodas Jagannath Pvt. Ltd (₹ 49.72 lakh) – Circle III (2) M/s Syrpai Automotive (₹ 2.15 crore) – Circle III (3) M/s J.P. Enterprise (₹ 18.20 lakh) – Circle VI (4) M/s R.P. Motors (₹ 2.57 crore) – Circle III

[23] Including the Meghalaya Finance Sales Tax (MFST), the Meghalaya Sales Tax (MST) and the Meghalaya Purchase Tax (MPT) Acts.

2.4.5 Monitoring and Supervision

Section 19 of the Legal Services Authorities Act, 1987 states that every State Authority or District Authority or the Supreme Court Legal Services Committee or every High Court Legal Services Committee may organize Lok Adalats at such intervals and places and for exercising such jurisdiction and for such areas as it thinks fit. A Lok Adalat has the jurisdiction to determine and arrive at a compromise or settlement between the parties to a dispute.

Audit observed the following:

- In six cases of disputed arrears, the parties agreed to settle the arrears pending under the TRO for an amount of ₹ 25.64 lakh at the National Lok Adalat held on 6 December 2014. However, it was observed that even as on 30 September 2020, four parties had failed to clear all the dues thereof, even though the deadline for payment had been fixed at 31 March 2015. The TRO had, despite seeking instruction on the matter from the ACT/CoT, not been advised to initiate any further action.
- 114 cases with arrear revenue amounting to ₹ 8.57 crore were forwarded by the Commissioner of Taxes to the Deputy Commissioner[24] (DC), East Khasi Hills, Shillong in January 2013 for recovery of unpaid tax as arrears of land revenue. However, no follow-up action was taken by the Taxation Department with regard to the recovery of revenue under these cases and no records thereof could be produced to audit.
- No records or registers pertaining to court cases and arrear pending with the Appellate Authority/ Revision Authority were found to have been maintained by the Taxation Department, which is a contravention of the Government instruction[25] dated 22 September 2004.

2.4.6 Conclusion

- The Department failed to complete assessments in respect of 74501 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.
- The number of pending assessment of cases was 74501 as on September 2020 which included likely time barred cases of 51134.
- In 65 cases involving arrears of ₹ 76.16 crore, no demand notices had been issued by the TRO resulting in loss of revenue to that extent.

[24] The Bakijai Officers under the Taxation Department derived their powers under the Assam Land and Revenue Regulation, whereas the Bakijai Officers under the Deputy Commissioner (DC) derived their powers under the provisions of the Bengal Public Demand Recovery Act. Since the MVAT Acts do not contain stringent provisions for penalizing defaulters, arrear cases are handed over to the Bakijai Officers under the DC for recovery of the tax as arrears of land revenue.

[25] Vide Letter No. PER (AR) 84/96/Vol. II/112 dated 22 September 2004.

- 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.

2.4.7 Recommendations

- The Department may review old cases pending for more than ten years in order to determine recoverable and irrecoverable revenue, and to initiate action for write-off of irrecoverable arrears.
- Assessment of all the pending cases under VAT regime may be initiated without delay. Target for completion of the cases may also be fixed for each Assessing Officer.
- The Department may take action to recover outstanding dues of tax defaulters who had migrated to GST as arrears of tax as per provision of Section 7 (a) of the MGST Act, 2017.
- The Department may consider prescribing a timeframe for disposal of the appealed cases by the Appellate Authority.

2.5 Evasion of tax on sale of Motor Spirits and High Speed Diesel

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.

Section 11 (4) of the Assam (Sales of Petroleum *etc*.) Taxation Act, 1955 (as adapted by Meghalaya) states that if the Superintendent of Taxes (ST) is not satisfied with the correctness of returns furnished by a dealer, then the ST can assess to the best of his judgement the amount of tax due from the dealer. Further, Section 16 (1) (c) of the Act *ibid* stipulates that if the dealer has concealed particulars of his turnover, then the dealer is liable to pay as penalty, in addition to the tax payable, a sum not exceeding one and half times the tax payable. In addition, interest on tax payable is leviable under Section 20A of the Act *ibid* as shown in the table below:

For the first 60 days from the due date[26]	**12 *per cent* per annum**
Beyond 60 days from the due date	**24 *per cent* per annum**

Scrutiny (June 2020) of records of the ST, Circle III, Shillong revealed that a total of 17 Motor Spirits (MS)/Petrol and High Speed Diesel (HSD) dealers were registered under the jurisdiction of ST, Circle III, Shillong as on 31 March 2020. As per the rates of tax applicable under the Act *ibid*, MS is taxable at 22 *per cent* of sales value during March 2016 to March 2020 and HSD at 13.5 *per cent*. Further scrutiny of records of all the 17 registered dealers revealed that between March 2016 and March 2020, a dealer namely M/s Arkiwan Service Station, Sohiong Umsaw Dombhoi, East Khasi Hills disclosed sales of MS and HSD valued at ₹ 10.63 crore[27] for which the dealer had paid tax amounting to ₹ 1.12 crore[28]. However, on cross examination of utilisation of Form 'C'[29] submitted by the dealer, it was seen that during the same period the dealer actually purchased MS/HSD worth ₹ 15.40 crore. This indicates that the ST, Circle – III, Shillong did not assess the case records of the dealers.

Thus, failure of the ST to assess the case records of the dealers had enabled the dealer to conceal stock of MS/HSD worth ₹ 4.77 crore which resulted in minimum evasion of tax amounting to ₹ 0.65 crore[30].

Further, as per the revised rates of tax applicable under the Act *ibid,* MS was taxable at 22 *per cent* of sales w.e.f. 15 March 2016 and HSD at 13.5 *per cent* w.e.f. 18 March 2015. During the period from March 2016 to March 2020, the dealer disclosed sales of MS and HSD valued at ₹ 10.63 crore. However, the dealer had paid ₹ 1.12 crore only as tax against the payable amount of ₹ 1.36 crore. This resulted in short payment of tax to the tune of ₹ 0.24 crore (**Appendix – 2.5.1**). Reasons for the

[26] Due date is the end of the month following the quarter.
[27] MS (₹ 3.09 crore) and HSD (₹ 7.54 crore)
[28] The dealer did not disclose closing balance in his returns.
[29] Form 'C' is issued by the Taxation Department to registered dealers who make inter-state purchases.
[30] ₹ 4,80,40,088 x 13.5 %.

short payment of tax by the dealer was neither found on record nor stated by the ST, Circle – III, Shillong. However, Audit noticed that the rate of tax on sales of MS was calculated @ 20 *per cent* instead of the prescribed rate of 22 *per cent* on sales figures of 4 (four) quarters ending June 2016, September 2016, June 2017 and September 2017. Besides, the ST, Circle – III, Shillong had not assessed the case records even after four years.

The ST, Circle – III, Shillong, while accepting the Audit observations stated (January 2022) that (i) assessment under Section 11 (3) of the Assam (Sale of Petroleum, *etc.*) Taxation Act, 1955 (as adapted by Meghalaya) was made in August 2020 and (ii) demand notice for ₹ 1.28 crore[31] had been issued (August 2020), of which the dealer had already paid ₹ 0.65[32] crore between October 2020 and September 2021. The ST further stated that the dealer had requested to pay the balance amount of ₹ 0.63 crore[33] on instalment basis. However, till date (March 2022) the ST was yet to recover the balance amount from the dealer.

Fact remains that due to the delay in carrying out assessment of case records of M/s Arkiwan Service Station, Sohiong by the ST, Circle – III, Shillong, that too only after being pointed out by Audit, has not only resulted in belated realisation of tax amounting to ₹ 0.65 crore but also non-realisation of ₹ 0.63 crore despite lapse of more than four years.

The matter was reported to the Government (November 2021); reply is awaited (March 2022).

[31] ₹ 85,17,231 (tax) + ₹ 4,13,375 (surcharge) + ₹ 38,32,315 (interest) + ₹ 20,000 (penalty) = ₹ 1,27,82,921.
[32] ₹ 42,07,253 (tax) + ₹ 1,71,246 (surcharge) + ₹ 21,99,581 (interest) = ₹ 65,78,080.
[33] ₹ 43,09,978 (tax) + ₹ 2,42,129 (surcharge) + ₹ 16,32,734 (interest) + ₹ 20000 (penalty) = ₹ 62,04,841.

2.6 Loss of revenue

Superintendents of Taxes, 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.

Under Section 11 of the MVAT Act, Input Tax Credit (ITC) is allowed to a registered dealer in respect of his purchase of taxable goods from another registered dealer for resale in the State. Further under Section 45 (5) of the MVAT Act, if a dealer closes his business, then the Superintendent of Tax (ST) shall assess the tax on goods that remain in stock at the time of closure of business on which ITC has already been given. As per Rule 28 of MVAT Rules 2005, in the event of failure to furnish returns on intra-state purchases, the certificate of registration of a dealer shall be suspended. Further, if a dealer fails to pay the full amount of tax payable by due date, simple interest at the rate of two *per cent* per month from the first day 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 leviable under Section 90 read with Section 96 of the Act *ibid.*

Under the MVAT Act, 1569 dealers were registered under the jurisdiction of the SsT, Circle IV and VI, Shillong as on 30 June 2017. Out of the total registered dealers, audit test checked the records of 53 dealers (3 *per cent*) and noticed that two[34] dealers disclosed purchase of goods from within and outside the State amounting to ₹ 6.77 crore during the period from April 2014 to March 2017 and had also claimed ITC amounting to ₹ 25.26 lakh on such purchases. During the same period, the dealers disclosed sales of ₹ 5.44 crore on which tax amounting to ₹ 55 lakh was payable. However, the dealers paid tax amounting to ₹ 30.02 lakh after adjusting the ITC available to them.

Audit noticed that one dealer[35] had stopped furnishing any returns after June 2014. Verification of utilisation of 'C' forms revealed that the dealer continued to import goods valued at ₹ 2.18 crore from July 2014 to January 2015. As of January 2015, goods worth ₹ 3.25 crore remained with the dealer. The other dealer[36] had stopped furnishing returns after March 2017. As of March 2017, goods worth ₹ 1.19 crore remained with the dealer. Together, goods worth ₹ 4.44 crore[37] remained with both these dealers.

Despite failure to furnish tax returns for such a long period, the SsT did not initiate the process to suspend the dealers' registrations and failed to assess the tax payable on the closing stock of the dealers. The failure of the SsT to make timely assessments

[34] M/s KBS Motors and M/s Mohan Trading.
[35] M/s KBS Motors.
[36] M/s Mohan Trading.
[37] M/s KBS Motor (Opening stock ₹ 0.92 crore + purchase ₹ 3.94 crore – sales ₹ 1.61 crore = closing stock ₹ 3.25 crore) and M/s Mohan Trading (Purchase ₹ 5.02 crore – sales ₹ 3.83 crore = closing stock ₹ 1.19 crore) = ₹ 4.44 crore.

resulted in non-realisation of VAT amounting to ₹ 64.42 lakh. Additionally, penalty not exceeding ₹ 1.29 crore and interest of ₹ 74.70 lakh were also leviable (**Appendix - 2.6.1**).

The cases were referred to the Taxation Department, Government of Meghalaya in February 2020. The ST, Circle IV, Shillong while accepting the audit observations, stated (April 2020) that in respect of M/s Mohan Trading, despite an inquiry and notices issued, the whereabouts of the dealer is currently not known but assured that assessment of the dealer would be carried out. However, the outcome of the action taken by the Department or assessment made is yet to be intimated (February 2022). With regard to M/s KBS Motors, on this being pointed in Audit, the ST, Circle VI, Shillong stated (January 2022) that assessment for the years 2012-13 to 2014-15 had been carried out on 26 October 2021 and demand notices amounting to ₹ 84.81 lakh (Tax: ₹ 73.38 lakh and interest: ₹ 11.44 lakh) had been served to the dealer (November 2021). However, no amount had been recovered till date (February 2022).

Thus, failure of the SsT to initiate timely action against the two dealers who had either suspended their businesses or stopped furnishing their tax returns had resulted in loss of ₹ 28.78 lakh and non-realisation of assessed revenue amounting to ₹ 84.81 lakh.

The matter was reported to the Government (November 2021); reply is awaited.

Recommendation: The State Government should fix responsibility on the ST concerned who failed to initiate timely action to suspend the dealer's registration who stopped furnishing the tax returns and in failing to carry out timely assessment of the defaulting dealers.

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 Additional Chief Secretary to the Government of Meghalaya, ERTS Department is in overall charge of the State Excise Department at the Government level. The Commissioner of Excise (CE) 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 (SEs) have been entrusted with the work of levy of excise duties and other dues from the licencees such as bonded warehouses, bottling plants, distilleries and retailer shops. The collection of tax is governed by the provisions of the 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).

3.2 Results of Audit

Test check of the records of eight units during 2019-20 revealed non-realisation of duties, fees, *etc*., involving ₹ 51.49 crore in 50 cases which fall under the following categories:

Table 3.2.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of duties *etc*.	28	16.13
2.	Loss of revenue	11	29.36
3.	Other irregularities	11	6.00
Total		**50**	**51.49**

During the course of the year, the Department accepted loss of revenue and other deficiencies to the tune of ₹ 35.62 crore in 39 cases. They did not furnish reply in 11 cases. An amount of ₹ 10.80 crore was realised in 27 cases during the year 2019-20.

An illustrative case having financial impact of ₹ 57.83 crore in terms of loss of excise duty is discussed in **paragraph 3.3**.

3.3 Loss of excise duty on alcohol and spirit

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

The Assam Distillery Rules, 1945 (as adapted by the Government of Meghalaya) do not provide any norms for production of Indian Made Foreign Liquor (IMFL) from Extra Neutral Alcohol (ENA)[1].

Mention was made in paragraph 4.4.8.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2014 (Revenue Sector) – Government of Meghalaya regarding loss of revenue of ₹ 10.15 crore in the form of excise duty and VAT due to absence of any norms for production of IMFL from ENA in the State. Audit had therefore recommended to immediately notify the norms for production to be utilised as a benchmark by all distilleries/bottling plants to prevent such cases of avoidable short production leading to loss of revenue to the State.

Audit noticed that the State Government is yet to prepare a technical manual of its own and prescribe norms for production of IMFL from ENA till the date of Audit (June 2020). In the absence of any prescribed norms by the State Government, Audit has referred to the norms prevailing in the bottling plants for the purpose of calculation. As per the norms reported by the individual bottling plants of the State, 4 Bulk Litre (BL), 3.85 BL and 3.84 BL of ENA is required for production of one case of 750 ml, 375 ml and 180 ml of IMFL respectively[2] which translates into an average of 3.90 BL per case of IMFL. In Meghalaya there is **one** distillery, **one** brewery and **five** bottling plants. Additionally, there are 40 bonded warehouses which are licensed to procure imported alcohol for distribution and sale within the state.

Audit of records (June 2020) of one distillery[3] and five bottling plants[4] for the period from 2015-16 to 2019-20 to assess the correctness of excise duty collected, based on data relating to production and stock, revealed that out of five bottling plants in Meghalaya, four[5] bottling plants had utilised a total of 3,58,34,527.60 BL of ENA between 2015-16 to 2019-20. After taking into account of 1% wastage norms[6] (0.5% for blending and 0.5% for racking), the bottling plants were expected to produce 90,96,457.00[7] cases of IMFL. However, the four bottling plants disclosed production

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1 ENA is the primary raw material for making alcoholic beverages such as whisky, vodka, gin, cane, liqueurs, and alcoholic fruit beverages. It typically contains over 95 *per cent* alcohol by volume. It is derived from different sources — sugarcane molasses and grains.

2 One case of 750ml, 375ml and 180ml of IMFL contains 12 bottles, 24 bottles and 48 bottles respectively.

3 M/s CMJ Breweries Pvt. Ltd.

4 M/s CMJ Breweries Pvt. Ltd (Bottling Unit), M/s North East Bottling Plant, M/s MDH Beverages Bottling Plant, M/s Marwet Bottling Plant and M/s Oaken Gold Bottling Plant.

5 There was no shortfall in production by M/s MDH Beverages Bottling Plant, hence only four bottling plants have been taken into consideration for loss of revenue.

6 Rule 33 of N.E. Region Excise Manual (Instructions Relating to Liquor).

7 {3,58,34,527.60 - (3,58,34,527.60 x 1%)} = 3,54,76,182.32 ÷ 3.90 = 90,96,457.00 cases.

of 87,17,511 cases of IMFL. This resulted in short production of IMFL by 3,78,946.00 cases. Audit further observed that these bottling plants had failed to maintain any records of ENA procured and consumed, nor were such reports submitted to the Excise authorities.

Audit further observed that the rate of Excise duty notified by the State Excise Department during the review period was fixed at a uniform rate of ₹ 810 per case. Whereas the rate of VAT (40%) fixed by the Taxation Department varies from brand to brand ranging from ₹ 716.00 to ₹ 787.59 per case.

Due to failure of the State Government to notify norms for production of IMFL from ENA, despite the lacuna having been pointed out in Para 4.4.8.5 of the Audit Report for the year ended 31 March 2014, has resulted in shortfall in yield of 3,78,946.00 cases during production, involving a loss of revenue to the tune of ₹ 57.83 crore in the form of excise duty (₹ 30.69[8] crore) and VAT (₹ 27.13[9] crore) over a period of five years under scrutiny (details in **Appendix – 3.3.1**).

Thus, failure of the State Government to notify norms for production of IMFL from ENA and norms for production of ENA from raw materials (grains) has resulted in a loss of revenue amounting to ₹ 57.83 crore. Besides, concealment of actual production and sale of IMFL also cannot be ruled out.

The matter was reported to the Government (November 2021). During exit meeting (February 2022), the Commissioner & Secretary, Excise Department, assured that the norms for production of IMFL from ENA and norms for production of ENA from raw materials will be notified latest by May 2022.

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[8] 3,78,946.00 cases x ₹ 810 = ₹ 30,69,46,260.00.

[9] For calculation of VAT, the minimum rate i.e ₹ 716.00 per case is considered i.e. 3,78,946.00 x ₹ 716.00 = ₹ 27,13,25,336.00.

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 the 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 (ACT) and the Secretary, State Transport Authority (STA). At the district level, the District Transport Officers (DTOs) have been entrusted with the registration of vehicles, issuance of permits and collection of duties. The collection of tax is governed by the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder and the Assam Motor Vehicle Taxation Act, 1936.

4.2 Results of Audit

Test check of the records of six units relating to the Transport Department during 2019-20 revealed non-realisation of taxes, fees and fines, *etc*., involving ₹ 73.94 crore in 21 cases which fall under the following categories:

Table 4.2.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	07	20.76
2.	Loss of revenue	08	50.09
3.	Other irregularities	06	3.09
Total		**21**	**73.94**

Replies to the cases pointed out by Audit during the year were not furnished by the Department in the year 2019-20. No recovery was intimated in any cases during the year.

An illustrative case having financial impact of ₹ 1.23 crore on loss to the exchequer is discussed in **Paragraph 4.3**.

4.3 Loss to the exchequer

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

Ministry of Law and Justice (Legislative Department), Government of India (GoI) notified the Motor Vehicle (Amendment) Act, 2019 (MVAA) on 09 August 2019. Subsequently, Ministry of Road Transport and Highways, GoI notified (28 August 2019) that different provisions of the MVAA including penal provisions shall be effective from 01 September 2019. The MVAA included new penal provisions as well as revised rates of various existing penalties to protect public safety, check road accidents, ensure convenience and secure protection of the environment. Some of the revised rates of penal provisions under the MVAA are given below:

Table 4.3.1: Details of revised penalty rates **(Amount in ₹)**

Sl. No.	Section	Offences	Penalty prior to 31 August 2019	Penalty w.e.f. 01 September 2019	Difference
1.	177	General Offence	100	500	400
2.	178	Travel without ticket 3 (b)	200	500	300
3.	179 (1)	Disobedience of order of authorities	500	2000	1500
4.	181	Driving without licence	500	5000	4500
5.	190 (2)	Violating Air and Noise Pollution	1000	10000	9000
6.	192 (A)	Vehicle without permit and violating permit conditions	5000	10000	5000
7.	194 (1)	Overloading goods vehicle	2000 and 1000 per extra tonne	20000 and 2000 per extra tonne	18000 and 1000 per extra tonne
8.	194 (2)	Refusal for weighing of goods carriage	3000	40000	37000
9.	196	Driving without insurance	1000	2000	1000

Scrutiny (July - August 2020) of records of the Commissioner of Transport (CoT) revealed that the new/revised rates of penalties under the MVAA was notified by the Transport Department, Government of Meghalaya on 16 September, 2019 i.e. after a delay of 15 days. Further scrutiny of reports submitted by the Enforcement Inspectors of seven weighbridges/check posts to the Commissioner of Transport (CoT) for the months of September 2019 and October 2019, revealed that even after the revised rates of penalties were notified on 16 September, 2019, the test-checked Enforcement Inspectors did not enforce the revised rates immediately. In fact, the revised rates of penalties were enforced/adopted on different dates even under the same district. The checkpoint-wise/district wise implementation of the revised rates of penalties/fines is shown in the **Table** below:

Table 4.3.2: Delay in enforcement of revised rates

Sl. No.	Name of weighbridge/ Checkpoints	District	Dates from which the revised rates of penalties were enforced	Delay in enforcement of the revised rate (in days)
(1)	(2)	(3)	(4)	(6)
1.	Iewsyiem	East Khasi Hills	25.09.2019	10
2.	Majai		25.09.2019	10
3.	Byrnihat	Ri-Bhoi	27.09.2019	12
4.	Amsarin	West Jaintia Hills	29.09.2019	14
5.	7th Mile		12.10.2019	27
6.	Ratacherra	East Jaintia Hills	08.10.2019	23
7.	Umtyr-a		09.10.2019	24

Due to failure of both the Transport Department and the Enforcement Inspectors to implement the revised rates of penalties immediately from the date of the same being notified (16 September 2019) by the State Government had resulted in a total loss of ₹ 1.23 crore to the State exchequer. Weighbridges/Check-point wise details of offences and the amount of short collection of penalties is given in **Appendix-4.3.1**.

The CoT in its reply stated (November 2020) that the field officials could not proceed with the imposition of fine without receiving instructions from the GoM as it would cause disagreement from the public and discernment over the implementing officials *viz* the District Transport Officer or Enforcement Inspector. The CoT further stated that most of the violators are illiterate and were not aware of the high revised rate. They come up with appeal of ignorance and short of cash for settlement of the fine. In order to settle the fine without causing problem of traffic jam, they were allowed to pay the fine at a rate lower than the fixed rate.

The reply is not tenable because (i) the revised rates of penalties were not immediately implemented by the District Transport Officer or Enforcement Inspector even after receiving instructions from the GoM. (ii) Besides, the MVAA is a Statutory law which extends to the whole of India and, the State Government was bound to implement with immediate effect i.e. from 01 September 2019. (iii) The CoT's statement that most of the violators are illiterate, were not aware of the high revised rate and in order to settle the fine without causing problem of traffic jam, were allowed to pay the fine at rate lower than the fixed rate, is unacceptable since the Transport Department and its line department have the mandatory responsibilities to levy the prevalent rates of penalties from the defaulters without exercising any discretion over the rates of penalty. In Audit's opinion, it is the Department's responsibility to widely publicise enhancement of rates of penalties through suitable awareness campaigns as a measure of effective enforcement of the law.

The matter was reported to the Government (December 2021); reply is awaited (March 2022).

CHAPTER – V
FOREST & ENVIRONMENT DEPARTMENT

CHAPTER-V

FORESTS & 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 Forests 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[1] 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[2] of the State. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation, 1891 (as adapted by Government of Meghalaya).

The Principal Secretary to the Government of Meghalaya, Forests & Environment (F&E) Department is in overall charge of the Department at the Government level. The Principal Chief Conservator of Forests (PCCF) is the administrative head of the Department. He is assisted by Chief Conservators of Forests and Conservator of Forests. At the district level, the Divisional Forest Officers (DFOs) are entrusted with management of forests and wildlife through various divisions such as territorial, wildlife, social forestry *etc*. including levy of forest dues, wherever applicable. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation, 1891.

5.2 Results of Audit

Test check of the records of 23 units out of 33 units relating to the Forests and Environment Department during 2019-20 revealed non-realisation/short-realisation of revenue and other irregularities involving ₹ 467.94 crore in 169 cases which fall under the following categories:

Table 5.2.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	59	301.37
2.	Loss of revenue	25	61.04
3.	Other irregularities	85	105.53
Total		**169**	**467.94**

[1] Source: Forest Survey of India State Forest Report 2017.

[2] Garo, Khasi and Jaintia Autonomous District Councils.

During the course of audit, the Department accepted loss of revenue, non-realisation of revenue and other deficiencies of ₹ 201.87 crore in 56 cases. No recovery was intimated in any of the cases during the year 2019-20.

An illustrative case having financial impact of ₹ 3.49 crore on under reporting of export of minor minerals is discussed in **Paragraph 5.3**.

5.3 Under reporting of export of minor minerals by Forest check-gates

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

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

The State Government notified[3] the Meghalaya Minor Minerals Concession Rules (MMMCR), 2016 for regulating the grant of mining leases and quarry permits in respect of minor minerals. The rule *ibid* stipulates that:

- The competent authority shall issue transport challan in Form H to any lessee or permit holder who intends to dispatch minor minerals and no person shall transport or carry away any minor mineral without a transport challan (Rule 26);
- The lessee or quarry permit holder shall pay royalty in respect of each minor mineral removed at the rate specified (Rule 28);
- The lessee or quarry permit holder shall deposit or make payment to the Meghalaya Minor Mineral Reclamation Fund (MMMRF) created by the State Government at the rate as shall be prescribed from time to time by notification (Rule 31).
- The lessee or quarry permit holder shall deposit or make payment to the District Mineral Foundation (DMF) Fund at the rate prescribed by the State Government (Rule 30);

The rates of royalty, contribution to MMMRF and DMF Fund as prescribed by the State Government were as follows:

Table 5.3.1: Rates of royalty, MMMRF & DMF leviable on minor minerals

Minor Mineral	Royalty	MMMRF (@ 10 *per cent* of the sale proceeds	DMF Fund (@ 30 *per cent* of the rate of royalty)
Boulders	₹ 240 per cu.m	₹ 94 per cu.m[4]	₹ 72 per cu.m
Limestone	₹ 80 per MT	₹ 70 per MT[5]	₹ 24 per MT

[3] Vide notification No.MG/49/2011/408 dated 12 September 2016

[4] Sale value for boulder stone for both export and domestic was determined at $ 8 per MT (December 2015). For calculation purpose, the exchange rate has been taken as $1 = ₹70. Hence **Sale value per cu.m of boulder stone is $ 13.44 or ₹ 940.80 per cu.m** (where 1.68 MT = 1 cu.m as per the conversion table of the Meghalaya Cess Rules, 1989. Thus, the contribution to MMMRF was ₹ 94.08 per cu.m.

[5] **Sale value for limestone** was decided at $10 or **₹ 700.00 per per MT** as per letter of credit issued by the importers in Bangladesh. Thus, the contribution to MMMRF was ₹ 70.00 per MT.

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 controlling the transportation of minor minerals and other forest produce.

Out of the 37 forest check-gates in the State, three[6] check-gates were established for regulating export of minor minerals from Khasi Hills and Jaintia Hills to Bangladesh. To reach the export point of such minerals to Bangladesh through the Land Customs Stations (LCS) situated at Dawki and Bholaganj under the Customs Department, Government of India, the trucks carrying them are required to pass through the three check-gates at Khasi Hills and Jaintia Hills.

Cross verification of records of the LCS situated at Bholaganj and Dawki with that of DFOs (Territorial) Division Khasi Hills and Jaintia Hills Divisions revealed that while 2.60 lakh MT or 1.55 lakh cu.m of boulders was exported to Bangladesh through these LCS during 2018-19, the records of the forest check-gates revealed that only 1.51 lakh cu.m of boulders had passed through these check-gates during the same period. Similarly, during the same period, it was seen that 14.44 lakh MT[7] of limestone was exported to Bangladesh through the Land Customs Stations (LCS) at Bholaganj and Dawki, however only 12.51 lakh MT[8] of limestone passed through the check-gates at Majai-Bholaganj and Amsarin[9] and 0.39 lakh MT through the 17 km long aerial ropeway of Komorrah Limestone Mining Co. Ltd[10] during the same period.

Due to lack of vigilance at the forest check-gates and their effective monitoring by the DFOs, the forest check-gates at Erbamon (Pynursla), Majai-Bholaganj and Amsarin, failed to detect movement of 0.04 lakh[11]cu.m quantity of boulders and 1.92 lakh MT[12] of limestone exported to Bangladesh without transport challan in Form H. This resulted in loss of revenue of ₹ 0.15 crore on the export of boulders (royalty amounting to ₹ 0.09 crore[13], MMMRF contribution of ₹ 0.03 crore[14] and DMF contribution of ₹ 0.03 crore[15]) and loss of revenue of ₹ 3.34 crore on the export of limestone (royalty amounting to ₹ 1.54 crore[16], MMMRF contribution of ₹ 1.34 crore[17] and DMF contribution of ₹ 0.46 crore[18]) as shown below:

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6 Erbamon (Pynursla) and Majai-Bholaganj under DFO (Territorial) Khasi Hills Division and Amsarin under DFO (Territorial) Jaintia Hills Division.

7 Bholaganj 944540 MT + Dawki 499422 MT = 1443962 MT.

8 Majai-Bholaganj 804375 MT + Amsarin 447300 MT = 1251675 MT. Limestone transported through aerial ropeway of Komorrah Limestone Mining Co. Ltd = 38993 MT.

9 No limestone passed through the forest check-gate at Erbamon during 2018-19.

10 The mining company was granted mining lease by the Mining and Geology Department, Government of Meghalaya and therefore, limestone extracted by the company from the mining lease area is treated as major mineral.

11 154905 cu.m – (135112 + 6086 + 10029 cu.m) = 3678 cu.m.

12 1443962 MT-1251675 MT=192287 MT.

13 3678 cu.m x ₹ 240 per cu.m = ₹ 882720.

14 3678 cu.m x ₹ 94 per cu.m = ₹ 345723.

15 3678 cu.m x ₹ 72 per cu.m = ₹ 264816.

16 192287 MT x ₹ 80 per MT = ₹ 15382960.

17 192287 MT x ₹ 70 per MT = ₹ 13460090.

18 192287 MT x ₹ 24 per MT = ₹ 4614888.

Table 5.3.2: Loss of revenue on under reporting of export of minor minerals

Period	Name of minor mineral	Unit of measurement	Quantity of mineral which crossed three check-gates	Quantity of mineral exported through the LCS	Quantity undetected by the Forest check-gate	Amount not realised (₹ in crore)		
						Royalty	MMMRF	DMF
2018-19	Boulder	Cu.m	1,51,227	1,54,905	3,678	0.09	0.03	0.03
	Limestone	MT	12,51,675	14,43,962	1,92,287	1.54	1.34	0.46.

The cases were reported to the Forests and Environment Department, Government of Meghalaya in December 2019 and January 2020. The DFO(T), Khasi Hills Division, Shillong in his reply (June 2020) stated that limestone is transported both as major and minor mineral through Bholaganj checkpoint and as per his record 8.43 lakh MT of limestone was transported through the Majai-Bholaganj checkgate and the aerial ropeway of Komorrah Limestone Mining Co. Ltd. while the data from the LCS at Bholaganj shows that 9.44 lakh MT was exported. He further added that the remaining quantity may be the limestone that was transported as major mineral through the same checkpoint. However, till date (March 2022) there has been no response from the DFO (T) Jaintia Hills Division, Jowai regarding the difference in figures of transportation between the LCS and the Amsarin checkgate in his division.

The reply of the DFO (T) Khasi Hills Division explaining reasons for variation in the quantities is presumptive and without any support of factual data on quantity of limestone exported as major mineral as the Mining Department did not have any check-gates at four exit points at the India-Bangladesh border, including Bholaganj which is a minor transit route for limestone trade with Bangladesh.[19] Hence, there were no records of the Mining Department to substantiate this assertion. Further, the response is partial as it pertains only to transportation of limestone through the Majai-Bholaganj checkgate and does not address the issue of discrepancy between the quantity of boulder stone transported through the LCS and through the Majai-Bholaganj and Erbamon checkgates.

The matter was reported to the Government (July 2021); reply is awaited (March 2022).

Recommendation: The Department may investigate the matter thoroughly to ascertain the systemic lapses that resulted in under reporting of exported quantities and consequently loss of revenue. Appropriate action to fix responsibility on erring officials may be taken along with steps to improve the monitoring of export of minor minerals passing through forest check-gates.

[19] This issue has been pointed out in **Para 6.3.11.1** of the Report of the Comptroller and Auditor General of India – Government of Meghalaya (Revenue Sector) for the year ended 31 March 2018.

CHAPTER – VI
MINING & GEOLOGY DEPARTMENT

CHAPTER-VI

MINING & GEOLOGY DEPARTMENT

6.1 Tax Administration

The Mining and Geology Department (MGD) Meghalaya is entrusted with management and regulatory tasks for mining and mineral development in the State, conservation of resources and environment, safety and health of workers, restoration of mine degraded areas and rehabilitation of affected people. Coal and limestone are the major minerals of the State. The major source of mining receipts is collected from mining of these minerals in the form of royalty, application fee, dead rent, fines/penalties, *etc.,* from the lessees. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

The Principal Secretary to the Government of Meghalaya, MGD is in overall charge of the Department at the Government level. The Director of Mineral Resources (DMR) is the administrative head of the Department. At the district level, the Divisional Mining Officers (DMOs) have been entrusted with the collection of royalty and cess on minerals and issuing of permits. The collection of tax is governed by the Mines & Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and the Meghalaya Minerals Cess Act, 1988.

6.2 Results of Audit

Test check of the records of one unit relating to the Mining and Geology Department during 2019-20 revealed non-realisation/short realisation of revenue and other irregularities involving ₹ 113.80 crore in 06 cases which fall under the following categories:

Table 6.2.1

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/Short realisation of revenue	01	102.73
2.	Short payment of revenue	02	8.64
3.	Loss of revenue	01	0.38
4.	Other irregularities	02	2.05
Total		**06**	**113.80**

The Department did not furnish any reply to the audit observations. No recovery was intimated in any of the cases during 2019-20.

Two illustrative cases having financial impact of ₹ 10.90 crore in terms of short/non-realisation of revenue and loss of revenue are discussed in the paragraphs **6.3** to **6.4**.

6.3 Loss of revenue

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.

The Meghalaya District Mineral Foundation Rules, 2017[1](MDMFR), notified on 08 December 2017, provides for the establishment of District Mineral Foundation (DMF) in all mineral bearing districts of the State. The objective/purpose for creation of the DMF is for the interest and benefit of persons and areas affected by mining related operations. Subsequently, the Directorate of Mineral Resources (DMR), Government of Meghalaya (GoM) issued (11 January 2018) a circular wherein it was stated that for major minerals other than coal and lignite, the contribution to the DMF w.e.f. 17 September 2015 would be 30 *per cent* of royalty for mining leases granted before 12 January 2015 and 10 *per cent* of royalty for mining leases granted thereafter. In addition, it also stated that interest of 15 *per cent* per annum would be charged from 01 January 2018 if the outstanding dues are not cleared by 31 December 2017.

Scrutiny of records (November 2019) of the Divisional Mining Officer (DMO), Jowai revealed that during the period from 17 September 2015 to 31 December 2017, three cement companies[2] extracted a total quantity of 50,36,099 MT of limestone for which royalty amounting to ₹ 40.29 crore (50,36,099 MT × ₹ 80) was paid. The contribution to the DMF payable for the limestone extracted during the said period amounted to ₹ 11.32 crore. The cement companies paid the amount belatedly between 13 March 2018 and 11 April 2018. However, the DMO Jowai did not recover the interest for delayed payments amounting to ₹ 34.10 lakh as tabulated below:

Table 6.3.1: Non-realisation of interest on belated payment of DMF

Sl. No.	Name of Payee	Lease Location/ Address	Date of grant of lease	Rate of DMF applica ble	Qty. of limestone extracted between 17.09.2015 to 31.12.2017 (in MT)	Royalty paid at ₹ 80/- per MT (₹ in crore)	DMF paid @ 30% or 10% of royalty (₹ in crore)	Due date (date of issue of notificat ion)	Date of payment	Period of delay (in days)	Interest @ 15% per annum
1	2	3	4	5	6	7 (6x₹80)	8 (7x5)	9	10	11 (10-9)	12 {(8x15% x 11) ÷365}
1.	M/s Megha-laya Cements Limited	Mooiong Block-I	29.01.2007	30%	2,46,054	1.97	0.59	11.01.2018[3]	11.04.2018	90	2,18,415
		Khliehjeri	15.06.2006	30%	1,22,501	0.98	0.29		11.04.2018	90	1,08,741
2.	M/s Dalmia	Block I, II,	14.09.2009,	30%	2098611	16.79	5.04		13.03.2018	61	12,62,616

[1] Enacted in all mineral bearing districts of Meghalaya for the interest and benefit of persons and areas affected by mining related operations and for purposes connected therewith.

[2] (i) M/s Meghalaya Cements Ltd (ii) M/s Star Cements Limited (formerly Cement Manufacturing Company Ltd) (iii) M/s Dalmia Bharat Cements Ltd. The remaining three cement companies were not having mining licences during the period.

[3] The due date of payment as stated in the Notification was 31.12.2017, however the notification was issued only on 11.01.2018. The interest on late payment of DMF has thus been calculated from the date of issue of the notification.

Sl. No.	Name of Payee	Lease Location/ Address	Date of grant of lease	Rate of DMF applicable	Qty. of limestone extracted between 17.09.2015 to 31.12.2017 (in MT)	Royalty paid at ₹ 80/- per MT (₹ in crore)	DMF paid @ 30% or 10% of royalty (₹ in crore)	Due date (date of issue of notification)	Date of payment	Period of delay (in days)	Interest @ 15% per annum
	Bharat Cement Limited (includes Adhunik Cements Ltd)	IV	14.09.2009, 26.07.2010								
		Block V	14.12.2016	10%	249056	1.99	0.20		13.03.2018	61	49,948
3	M/s Star Cements (formerly CMCL)	Khub-I	20.11.2004	30%	5,39,819	4.32	1.30		04.04.2018	83	4,41,912
		Khub-II	14.01.2006	30%	3,40,198	2.72	0.82		04.04.2018	83	2,78,496
		Khub-III	04.01.2017	10%	2,24,570	1.80	0.18		04.04.2018	83	61,280
		Wahpyn-kon - I	14.01.2006	30%	12,03,247	9.63	2.89		04.04.2018	83	9,85,014
		Wahpyn-kon - II	04.01.2017	10%	12,043	0.09	0.01		04.04.2018	83	3,286
	Total				**50,36,099**	**40.29**	**11.32**				**34,09,708**

Source: Information provided by the Department.

Audit further noted that the DMO, Jowai did not even issue a demand notice to the cement companies for payment of interest. Thus, a total amount of ₹ 34.10 lakh remained un-realised from the three cement companies till date (September 2021). Reason for non-realisation of ₹ 34.10 lakh from the cement companies being interest amount for delayed payments of contribution to DMF was not stated by the DMO, Jowai.

The matter was reported to the Department (July 2021) and the State Government and (September 2021); reply is awaited (March 2022).

6.4 Non-realisation of mineral cess

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

Section 9(2) of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR) stipulates that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed from the leased area at the specified rate[4]. The Mining and Geology Department (MGD) is authorised to grant mining lease for mining of limestone by cement companies and to collect royalty on the limestone removed/consumed therefrom. Royalty on limestone removed/consumed from leases other than those granted by the MGD is collected by the Forest Department. In addition, mineral concession cess (cess) at specified rates[5] was also leviable under the provisions of the Meghalaya Mineral Cess Act, 1988 (MMC). However, in respect of collection of cess, only the MGD is authorised to do so from across the state. The MGD after collection of cess issues Mineral Cess Challans (MCC) for transport of limestone outside the State and issues certificate in respect of those utilised by the cement companies.

[4] ₹ 80 per MT w.e.f. 01 September 2014 and ₹ 100 per MT w.e.f. 24 January 2019.
[5] ₹ 60 per MT with effect from 21 March 2016.

Test check of records (November 2019) of the Divisional Mining Officer (DMO), Jowai relating to collection of cess revealed the following:

A. During the course of excavation for civil foundation work and development of Plant site by two cement companies i.e. M/s Green Valley Industries Ltd. (GVIL) and M/s Goldstone Cements Ltd. (GCL), limestone to the tune of 25,93,174[6] MT was extracted. The MGD allowed GVIL (July 2017) and GCL (May 2018) to utilise the extracted limestone as raw material for manufacturing of clinker and cement. The details of cess leviable and collection thereof by DMO, Jowai is indicated in **Table 6.4.1**:

Table 6.4.1: Table showing details of cess assessed and collection

(₹ in crore)

Sl. No.	Name of Cement Company	Quantity of limestone extracted (in MT)	Cess leviable on extracted limestone	Cess Collected	Short collection of Cess
1	**2**	**3**	**4 (3*₹ 60)**	**5**	**6 (4-5)**
1	GVIL	11,74,152	7.04	3.68	3.36
2	GCL	14,19,022	8.51	-	8.51
Total		**25,93,174**	**15.55**	**3.68**	**11.87**

Source: Information provided by the Department.

From the Table above it is observed that the DMO, Jowai had collected an amount of ₹ 3.68 crore against leviable Cess of ₹ 15.55 crore from the two cement companies. The DMO, Jowai failed to collect the remaining amount of ₹ 11.87 crore from the cement companies (GVIL: ₹ 4.64 crore and GCL: ₹ 8.51 crore).

On this being pointed out (December 2019), the DMO, Jowai stated (February 2020/October 2020) that demand notices were issued (February 2020/August 2020) to the companies to clear the due. The DMO, Jowai further informed (14 February 2022) Audit that M/s Green Valley Industries Ltd. has cleared the outstanding due of mineral cess of ₹ 3.36 crore (between February 2021 and March 2021). In respect of M/s Goldstone Cement Ltd., the DMO, Jowai admitted that the amount of ₹ 8.51 crore is still pending (February 2022).

B. Mention was made under **paragraph 6.3.11.1** of the Comptroller and Auditor General of India Report (Revenue Sector) for the year ended 31 March 2018 – Government of Meghalaya, regarding short collection of Mineral cess on limestone. In the said report, it was recommended that, the State Government should strengthen the system of recording of minerals transported through check-gates and should fix responsibilities on the erring officials for the revenue leakage. System should be in place for periodic reconciliation of figures of transport permits issued and validated at both Forest and Mining check-gates after ascertaining the reported figures of Land Custom Stations (LCSs).

Scrutiny of the records of the DMO, Jowai revealed that during 2018-19, the DMO, Jowai had realised a total amount of ₹ 1.97 crore as mineral cess on 3,28,550 MT of limestone. However, cross-check with the records of the Divisional Forest Officer (Territorial Division) (DFO-TD), Jowai revealed that a total of 6,69,978 MT had

[6] GVIL = 11,74,152 MT and GCL = 14,19,022 MT.

passed through the Forest Check gates during the same period for which cess of ₹ 4.02[7] crore was realisable. However, cess of only ₹ 1.97 crore was collected. Thus, there was short collection of mineral cess amounting to ₹ 2.05 crore by the DMO, Jowai as tabulated below:

Table 6.4.2: Details of short collection of Cess on Limestone by DMO, Jowai

Quantity of limestone transported as per DFO- TD, Jowai (in MT)	Quantity of limestone on which cess collected as per DMO, Jowai (in MT)	Quantity short collected on limestone (in MT)	Rate of cess per MT	Short collection (₹ in crore)
6,69,978	3,28,550	3,41,428	₹ 60/-	2.05

Source: Information provided by the Departments.

The DMO, Jowai in its reply (February/October 2020) stated that the information from the DFO-TD, Jowai has been sought for (February/October 2020) which is still awaited (February 2022). This indicated absence of periodical reconciliation of figures of transport permits issued and validated at both Forest and Mining check-gates after ascertaining the reported figures of LCSs as recommended by Audit.

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

The matter was reported to the Government (October 2021) and reminder issued on 08 February 2022; reply is awaited (March 2022).

Shillong
The 28 June 2022

(SHEFALI SRIVASTAVA ANDALEEB)
Accountant General (Audit), Meghalaya

Countersigned

New Delhi
The 07 July 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

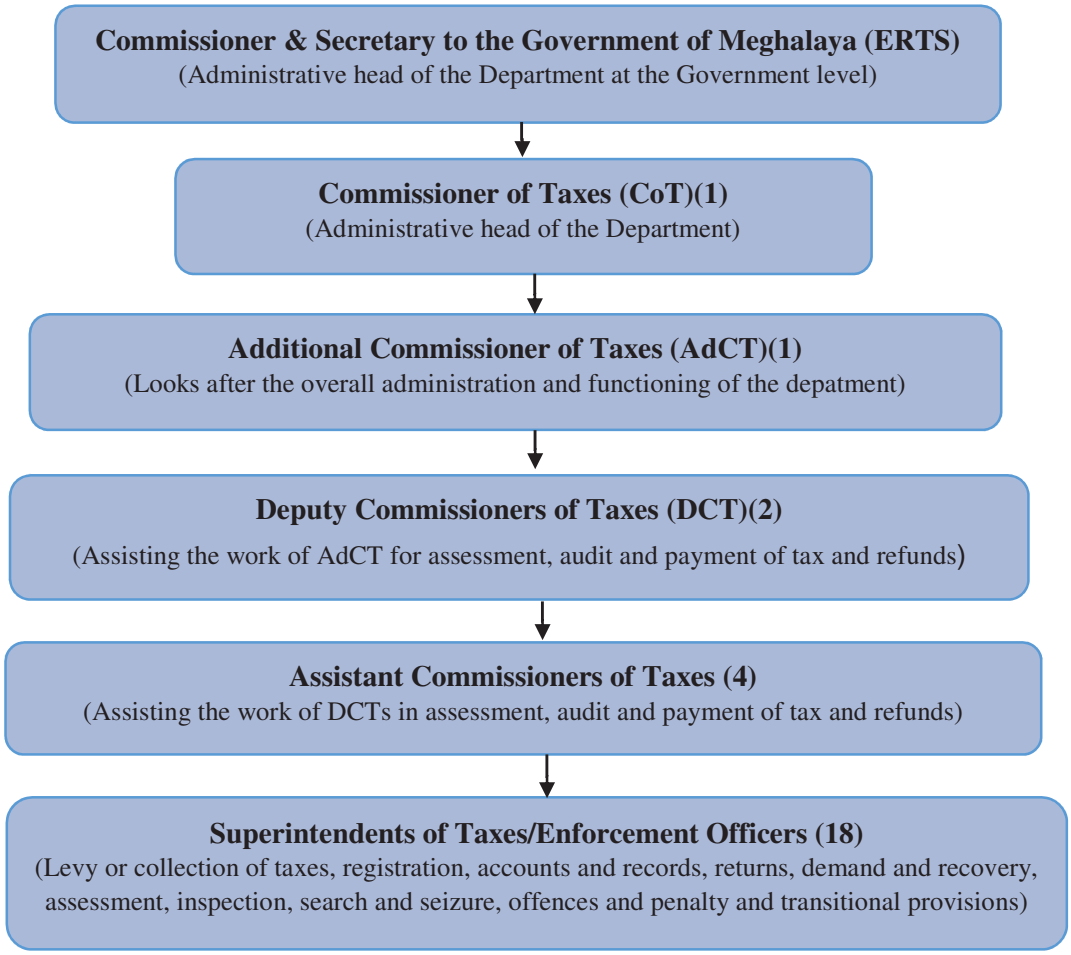
[7] 6,69,978 MT x ₹ 60 per MT = ₹ 4,01,98,680 (say ₹ 4.02 crore).

APPENDICES

Appendix–2.3.1

Organisational set-up of the Goods and Services Tax Department, Government of Meghalaya

(Reference: Paragraph 2.3.1)



Appendix–2.3.2

Statement containing 56 manual refund cases not produced to Audit by the Department

(Reference: Paragraph 2.3.6)

Sl. No.	Application Reference Number (ARN)	GSTIN	ARN Date	State Jurisdic-tion	Name	Category in which refund claimed	Amount of Refund claimed (₹)
1	AA170619001911A	17AABCA7375C2ZT	25-06-2019	ML008	Andhra Bank	ANYOTH	5129
2	AA170819000720C	17AAACH1766P1Z6	15-08-2019	ML008	Bharti Hexacom	ANYOTH	32271634
3	AA170819001313E	17AAECB9626Q1ZZ	26-08-2019	ML005	Bondada Engineering	EXBCL	6000
4	AA170819001314C	17AAECB9626Q1ZZ	26-08-2019	ML005	Bondada Engineering	XSPAY	37291
5	AA1701190000410	17BNEPP8158A1ZY	03-01-2019	ML006	C. Passah	EXBCL	1580
6	AA170819000558X	17ANGPP2327L1ZR	10-08-2019	ML008	Col Shishupal Security Consultancy & Services	EXBCL	372482
7	AA1707190022559	17AJKPD6135A1ZO	30-07-2019	ML008	Events and Outdoors Inc.	XSPAY	28828
8	AA1710180010230	17ANGPA7232F1ZD	27-10-2018	ML001	G.B. Enterprise	EXBCL	1675
9	AA170819000865W	17AODPK8282R1Z3	19-08-2019	ML005	Health Care Distributor	ANYOTH	51856
10	AA170419000630L	17AHDPC9234G1ZJ	18-04-2019	ML008	I.T. Plus	EXBCL	5614
11	AA1706190003569	17EYOPS8936R1ZV	06-06-2019	ML016	M/s Ahu Electrical	EXBCL	1530
12	AA170819000857T	17ACBPJ5778R1ZS	19-08-2019	ML012	M/s Annie Chems	INVITC	246627
13	AA170519000897V	17AHBPD1691E1ZR	17-05-2019	ML002	M/s Deys Garments	EXBCL	46000
14	AA170719000869Q	17CKFPS8523M1ZH	10-07-2019	ML016	M/s Emansing Sangma	EXBCL	5600
15	AA170219000235N	17BGBPS1372K1Z6	07-02-2019	ML007	M/s F. Syiem and Company	EXBCL	85234
16	AA170919000695V	17EOSPS1069K1Z3	16-09-2019	ML012	M/s Hopingstone Sumer	EXBCL	2400
17	AA1707190014556	17ACNPL0433F2ZS	18-07-2019	ML011	M/s Laloo Enterprise	EXBCL	47488
18	AA1703190262377	17AKCPD9233A1ZP	25-04-2019	ML007	M/s Lignum	ANYOTH	1348
19	AA1706190020977	17BODPS5148M1ZD	27-06-2019	ML008	M/s M.D. Sohkhlet	ANYOTH	1200
20	AA171118000646F	17AGEPY1759Q1ZF	21-11-2018	ML002	M/s M.S.N. Enterprise	EXBCL	325125
21	AA170819000180I	17AAECM3720E1ZU	03-08-2019	ML012	M/s Meghalaya Cast and Alloys Pvt. Ltd.	EXBCL	335000
22	AA170319000096H	17ANWPS8498M1ZE	04-03-2019	ML010	M/s Saha Traders	EXBCL	17073
23	AA170219000674D	17ABWPJ6890J1ZQ	17-02-2019	ML003	M/s Shyam Sundar Jalewa	EXBCL	65052
24	AA1705190008719	17CMTPM5666F1ZE	17-05-2019	ML014	M/s Spingshon Mawlieh	EXBCL	47600
25	AA1707170002779	17ARQPP6354H2Z6	15-03-2019	ML011	M/s Thadlaskein Oil Agency	XSPAY	22888
26	AA170619002145E	17ACKPD7607G3ZM	27-06-2019	ML016	M/s Tura Bonded Warehouse	EXBCL	3340
27	AA1708190008341	17BAFPM2224Q2ZE	19-08-2019	ML008	M/s Wanalin Marwein	EXBCL	27400
28	AA170419000105O	17AASPW7858C1ZW	03-04-2019	ML008	M/s Weskin Enterprise	EXBCL	7700
29	AA170419001063N	17CRFPB3344C1ZC	26-04-2019	ML003	M/S ZBL Enterprise	EXBCL	4000
30	AA170419000125M	17CWYPS8295K1Z1	03-04-2019	ML016	Madan Saha	EXBCL	36000

Sl. No.	Application Reference Number (ARN)	GSTIN	ARN Date	State Jurisdic-tion	Name	Category in which refund claimed	Amount of Refund claimed (₹)
31	AA170519000426C	17AABAM4195Q1ZX	09-05-2019	ML008	Meghalaya Rural Bank	EXBCL	3919226
32	AA1705190015277	17AAFAP5278F1ZB	27-05-2019	ML010	NA	EXBCL	904144
33	AA171118000612Q	17AABCP9823A1ZM	20-11-2018	ML011	NA	EXBCL	2425
34	AA170219000127M	17AOAPP1800P2ZU	05-02-2019	ML011	Obiwel Pohtam	EXBCL	200000
35	AA1705190008628	17AABCO1501G3ZY	17-05-2019	ML011	OML Entertainment Private Limited	EXBCL	350304
36	AA170319000625E	17AHTPS0476L3ZG	15-03-2019	ML003	Payal Cinema	EXBCL	12872
37	AA170519000090P	17AGDPS1726J2Z8	02-05-2019	ML003	Payal Tourist Hotel	EXBCL	7700
38	AA170519000078B	17AOCPY7890N1ZU	02-05-2019	ML003	Ranjit Kumar Yadav	EXBCL	2602
39	AA171218000125R	17AQYPD8247Q1ZQ	05-12-2018	ML015	Ranjita Electronic	EXBCL	1990
40	AA171217000619C	17ABYPJ1841P1ZV	11-02-2019	ML002	Remi Drug Agency	XSPAY	69830
41	AA1710180010206	17AAEFR3067N1ZS	27-10-2018	ML012	Royko Traders	EXBCL	1953
42	AA170719001057A	17ABLFS4701Q1ZL	12-07-2019	ML002	Selections	XSPAY	3114
43	AA170719000996R	17KNAPS6254M1Z8	11-07-2019	ML015	Shri Leki Syih	EXBCL	11622
44	AA170819000062I	17BZNPD4885R1ZC	01-08-2019	ML011	Shri Nisanki Dkhar	EXBCL	30000
45	AA170919000121K	17ANFPN2307P1ZQ	03-09-2019	ML003	Shri Earning Star Niangmih	EXBCL	4280
46	AA170119000800Q	17BYZPD0410M1Z7	22-01-2019	ML015	Shri Jop Dkhar	EXBCL	25182
47	AA170519000979R	17CFOPD4384K1ZZ	19-05-2019	ML011	Shri.Plos Dkhar	EXBCL	1820
48	AA1708190016253	17DUJPP5054D2ZH	30-08-2019	ML011	Thywillbedone Phawa	EXBCL	27920
49	AA171018018035M	17ANMPH4091F1ZX	24-11-2018	ML011	Smti. Biloda Hinge	ANYOTH	22800
50	AA1701190001301	17APDPN1581P1ZE	05-01-2019	ML005	T N Enterprise	EXBCL	10000
51	AA170919000302G	17DUJPP5054D1ZI	06-09-2019	ML011	Thywillbedone Phawa	EXBCL	27920
52	AA171018001092V	17JIPPS6281H1ZC	29-10-2018	ML008	Treilang Shabong	EXBCL	2960
53	AA170318027819U	17BMTPD2981H1ZO	08-03-2019	ML003	Vicky Diengdoh	ANYOTH	17096
54	AA1708190008143	17AAACS4457Q1ZR	17-08-2019	ML008	Vodafone Mobile Services Limited	XSPAY	7043248
55	AA170819001233E	17AAACS4457Q1ZR	23-08-2019	ML008	Vodafone Mobile Services Limited	ANYOTH	2531908
56	AA170419000080S	17BJZPP9641R1ZO	02-04-2019	ML011	Wela Phawa	EXBCL	5220
Total							**49348830**

References

ARN- Application Reference Number.

GSTIN- Goods & Services Taxpayer Identification number.

State Jurisdiction - Circle under which jurisdiction the dealer falls.

Name - Name of the claimant.

ANYOTH – Refund claimed in any other category.

EXCBL – Refund claimed due to excess balance in Cash Ledger.

XSPAY – Refund claimed due to excess payment of tax.

INVITC – Refund on account of ITC accumulated due to Inverted Tax Structure.

Appendix–2.3.3 (A)

Statement showing 13 manual cases resulting in interest liability to the Department

{Reference: Paragraph 2.3.8.2(c)}

Sl. No.	Name of Circle	Name of the Assessee	GSTIN No.	ARN No.	Date of filing Refund Application in case of manual filing	Date of order in Form GST RFD-06	Refund amount claimed (₹)					Refund amount sanctioned (₹)	Date of Actual Credit		Period of delay in days		Interest due not paid (₹)
							IGST	CGST	SGST	Cess	Total		Central Tax	State Tax	Central Tax	State Tax	
1.	ML015	Roybok Lyngdoh	17AEUPL0345P2ZT	AA170719002172F	29-07-2019	17-12-2020	0	0	0	61644	61644	61644	17-12-2020	-	447	0	4530
2.	ML011	OML Entertainment Private Limited	17AABCO1501G1Z0	AA1705190007365	15-05-2019	17-02-2020	0	250000	250000	0	500000	500000	27-10-2020	16-11-2020	471	491	39534
3.	ML006	M/s Reliance Jio Infocomm Ltd.	17AABCI6363G1ZK	AA170318027894W	13-03-2019	29-09-2019	3372	0	0	0	3372	3372	01-11-2019	-	173	0	96
4.	ML008	M/s Bharti Airtel Limited	17AAACB2894G1ZO	AA170419001042R	25-04-2019	26-09-2019	431938	0	0	0	431938	431938	01-11-2019	-	130	0	9230
5.	ML012	M/s Anabond Limited	17AACCA4158Q1Z9	AA1707180225460	10-11-2018	18-03-2019	1810674	129162	172394	0	2112230	2112230	22-03-2019	28-06-2019	72	170	27777
6.	ML009	M/s B.K. Marak	17BDBPM5291A1ZT	AA1709190005171	12-09-2019	18-11-2019	0	62440	62440	0	124880	124880	18-11-2019	20-03-2020	7	130	1406
7.	ML012	M/s Godrej Consumer Product Ltd.	17AABCG3365J1ZJ	AA170719001253E	16-07-2019	22-11-2019	0	3751992	5154	0	3757146	3757146	15-02-2020	19-03-2020	154	187	95140
8.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA1701180000511	02-01-2019	21-06-2019	17450	0	0	0	17450	17450	02-07-2019	-	121	0	347
9.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA1702180197461	08-04-2019	21-06-2019	134092	0	0	0	134092	134092	07-09-2019	-	92	0	2028
10.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA17071700001GL	24-12-2018	21-06-2019	35963	6870	0	0	42833	42833	02-07-2019	-	130	0	915
11.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA170817000026L	27-12-2018	21-06-2019	317399	0	0	0	317399	317399	02-07-2019	-	127	0	6626
12.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA1709170000498	27-12-2018	21-06-2019	701006	0	0	0	701006	701006	15-02-2020	-	355	0	40908
13.	ML012	North East Powerline Industries	17AADFN7524M1ZX	AA171017000037U	29-12-2018	21-06-2019	458884	0	0	0	458884	458884	02-07-2019	-	125	0	9429
												8662874					**237966**

Note: The date of actual credit is as per reply received from Treasury Officer (SGST), PAO Central GST Commissionerate and forwarding of refund cases from COT, Shillong to Central GST.

Appendix–2.3.3 (B)

Statement showing 27 online cases resulting in interest liability to the Department

{Reference: Paragraph 2.3.8.2(c)}

Sl. No.	Name of Circle	Name of the Assessee	GSTN No.	ARN No. & Date	Date of issue of acknowledgement for GST-RFD-02	Date of order in Form GST RFD-06	Refund amount claimed (₹)	Refund amount sanctioned (₹)	Actual date of credit a/c to PFMS	Period of delay in days	Interest due not paid (₹)
1.	ML001	Sribas Shukabaidya	17CUAPS2110K1ZR	AA1701200007124 dt. 22-01-2020	22-01-2020	02-06-2020	3000	3000	05-06-2020	75	37
2.	ML001	Suren Chyne	17AIBPC5026H1ZQ	AA171019000068L dt. 03-10-2019	03-10-2019	17-02-2020	4500	4500	21-02-2020	81	60
3.	ML002	Hanumanbux Umadutt	17ABYPJ1862E2ZC	AA1702200012832 dt. 24-02-2020	24-02-2020	16-07-2020	203453	203453	21-07-2020	88	2943
4.	ML002	Pribee Technology	17AHSPB7442C2ZE	AA171119000610S dt. 20-11-2019	20-11-2019	27-02-2020	130000	130000	03-03-2020	44	940
5.	ML003	M/s W.K. Marbaniang	17AMVPM0127B1Z8	AA171119000924D dt. --	28-11-2019	05-02-2020	2600	2600	20-02-2020	24	10
6.	ML005	G.D. Hardware	17AFDPJ9530L1Z6	AA1701200008570 dt. 24-01-2020	24-01-2020	19-05-2020	188293	188293	22-05-2020	59	1826
7.	ML005	GTL Infrastructure	17AACCG2107K1ZU	AA1705200002324 dt. 17-05-2020	17-05-2020	16-07-2020	77526	77526	21-07-2020	5	64
8.	ML006	Reliance Jio Infocomm Ltd.	17AABCI6363G1ZK	AA171019000204V dt. 09-10-2019	09-10-2019	31-07-2020	2054	2054	05-08-2020	241	81
9.	ML006	C. Kharmalki	17APTPS7805M1ZW	AA1710190010006 dt. 28-10-2019	28-10-2019	13-03-2020	255248	255248	19-03-2020	83	3483
10.	ML006	Philossopher Iawphniaw	17AAFPI8242M3ZC	AA171119000122X dt. 05-11-2019	05-11-2019	09-07-2020	1547300	1547300	15-07-2020	193	49090
11.	ML007	Spectrum	17AOHPD8942T1Z0	AA170320000826P dt. 24-03-2020	24-03-2020	05-06-2020	17127	17127	11-06-2020	19	53
12.	ML008	Shubham Enterprises	17ATYPS6094D1ZV	AA1701200002653 dt. 11-01-2020	11-01-2020	16-07-2020	307932	307932	21-07-2020	132	6682
13.	ML008	Bankyrshan Kshiar	17CVEPK8784N1ZN	AA170220001484W dt. 28-02-2020	28-02-2020	09-07-2020	800000	800000	15-07-2020	78	10258
14.	ML010	P.K. & Co. S.W. Marwein	17AAFAP5278F1ZB	AA170120000011K dt. 02-01-2020	02-01-2020	15-05-2020	2774806	2774806	20-05-2020	79	36034
15.	ML010	P.K. & Co. S.W. Marwein	17AAFAP5278F1ZB	AA170120000539S dt. 20-01-2020	20-01-2020	15-05-2020	515165	515165	20-05-2020	61	5166
16.	ML010	Smath Duha	17ATIPD9833B2ZS	AA170120000864T dt. 24-01-2020	24-01-2020	01-06-2020	2800	2800	04-06-2020	72	33
17.	ML010	P.K. & Co. S.W. Marwein	17AAFAP5278F1ZB	AA170220000885N dt. 13-02-2020	13-02-2020	15-05-2020	477769	477769	20-05-2020	37	2906
18.	ML010	M/s Daniel Nengminja Sangma	17EKEPS4895D2ZN	AA1702200010183 dt. 17-02-2020	17-02-2020	09-07-2020	47930	47930	15-07-2020	89	701
19.	ML010	M/s Saha Traders	17CHUPS5082B1ZW	AA171219000298A dt. 11-12-2019	11-12-2019	31-07-2020	67186	67186	05-08-2020	178	1966
20.	ML011	Aron Myrchiang	17EODPM1171K1ZT	AA170120000232C dt. 10-01-2020	10-01-2020	20-03-2020	280000	280000	27-03-2020	17	782
21.	ML011	Iaidribha Dkhar	17ARSPD7520P1Z6	AA1702200013715 dt. 26-02-2020	26-02-2020	02-06-2020	61600	61600	05-06-2020	40	405
22.	ML012	M/s Uranus Stone Products & Co.	17AAEFU9170D2Z1	AA170120000837Q dt. 24-01-2020	24-01-2020	05-06-2020	1758	1758	11-06-2020	79	23
23.	ML012	Synranlang Pamshong	17CJHPP1958A1Z8	AA170220001150D dt. 20-02-2020	20-02-2020	02-06-2020	11758	11758	05-06-2020	46	89
24.	ML015	Smt. Hiar Suiam	17FCEPS5103P1Z4	AA1704200000817 dt. 19-04-2020	19-04-2020	10-07-2020	114954	114954	15-07-2020	27	510
25.	ML016	M/s Sunny D. Shira	17IQLPS7387R1Z7	AA1702200010159 dt. 17-02-2020	17-02-2020	09-07-2020	339734	339734	15-07-2020	89	4970
26.	ML016	M/s Sunny D. Shira	17IQLPS7387R1Z7	AA1702200010167 dt. 17-02-2020	17-02-2020	02-06-2020	51458	51458	05-06-2020	49	414
27.	ML016	Partho S. Saha	17BBCPS4261F1ZO	AA170320000666P dt. 19-03-2020	19-03-2020	10-07-2020	4900	4900	15-07-2020	58	47
.							**8290851**	**8290851**			**129573**

Appendix–2.4.1

Statement showing delay in issue of demand notice to tax defaulters by AOs

(Reference: Paragraph 2.4.4.2)

(₹ in lakh)

Sl. No.	Name of Circle	No. of cases	Amount	Delay period (in days)
1.	ST Circle -I	9	9.92	100-560
2.	ST Circle -II	3	33.32	147-365
3.	ST Circle -III	12	540.76	36-341
4.	ST Circle -V	1	1.97	34
5.	ST Circle -VI	4	19.14	43-643
6.	ST Circle -VII	3	70.82	25-63
7.	ST Circle -XIII	2	6.80	217-366
	Total	**34**	**682.73**	

Appendix–2.4.2

Statement showing non follow up action against tax defaulters in the selected circles

(Reference: Paragraph 2.4.4.2)

Sl. No.	Circle	No. of cases	Amount (₹ in lakh)	Period of delay
1.	ST Circle - I	12	11.14	215 to 803 days
2.	ST Circle - II	13	59.43	93 to 924 days
3.	ST Circle - III	23	546.15	70 to 4712 days
4.	ST Circle - V	19	12.03	384 to 516 days
5.	ST Circle - VI	14	26.57	195 to 757 days
6.	ST Circle - VII	14	280.46	250 to 984 days
7.	ST Circle - XIII	9	358.14	259 to 1505 days
	Total	**104**	**1293.92**	

Appendix–2.4.3

Statement showing non forwarding of long pending arrear to the Bakijai Officer

(Reference: Paragraph 2.4.4.2)

(₹ in lakh)

Sl. No.	Circle	No. of cases	Amount	Period of delay (in years)
1.	ST Circle - I	1	2.55	9 years
2.	ST Circle - II	2	0.32	7-8 years
3.	ST Circle - III	2	0.69	5 years
4.	ST Circle - V	2	6.74	5-6 years
5.	ST Circle - VI	1	4.30	5 years
6.	ST Circle - XIII	2	235.70	6-7 years
	Total	**10**	**250.30**	

Appendix–2.5.1

Statement showing short payment of Tax

(Reference: Paragraph 2.5)

(Amount in ₹)

Period	Turnover disclosed		Tax amount payable			Tax actually paid	Short payment of Tax
	MS	HSD	MS @ 22%	HSD @ 13.5%	Total tax payable [1]		
Mar-16	2024400	4274280	404880[2]	577028	890919	493870	397049
Jun-16	1462560	3615360	321763	488074	707636	743226	-35590
Sep-16	1442520	1870200	317354	252477	492225	549917	-57692
Dec-16	2894550	4157864	636801	561312	1036846	396540	640306
Mar-17	1916592	5374476	421650	725554	1004567	515373	489194
Jun-17	1219200	3897600	268224	526176	697116	721567	-24451
Sep-17	1806645	1682875	397462	227188	536473	572719	-36246
Dec-17	1260004	3413804	277201	460864	645926	645925	1
Mar-18	2594440	5848352	570777	789528	1186738	847650	339088
Jun-18	1384861	4675333	304669	631170	821942	821939	3
Sep-18	1464324	3725732	322151	502974	721351	680000	41351
Dec-18	1443599	4882751	317592	659171	557911	551909	6002
Mar-19	3173398	5177291	698148	698934	821814	814014	7800
Jun-19	1273723	2596868	280219	350577	369338	359615	9723
Sep-19	1872832	6622271	412023	894007	877903	635403	242500
Dec-19	2349192	7555176	516822	1019949	1348703	1208248	140455
Mar-20	1317018	5983899	289744	807826	968221	678300	289921
Total	**30899858**	**75354132**	**6757481**	**10172808**	**13685630**	**11236215**	**2449415**

[1] Tax plus surcharge and minus rebate.

[2] This figures relate to sale of MS during the quarter ending 31 March 2016, where the rate was 20%. Therefore, the tax on sale of MS against this figure is calculated @20%, since the revised rate of 22% was notified on 15 March 2016.

Appendix-2.6.1

Statement showing tax and interest payable by the dealers

(Reference: Paragraph 2.6)

(Amount in ₹)

Sl. No.	Name of dealer	Quarter ending	Closing stock value (₹)	VAT rate	Amount of VAT leviable	Period of delay		No. of days	Interest payable @2% per month
						From	To		
1.	M/s Mohan Trading, Shillong	March 2017	11891058	14.5%	1724203	1.7.2017	31.3.2020	1004	1154067
2.	M/s KBS Motors, Shillong	June 2014	32539456	14.5%	4718221	1.10.2014	31.3.2020	2008	6316125
	Total		**44430514**		**6442424**			**3012**	**7470192**

Appendix–3.3.1

Statement showing the utilisation of spirits and shortfall in production of IMFL below prescribed norms by Bottling Plants during the years 2015-16 to 2019-20

(Reference: Paragraph 3.3)

(Amount in ₹)

Name of the Bottling Plant	Total spirits utilised (in Bulk Litre)	Less by 1% wastage (0.50% for blending + 0.50% for racking)	Quantity of IMFL to be produced as per norms with utilisation of 3.90 Bulk Litres of spirit per case (in cases)	Quantity of IMFL declared produced by the Bottling Plants (in cases)	Shortfall in production of IMFL below norms (in cases)	Loss of excise duty (6* ₹ 810 per case)	Loss of VAT (6*₹ 716 per case)
1	2	3	4	5	6 (4-5)	7	8
M/s CMJ Breweries Pvt. Ltd. (Bottling Unit).	ENA: 21283594 MS: 339791 CAB: 622594 **Total: 22245979**	222459.79	5647056	5408126	238930	193533468	171074029
M/s North East Bottling Plant	ENA: 11099484 MS: 95964 CAB: 158936.6 **Total:11354384.6**	113543.85	2882267	2771668	110599	89585077	79188784
M/s Marwet Bottling Plant	ENA: 787578 MS: 17162 **Total: 804740**	8047.40	204280	196884	7396	5990885	5295646
M/s Oaken Gold Bottling Plant	ENA: 1200451 HBS[3]: 66595 Concentrate: 162378 **Total: 1429424**	14294.24	362854	340833	22021	17836836	15766882
Total:	**35834527.60**	**358345.28**	**9096457**	**8717511**	**378946**	**306946265**	**271325340**

Excise duty= ₹ 30,69,46,265
VAT = ₹ 27,13,25,340
Total= ₹ 57,82,71,605

[3] High Bouquet Spirit.

Appendix–4.3.1

Checkpoint wise details of offences and the amount of short collection of penalties/fines

(Reference: Paragraph 4.3)

Section	Nature of offence	Number of offences	Rate leviable	Rate levied	Rate difference	Total amount short collected
1. Ratacherra (w.e.f. 16.09.2019 to 07.10.2019)						
177	General offence	41	500	200 & 300	21x200 20x300	10200
179	Disobedience of order of authorities	47	2000	500	1500	70500
181	Driving without licence	38	5000	500	4500	171000
196	Driving without insurance	35	2000	1000	1000	105000
190 (2)	Violating air and noise pollution	212	10000	1000 & 2000	13x8000 199x9000	1895000
192 (A)	Vehicle without permit and violating permit conditions	11	10000	2000	8000	88000
	Total					**2339700**
2. 7th Mile (w.e.f. 16.09.2019 to 11.10.2019)						
177	General offence	4	500	300	200	800
179	Disobedience of order of authorities	67	2000	500	1500	100500
181	Driving without licence	49	5000	500	4500	220500
194 (1)	Overloading goods vehicle	1	20000 + 2000/extra tonne	2000 + 1000/extra tonne	18000+1000	19000
190 (2)	Violating air and noise pollution	129	10000	1000 & 2000	10x8000 119x9000	1150000
	Total					**1490800**
3. Amsarin (w.e.f. 16.09.2019 to 28.09.2019)						
177	General offence	27	500	100, 200 & 300	17x200 5x300 5x400	6900
179	Disobedience of order of authorities	38	2000	500	1500	57000
181	Driving without licence	21	5000	500	4500	94500
194 (1)	Overloading goods vehicle	2	20000 + 2000/extra tonne	2000 + 1000/extra tonne	18000 + 1000	38000
196	Driving without insurance	1	2000	1000	1000	1000
190 (2)	Violating air and noise pollution	13	10000	1000	9000	117000
192 (A)	Vehicle without permit and violating permit conditions	2	10000	2000	8000	16000
	Total					**330400**
4. Umtyr-A (w.e.f. 16.09.2019 to 08.10.2019)						
177	General offence	8	500	100,200 & 300	2x400 5x300 1x200	2500
179	Disobedience of order of authorities	9	2000	300 & 500	4x1700 5x1500	14300
181	Driving without licence	31	5000	500	4500	139500

Section	Nature of offence	Number of offences	Rate leviable	Rate levied	Rate difference	Total amount short collected
194 (1)	Overloading goods vehicle	19	20000 + 2000/extra tonne	2000 + 1000/extra tonne	18000+1000	361000
196	Driving without insurance	19	2000	1000	1000	19000
190 (2)	Violating air and noise pollution	51	10000	1000	9000	459000
192 (A)	Vehicle without permit and violating permit conditions	6	10000	2000	8000	48000
	Total					**1043300**
5. Byrnihat (w.e.f. 16.09.2019 to 23.09.2019)						
179	Disobedience of order of authorities	2	2000	500	1500	3000
181	Driving without licence	2	5000	500	4500	9000
190 (2)	Violating air and noise pollution	696	10000	1000	9000	6264000
192 (A)	Vehicle without permit and violating permit conditions	46	10000	2000	8000	368000
196	Driving without insurance	3	2000	1000	1000	3000
	Total					**6647000**
6. Majai (w.e.f. 16.09.2019 to 24.09.2019)						
190 (2)	Violating air and noise pollution	8	10000	1000	9000	72000
192 (A)	Vehicle without permit and violating permit conditions	38	10000	2000	8000	304000
194 (1)	Overloading goods vehicle	1	20000 + 2000/extra tonne	2000 + 1000/extra tonne	19000	19000
196	Driving without insurance	8	2000	1000	1000	8000
	Total					**403000**
7. lewsyiem (w.e.f. 16.09.2019 to 24.09.2019)						
177	General offence	36	500	100 & 300	1x400 35x200	7400
179	Disobedience of order of authorities	7	2000	500	1500	10500
192 (A)	Vehicle without permit and violating permit conditions	1	10000	2000	8000	8000
196	Driving without insurance	1	2000	1000	1000	1000
	Total					**26900**
Grand-Total						**1,22,81,100**

Glossary

Chapter I- General	
ACM	Audit Committee Meeting
ATN	Action Taken Note
EN	Explanatory Note
BE	Budget Estimate
CAG	Comptroller and Auditor General
GoI	Government of India
GoM	Government of Meghalaya
NRTP	Non-Resident Taxable Person
OIDAR	Online Information Database Access and Retrieval services
IR	Inspection Report
PAC	Public Accounts Committee
AG	Accountant General
SGST	State Goods and Service Tax
VAT	Value Added Tax
Chapter II- Taxation Department	
ACT	Assistant Commissioner of Taxes
AA	Appellate Authority
AO	Assessing Officer
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
COT	Commissioner of Taxes
DC	Deputy Commissioner
ERTS	Excise, Registration, Taxation and Stamps
GST	Goods and Services Tax
HSD	High Speed Diesel
ITC	Input Tax Credit
JCT	Joint Commissioner of Taxes
MGST	Meghalaya Goods and Services Tax
MVAT	Meghalaya Value Added Tax
MS	Motor Spirit
NIC	National Informatics Centre
PAO	Pay and Accounts Officer
SSCA	Subject-Specific Compliance Audit
ST	Superintendent of Taxes
SsT	Superintendents of Taxes
TRO	Tax Recovery Officer
VAT	Value Added Tax

Chapter III- State Excise Department	
ACE	Assistant Commissioner of Excise
CE	Commissioner of Excise
DCE	Deputy Commissioner of Excise
ENA	Extra Neutral Alcohol
IMFL	Indian Made Foreign Liquor
SE	Superintendent of Excise
Chapter IV- Transport Department	
CT	Commissioner of Transport
DTO	District Transport Officer
GoI	Government of India
GoM	Government of Meghalaya
MVAA	Motor Vehicle (Amendment) Act
Chapter V- Forest & Environment Department	
ADC	Autonomous District Council
CF	Conservator of Forests
Cu.m	Cubic meter
DFO	Divisional Forest Officer
DMF	District Mineral Foundation
LCS	Land Custom Station
MMMCR	Meghalaya Minor Minerals Concession Rules
MMMRF	Meghalaya Minor Mineral Reclamation Fund
MT	Metric Tonne
PCCF	Principal Chief Conservator of Forests
Chapter VI- Mining and Geology Department	
DMF	District Mineral Foundation
DMO	Divisional Mining Officer
DMR	Director of Mineral Resources
LCS	Land Customs Station
MCC	Mineral Cess Challans
MDMFR	Meghalaya District Mineral Foundation Fund Rules
MGD	Mining and Geology Department

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