

OVERVIEW



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The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2023 (Government of Meghalaya) contains five chapters including three Subject Specific Compliance Audit Paragraphs viz., (i) Implementation of Meghalaya Regulation of the Game of Arrow Shooting and the Sale of Teer Tickets Act, (ii) Department's Oversight on GST Payments and Returns Filing (Phase I), and (iii) Tax Deduction at Source (TDS) by Government Departments and Tax Collection at Source (TCS) by E-Commerce Operators, and three Audit Paragraphs relating to State Excise, Stamps & Registration, and Forests & Environment Departments. The major findings are highlighted in succeeding paragraphs.

Chapter-I: General

- During 2022-23, the revenues raised by the State Government (₹ 3,107.28 crore) was 21 *per cent* of the total revenue receipts (₹ 14,819.87 crore), which was higher than the revenue raised during 2021-22 (20 *per cent*). The balance 79 *per cent* of revenue receipts during 2022-23 was 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.

(Paragraph 1.1)

- Review of IRs issued up to 31 March 2023 disclosed that 2132 paragraphs involving money value of ₹ 8510.69 crore relating to 457 IRs remained outstanding for want of replies or due to incomplete or unacceptable replies furnished by various Government departments.

(Paragraph 1.7.1)

- Test check of the records of taxes on sale, trade, *etc.*, Stamps & Registration, State Excise, Forest Receipts, Motor Vehicles Tax and other Non-Tax Receipts conducted during the year 2022-23 revealed underassessments/short/non-levy/loss of revenue amounting to ₹ 1,577.17 crore which accounted for 50.76 *per cent* of the State's Own Resources in 70 cases. During the year 2022-23, the departments concerned accepted under assessments/short/non-levy/loss of revenue of ₹ 607.10 crore in 15 cases and recovered ₹ 0.82 crore.

(Paragraph 1.10)

Chapter-II: Taxation Department

Subject Specific Compliance Audit on 'Implementation of Meghalaya Regulation of the Game of Arrow Shooting and the Sale of Teer Tickets Act'

Meghalaya's unique lottery tradition, Teer (thoh team), is based on arrow shooting. Winners receive 80 times their betting amount. The Government of Meghalaya has

enacted the Meghalaya Regulation of the Game of Arrow Shooting and the Sale of Teer Tickets (MRGAS&STT) Act, 2018, and corresponding rules to regulate the game and ticket sales.

Audit examined the implementation of the MRGAS&STT Act, 2018, during the period from 01 July 2017 to 31 March 2022 and revealed several deficiencies in implementation of the Act as highlighted below.

- Inaction of the ERTS Department to levy compensation as penalty for delayed submission of applications for renewal of licences by 65 bookmakers and two organisers has resulted in non-levy of penalty amounting to ₹ 4.95 lakh.
- Joint Physical Verification (JPV) conducted revealed selling of teer tickets on the back page of the printed teer books by all test checked bookmakers. The Department acknowledged the issue but failed to rectify it, indicating poor monitoring against unauthorized teer ticket sales.
- During the period from March 2019 to March 2022, 1,375 teer books were issued to 101 bookmakers who do not have a valid licence. This not only violates the MRGAS&STT Act, 2018, but also indicates large scale prevalence of unauthorised bookmakers in the jurisdiction of the sampled SsT offices.
- Section 6(1) of the MRGAS&STT Act, 2018 (amended 2019) mandates teer counters to be at least 100m away from places of worship or educational institutions. In a JPV of 42 teer counters across six ST jurisdictions, 31 were found operating in prohibited areas.
- Audit observed 250 cases of illegal sale of teer tickets during inspection in the jurisdiction of the eight selected ST offices. No record was found to indicate action being initiated to levy penalty from unauthorised bookmakers which resulted in non-realisation of penalty amounting to ₹ 12.50 lakh.

(Paragraph 2.3)

Recommendations:

- (i) *The Department may ensure that only teer tickets as per the prescribed format should be sold by the bookmakers. The minimum sale price must be clearly displayed on the front of the ticket, with space provided to indicate the bet value. Additionally, tickets should include a QR code or barcode, to enhance the system's efficiency, promote transparency, and security, benefiting both operators and customers.*
- (ii) *The license renewal process for eligible bookmakers may be expedited, ensuring compliance to the Act. Responsibility may also be fixed on officers who issued teer books to unauthorised bookmakers.*
- (iii) *The operations of unauthorised organisers may be stopped by enforcement of applicable penal provisions of the MRGAS&STT Act, 2018 and responsibility*

may also be fixed on the responsible officers who failed to stop illegal operation of teer organiser.

- (iv) The Department should ensure to relocate all counters operating within 100 meters of nearest educational institutions and places of worship.*
- (v) The penal provisions for violation of the prescribed rules by the bookmakers and organisers may be enforced as per Act/Rules. Responsibility may also be fixed on officers who failed to levy penalty on bookmakers/organisers who violated the provisions of the Act/Rules.*

Subject Specific Compliance Audit on ‘Department’s Oversight on GST Payments and Returns Filing (Phase I)’

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags in GST payments and returns filing pertaining to the period July 2017 to March 2018, while the audit of the functions of selected Circles covered the period from July 2017 to March 2021. The audit findings are categorised into the following three categories, viz., oversight functions of Circle offices, Centralised Audit and Detailed Audit. Some key findings are highlighted in the succeeding paragraphs.

- In Circle Audit, a review of five Circles disclosed that no action was taken by some Circle Officers to pursue recovery of dues against non-filers and no follow-up for issue of ASMT-13 was observed. Also, internal audit mechanism was found inadequate. There were some deficiencies noticed related to cancellation of registrations i.e. delay in issue of cancellation orders, inadequate follow-up on non-filing of GSTR-10, etc.
- In centralised audit, out of the 177 data inconsistencies identified by Audit, the Department’s replies were received in 156 cases. Upon analysing the responses of the Department, compliance deviations were observed in 60 cases involving amount of ₹ 32.62 crore, out of which ₹ 12.86 crore were recovered in seven cases. A relatively higher rate of deficiencies was noticed in ITC mismatch, excess RCM ITC availed, mismatch in tax paid between books of accounts and returns and short payment of tax. While data entry errors caused the inconsistencies in 17 cases, action was taken before query in 23 cases and in 36 cases, valid explanations were provided.
- Detailed audit of GST returns revealed some non-compliance issues and in six cases, the taxpayers’ granular records were not forthcoming, which constituted a scope limitation. Out of the 20 cases that were audited either fully or partially, Audit observed compliance deficiencies such as non-payment of interest and mismatches relating to ITC and tax liability involving amount of ₹ 19.99 crore, out of which recovery of ₹ 0.18 crore was made. The main causative factors were

non-payment of interest, irregular availment of ISD credit and unreconciled ITC/ tax payment.

(Paragraph 2.4)

Recommendations:

- (i) The Department should take necessary steps to speed up the process of scrutiny of returns under Section 61 of the Act before time barring of cases. Moreover, period within which scrutiny of returns is to be initiated and completed should explicitly be indicated in the Department's GST Returns Scrutiny Manual.*
- (ii) Prompt action may be initiated by the Department to undertake the audits under Section 65 of the Act before time-barring of cases.*
- (iii) Taxation Department may strengthen the internal monitoring mechanism in Circle offices and ensure that due diligence is followed for filing of cancellation, issue of Show Cause Notices and recovery.*
- (iv) Department may examine the 21 mismatches/inconsistencies pointed out by Audit, for which responses have not been provided and intimate the results there-of.*
- (v) The State Taxation Department may take up the matter with the GST Council to insert adequate validation controls in GST Returns/portal to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.*
- (vi) Taxation Department may initiate remedial action for all the compliance deviations brought out in this report before they get time barred.*

Subject Specific Compliance Audit on 'Tax Deduction at Source (TDS) by Government Departments and Tax Collection at Source (TCS) by E-Commerce Operators'

The SSCA on Tax Deduction at Source (TDS) by Government Departments and Tax Collection at Source (TCS) by E-Commerce Operators, Meghalaya, Shillong was conducted for the period covering 01 July 2017 to 31 March 2021.

During the course of the SSCA various deficiencies have been noticed, revealing inadequacies in the implementation of the Act within the State. Some major audit findings are highlighted in the succeeding paragraphs.

- DDOs and ECOs obligated to be registered under GST, either failed to comply with the statutory registration requirements or registered post the prescribed deadline. Only 35 per cent of the DDOs were found registered under GST. As a result, the objective of encompassing all taxable transactions conducted by government departments and e-commerce operators within the purview of GST was not achieved. Thus, due to non-registration/delay in registration and non-deduction/collection of tax, penalty of ₹ 10.44 lakh was leviable. Out of which, recovery of ₹ 1.97 lakh was made at the instance of Audit.

- Instances of non-adherence to Govt. instructions during bill preparation and GSTIN not mentioned on non-deduction of TDS declaration forwarded by DDOs were also noticed.
- With respect to deductees/suppliers, many discrepancies were noticed like cross-verification of the declarations on non-deduction of TDS by suppliers with GST returns of five contractors/suppliers, revealed that no tax was paid by the contractors/suppliers. Hence, GST of ₹ 11.74 lakh along with interest of ₹ 12.49 lakh is recoverable on the undeclared turnover.
- Cross verification of GSTR-1 filed by the deductees/suppliers with GSTR-7 filed by the DDOs revealed that the deductees/suppliers did not declare supplies made to the DDOs in GSTR-1. This omission risks turnover suppression. As a result, GST amount of ₹ 472.31 lakh along with interest of ₹ 321.15 lakh on undeclared turnover is recoverable from the taxpayers.

(Paragraph 2.5)

Recommendations:

- (i) *The Department should take steps to get all the unregistered DDOs registered under GST.*
- (ii) *The Department should take steps to recover penalty from DDOs/ECOs for taking delayed registration under GST and for non-deduction/collection of tax.*
- (iii) *The Department should take steps to recover the GST amount along with penalty and interest from the suppliers by leveraging data/information available.*

Chapter-III: State Excise Department

Failure of the Superintendent of Excise, Tura to recover the excise duty as per the applicable rates, in contravention to Government of Meghalaya's notifications, has led to short payment of Excise Duty by three Bonded Warehouses amounting to ₹ 14.58 crore which remains recoverable.

(Paragraph 3.3)

Recommendation: *To address failure in excise duty collection and prevent revenue losses, it is recommended to conduct thorough investigations into the lapses, and enforce strict compliance with government notifications in application of excise duty rates.*

Chapter-IV: Stamps & Registration Department

Irregularities in registration of mining leases by the District Registrar, Tura resulted in evasion of stamp duty and registration fee to the tune of ₹ 0.34 crore.

(Paragraph 4.3)

Recommendation: *Stamp and Registration Department and Forests & Environment Department should obtain complete information on mining leases from all the Division Forests Officers in the State and enforce registration of all non-registered lease deeds to minimise loss of revenue.*

Chapter-V: Forests & Environment Department

Lack of coordination between the Forest Department and the Mining and Geology Department resulted in non-collection of Cess amounting to ₹ 1.18 crore.

(Paragraph 5.3)

Recommendation: *Steps should be taken to establish effective communication channels and collaboration mechanisms between the two departments. Implementing a streamlined process for sharing information and coordinating activities will facilitate timely collection of Cess, ensuring revenue is properly accounted for and minimising potential losses to the State Government.*