

CHAPTER VI : REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

Total receipts of the Government of Meghalaya for the year 2001-2002 were Rs.1123.38 crore. The position of revenue raised by the State Government and State's share of divisible Union taxes and grants-in-aid received from Government of India during the year and preceding two years is given below:-

Table 6.1

Sl. No.	Particulars	1999-	2000-	2001-
		2000	2001	2002
		(Rupees in crore)		
I.	Revenue raised by the State Government –			
	(a) Tax Revenue	102.99	118.62	135.98
	(b) Non-Tax Revenue	83.86	86.66	94.09
	Total : I	186.85	205.28	230.07
II.	Receipts from Government of India -			
	(a) State's share of divisible Union taxes	341.76	164.20	164.83
	(b) Grants-in-aid	415.04	762.68	728.48
	Total : II	756.80	926.88	893.31
III.	Total receipts of the State Government - I + II	943.65	1132.16	1123.38

6.2 Tax revenue raised by the State

6.2.1 Receipts from tax revenue constituted 59 *per cent* of the State's own revenue receipts during the year 2001-2002. Details of tax revenue for the year 2001-2002 and the preceding two years are given below:-

Table 6.2

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002		Percentage of Increase (+)/ Decrease (-) of receipts of 2001-2002 over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
				(Rupees in lakh)			
1.	Sales Tax	5352.35	6470.84	7280.00	8088.53	(+) 25	(+) 11
2.	State Excise	3951.25	4108.67	5380.00	4169.09	(+) 1	(-) 23
3.	Taxes on Goods and Passenger	139.74	141.91	332.00	160.94	(+) 13	(-)52
4.	Other Taxes and Duties on Commodities and Services	151.76	179.15	198.00	199.89	(+) 12	(+) 0.95
5.	Taxes on Vehicles	379.24	466.29	470.00	472.12	(+) 1	(+) 0.45
6.	Stamps and Registration fees	265.90	300.94	293.00	349.33	(+) 16	(+)19
7.	Other Taxes on Income and Expenditure	39.27	38.09	48.00	89.38	(+)135	(+) 86
8.	Land Revenue	17.21	110.03	19.00	66.97	(-)39	(+) 252
9.	Taxes and Duties on Electricity	1.78	46.29	25.00	1.21	(-) 97	(-) 95
		10298.50	11862.21	14045.00	13597.46	(+) 15	(-) 3

6.2.2 Reasons for variation in receipts (actuals) during 2001-2002 over those of 2000-2001 and with reference to budget estimates under all the above heads of revenue had not been furnished (November 2002).

6.3 Non-tax revenue of the State

6.3.1 Non-ferrous mining and metallurgical industries, forestry and wildlife, interest, public works and other administrative services were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue constituted 41 *per cent* of the State's own revenue receipts during 2001-2002. Details of non-tax revenue under the principal heads for the year 2001-2002 and the preceding two years are given below:-

Table 6.3

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002		Percentage of Increase (+)/ Decrease (-) of receipts of 2001-2002 over	
				Budget estimate	Actual receipts	Receipts of 2000-2001	Budget estimate of 2001-2002
				(Rupees in lakh)			
1.	Miscellaneous General Services	110.47	114.96	530.00	56.54	(-) 51	(-) 89
2.	Non-ferrous Mining and Metallurgical Industries	4975.48	5022.47	6800.00	6335.65	(+) 26	(-) 7
3.	Forestry and Wild life	616.59	544.46	670.00	782.33	(+) 44	(+) 17
4.	Co-operation	78.56	1.68	16.00	45.67	(+) 2618	(+) 185
5.	Interest	837.91	925.80	580.00	526.01	(-) 43	(-) 9
6.	Dividends and Profits	59.84	0.55	...	11.45	(+) 1982	...
7.	Public Works	356.65	361.73	382.00	415.94	(+) 15	(+) 9
8.	Other Agricultural Programme	90.22	42.03	100.00	32.01	(-) 24	(-) 68
9.	Police	107.97	188.56	270.00	140.55	(-) 25	(-) 48
10.	Crop Husbandry	189.73	232.71	236.00	170.83	(-) 27	(-) 28
11.	Animal Husbandry	128.83	109.95	135.00	103.89	(-) 6	(-) 23
12.	Other Administrative Services	522.92	109.91	240.00	410.83	(+) 274	(+) 71
13.	Other Rural Development Programme	4.53	1.28	10.00	0.87	(-) 32	(-) 91
14.	Other Industries	16.01	688.60	...	1.04	(-) 100	...
15.	Others	290.52	321.19	566.00	375.28	(+) 17	(-) 34
		8386.23	8665.88	10535.00	9408.89	(+) 9	(-) 11

6.3.2 Reasons for variations in receipts (actuals) during 2001-2002 over those of 2000-2001 and with reference to budget estimates under all the above heads of revenue had not been furnished (November 2002).

6.4 Revenue realisation vis-a-vis budgetary forecast

6.4.1 The trend of actual revenue raised by the State Government compared to budget estimates during the five years' period ending March 2002 is as under:-

Table 6.4

Year	Budget Estimates			Actuals			Increase (+)/ Decrease (-) and percentage of variation with reference to Budget Estimates		
	Tax revenue	Non-tax revenue	Total	Tax revenue	Non-tax revenue	Total	Tax revenue	Non-tax revenue	Total
	(Rupees in crore)								
1997-98	85.15	73.40	158.55	73.55	29.85	103.40	(-)11.60 (14)	(-) 43.55 (59)	(-) 55.15 (35)
1998-99	94.33	62.88	157.21	88.36	51.46	139.82	(-) 5.97 (6)	(-) 11.42 (18)	(-) 17.39 (11)
1999-2000	109.52	68.07	177.59	102.99	83.86	186.85	(-) 6.53 (6)	(+) 15.79 (23)	(+) 9.26 (5)
2000-2001	132.48	95.48	227.96	118.62	86.66	205.28	(-)13.86 (10)	(-) 8.82 (9)	(-) 22.68 (10)
2001-2002	140.45	105.35	245.80	135.98 ^(a)	94.09	230.07	(-) 4.47 (3)	(-) 11.26 (11)	(-) 15.73 (6)

6.4.2 The actual revenues raised by the State Government were less than the budget estimates during 4 years out of 5 years' period ending March 2002. The actual tax revenue fell short by 3 per cent while the overall shortfall under non-tax revenue during 2001-2002 was 11 per cent.

6.5 Follow up on Audit Report – Summarised position

6.5.1 With a view to ensuring accountability of the executive in respect of all the issues dealt in the various Audit Reports, the Public Accounts Committee (PAC) issued instructions (July 1993) for submission of *suo motu* replies by the concerned Departments from 1986-87 onwards. As regards submission of Action Taken Notes (ATN) on the recommendations of the PAC to the Assembly, the Committee specified the time frame as 6 weeks up to 32nd Report and 6 months in 33rd Report.

6.5.2 Review of outstanding ATNs as of 31 October 2002 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed as under:-

(i) The Departments of the State Government had not submitted *suo motu* explanatory notes on 98 paragraphs of Audit Reports for the years from 1992-93 to 2000-2001 in respect of revenue receipts, as detailed below:-

^(a) Rs.13597.46 lakh rounded to Rs.135.98 crore.

Table 6.5

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/ reviews included in the Audit Report (excluding standard paragraphs)		Number of paragraphs/reviews on which <i>suo motu</i> replies are awaited		Total
		Para-graphs	Reviews	Para-graphs	Reviews	
1992-93	16.9.1994	6	...	6	...	6
1993-94	08.9.1995	8	...	8	...	8
1994-95	29.9.1996	10	...	4	...	4
1995-96	07.4.1997	14	2	3	2	5
1996-97	12.6.1998	21	1	18	1	19
1997-98	09.4.1999	8	1	1	...	1
1998-99	12.4.2000	8	1	8	1	9
1999-2000	7.12.2001	23	2	23	2	25
2000-2001	1.4.2002	20	1	20	1	21
Total		118	8	91	7	98

(ii) The Departments failed to submit ATN on 29 paragraphs out of 30 paragraphs pertaining to revenue receipts for the years from 1982-83 to 1997-98 on which recommendations had been made by PAC in its 16th to 33rd Reports presented before the State Legislature between December 1988 and June 2000, as detailed below:-

Table 6.6

Year of Audit Report	Number of paragraphs on which recommendations were made by PAC but ATNs are awaited	Particulars of paragraphs	Number of PAC Report in which recommendations were made
1982-83	2	6.6 & 6.7	16 th
1984-85	9	6.4 to 6.11 6.12	26 th 19 th
1987-88	1	6.6	26 th
1988-89	1	6.9	20 th
1989-90	1	6.14	20 th
1990-91	11	6.5 to 6.14 6.15	26 th 20 th
1991-92	3	6.6 to 6.8	26 th 20 th
1997-98	1	6.5	33 rd
Total	29		

6.5.3 Thus, failure to comply with the instructions of the PAC by the respective departments, defeated the objective of ensuring accountability of the executive.

6.6 Response of the Departments to Draft Paragraphs

6.6.1 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.

6.6.2 Twenty-four draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 - Government of Meghalaya, were forwarded to the Secretaries of the respective departments during May – August 2002 demi officially.

6.6.3 The Secretaries of the departments did not send replies to 17 draft paragraphs in compliance to the request of Audit. As such these paragraphs have been included in this Report without the response of the Government/departments.

EXCISE DEPARTMENT

6.7 Non-realisation of excise duty due to erroneous exemption

Non-levy of excise duty on spirit imported by a manufacturer of India Made Foreign Liquor resulted in loss of Rs.53.34 lakh.

6.7.1 Under the Meghalaya Excise Act and Rules framed thereunder, excise duty is realisable at the rate of Rs.500 *per* case of India Made Rectified Spirit (IMRS) imported for use in the manufacture of India Made Foreign Liquor (IMFL) with effect from July 1998. However, Government exempted the levy of duty on IMRS from 14 January 2000.

6.7.2 A test check of records of the Commissioner of Excise, Meghalaya, Shillong revealed (April 2000) that a local manufacturer of IMFL imported 10,667 cases of IMRS during May to November 1999, for use in the manufacture of IMFL. Government exempted the levy of duty on IMRS from 14 January 2000. As the imports were made prior to the issue of exemption notifications, the duty becomes leviable and due. The non-levy and collection of the excise duty on their imports resulted in loss of excise duty of Rs.53.34 lakh.

6.7.3 The case was reported to the department/Government in May 2000; March 2001, July 2001 and May 2002; their reply has not been received (November 2002).

FOREST AND ENVIRONMENT DEPARTMENT

6.8 Short realisation of royalty due to application of incorrect rate

Incorrect application of rate resulted in short realisation of royalty of Rs.39.26 lakh attributable to system failure.

6.8.1 Under the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, the Government of Meghalaya, Forest and Environment Department, in their notification of 12 November 1998 revised the rate of

royalty on sand and stone from Rs.20 and Rs.40 *per cum* to Rs.30 and Rs.80 *per cum* respectively with effect from 12 November 1998.

6.8.2 Cross check of records of the Divisional Forest Officers (DFOs), Tura, Jowai and Shillong with those of concerned Divisions under Public Works Department (PWD) Shillong and Nongpoh disclosed that 606 contractors extracted and supplied 23,649.557 cum of sand and 92,223.912 cum of stone to seven user agencies between December 1998 and May 2001, but royalty of Rs.41.62 lakh was realised between December 1998 and June 2001 at pre-revised rates against Rs.80.88 lakh as due under the revised rates. This resulted in short realisation of royalty of Rs.39.26 lakh as detailed below:-

Table 6.7

Serial number	Name of user agency	Number of contractors	Quantity extracted/ supplied		Royalty payable. Sand @ Rs. 30 <i>per cum</i> , Stone @ Rs. 80 <i>per cum</i>	Royalty realised Sand @ Rs. 20 <i>per cum</i> , Stone @ Rs. 40 <i>per cum</i>	Royalty short realised
			Sand	Stone			
			(In cum)				
1.	Roads Division PWD, Williamnagar	115	9,595.50	10,994.09	11.68	6.32	5.36
2.	Public Health Engineering Division, Tura	18	1,378.899	5,390.245	4.73	2.43	2.30
3.	Irrigation Division, Jowai	21	2,324.21	7,407.56	6.62	3.43	3.19
4.	Roads Division, PWD, Jowai	109	729.445	14,917.00	12.15	6.11	6.04
5.	Central Division PWD, Roads, Shillong	148	3,229.89	12,204.44	10.73	5.53	5.20
6.	NH Bypass (PWD Road) Division, Shillong	93	...	21,036.883	16.83	8.41	8.42
7.	Shillong North (PWD Road) Division, Nongpoh	102	6,391.613	20,273.694	18.14	9.39	8.75
	Total	606	23,649.557	92,223.912	80.88	41.62	39.26

6.8.3 On these being pointed in audit, the Government of Meghalaya (Forest and Environment Department) while admitting the facts stated (October 2002) that the responsibility of realisation of royalty from the contractors having been vested with the PWD, the matter of short realisation of royalty in these cases was taken up with that Department. The report on recovery has not been received (November 2002).

MINING AND GEOLOGY DEPARTMENT

6.9 Loss of revenue due to delay in initiating action by the department

Realisation of 50 per cent royalty against 100 per cent royalty on coal led to the loss of revenue of Rs.7.25 crore.

6.9.1 Based on the Government of India (GOI), Ministry of Coal's Notification (January 1995) revising the rates of royalty on coal *per* metric tonne (MT), the Government of Meghalaya, Department of Mining and Geology notified the applicability of the revised rates of royalty on hand picked coal (Rs.150/MT) and run of mine coal (Rs.120/MT) within the State with effect from 15 January 1995.

6.9.2 In March 1995, the West Khasi Hills Coal Owners and Producers Association moved Shillong Bench of the Hon'ble Gauhati High Court (GHC) and obtained a "Stay Order" (10 March 1995) on the above Notification to the extent of payment of royalty at 50 *per cent* of the rate prescribed. However, following the Writ Appeal filed by the Government of Meghalaya against this Stay Order of 10 March 1995, the Hon'ble GHC stayed the Order (of 10 March 1995) in its interim Order passed on 20 June 1995 directing all concerned to deposit 100 *per cent* of the royalty. The case was finally closed consequent upon Hon'ble GHC's judgement (09 November 1998) directing the State Government to realise royalty on coal at the rates as prescribed by the GOI as the power of legislation on mines and minerals is under the exclusive jurisdiction of the Central Government.

6.9.3 Test check (July 1999, August 2000 and February 2002) of records of the Director of Mineral Resources, Meghalaya, Shillong revealed that royalty on run of mine coal was realised at Rs.120 *per* MT during 15 January to 14 March 1995. Thereafter, during 15 March to 20 June 1995 royalty of Rs.7.25 crore was realised at Rs.60/MT against Rs.120/MT for sale of 12,07,956 MT of run of mine coal to 237 coal traders/producers based on the Court's Order of 10 March 1995 leaving the balance (Rs.7.25 crore) yet to be realised.

6.9.4 On this being pointed out (July 1999, August 2000 and February 2002) in audit, the Department stated (February 2002) that no further amount was paid by any of these coal traders/producers for which demand notices were issued (February 2002) on them for payment of balance royalty. The reply was, however, silent as to the reason for delay over three years in initiating

action by the Government/Department since November 1998. Meanwhile, most of these coal traders/producers were reportedly not traceable. Thus, laxity on the part of the department to initiate any action to recover the balance royalty resulted in loss of revenue of Rs.7.25 crore.

6.9.5 The case was reported to the Government in February and May 2002; their reply has not been received (November 2002).

6.10 Non-levy of penalty on excess load of coal

Non-realisation of penalty (Rs.1.05 crore) on excess coal (3.49 lakh MT) despatched through mineral check gates.

6.10.1 The Director of Mineral Resources, Meghalaya, Shillong notified (September 1995) that if any coal trader fails to pay full royalty in advance on the quantity of coal transported in his carrier, penalty at the rates varying from 25 to 100 *per cent* on the royalty value of coal for which advance royalty was not paid, should be collected at the mineral check gate for first and subsequent offences in addition to the royalty on the quantity of coal on which advance royalty was not paid with effect from October 1995.

6.10.2 A test check (April and December 2001) of records of Umkiang and Mookyndur mineral check gates under the Divisional Mining Officer, Jowai revealed that based on weighment, 24.62 lakh MT of coal was transported through these check gates on payment of advance royalty of Rs.25.35 crore against Rs.29.54 crore payable during different periods between April 1999 and March 2001. Though the authorities of these check gates collected the balance royalty (Rs.4.19 crore) prior to despatch of the excess quantity of coal (3.49 lakh MT), they did not collect penalty leviable thereon in terms of above notification. This resulted in non-realisation of penalty of Rs.1.05 crore calculated at the minimum penalty leviable.

6.10.3 On this being pointed out (May 2001 and January 2002) in audit, the Director of Mineral Resources, Shillong in his reply (September 2001) on Umkiang check gate admitted that the coal traders should possess 'valid' coal transport challans in support of payment of advance of royalty on the quantity of coal actually transported, failing which such offenders are subjected to penalty, but remained silent on the non-imposition of penalty at the Umkiang check gate on the excess quantity of coal on which royalty was not paid in advance. Reply in respect of Mookyndur check gate is still awaited.

6.10.4 The cases were referred to Government in May 2001 and January and May 2002; reply has not been received (November 2002).

6.11 Short-realisation of Dead Rent, Interest and Penalty from Coal India Limited

Failure of the department to initiate action led to non-realisation of revenue of Rs.67.39 lakh in the shape of dead rent (Rs.18.82 lakh), interest (Rs.10.93 lakh) and penalty (Rs.37.64 lakh) from Coal India Limited in contravention of Rules and Lease Agreement.

6.11.1 As envisaged in Section 9A of Mines and Minerals (Development and Regulation) Act, 1957 the holder of the mining lease becomes liable to pay either royalty or the dead rent whichever is higher in respect of that area. Further, Rule 64 A of the Mineral Concession Rule, 1960 stipulates that all dead rent, royalties etc., if not paid to the Government within the time specified for such payment, the State Government may charge simple interest at the prescribed rates (up to 10 March 1991: 15 *per cent per annum*; from March 1991: 24 *per cent per annum*) on any rent, royalty or fee or other sum due from the sixtieth day of the expiry of the date fixed by it for payment of such royalty rent, fee or other sum and until payment of such royalty, rent, fee or other sum is made.

6.11.2 Test check (August 2000 and February 2002) of records of the Director of Mineral Resources, Shillong disclosed that the Government of Meghalaya executed a mining lease agreement with a lessee (Coal India Limited) for extraction of coal and fire clay from Nangwalbibra comprising an area of 25 Square Kilometre on 19 March 1988. However, the lessee did not extract coal and fire clay from the leased area for no recorded reason. The lessee is liable to pay the annual dead rent for the lands demised even in absence of extraction of minerals. Further, out of the annual dead rent of Rs.49.25 lakh payable from the second year, that is from 19 March 1989 to the half-yearly period ended 31 December 2001, the lessee belatedly paid the annual dead rent of Rs.30.43 lakh only between June 1994 and September 1999 covering half-yearly period up to 30 June 1999 only. The balance dead rent of Rs.18.82 lakh for the remaining period from 01 July 1999 till 31 December 2001 and for the period thereafter was not paid by the lessee. No action was initiated by the department for realisation of arrear rent till the date of audit (February 2002). Thus, for belated and non-payment of balance dead rent, (Rs.18.82 lakh), interest of Rs.10.93 lakh and maximum penalty of Rs.37.64 lakh was realisable but not realised.

6.11.3 The matter was reported to the Department/Government in September 2000 and March and May 2002; their replies have not been received (November 2002).

STAMPS AND REGISTRATION DEPARTMENT

6.12 Short realisation of stamp duty due to irregular exemption

Incorrect exemption from levy of stamp duty led to short realisation of stamp duty of Rs.2.36 lakh.

6.12.1 The Government of Meghalaya, Department of Registration and Stamps in their notification of July 1983 exempted 50 *per cent* of actual stamp duty payable in respect of all instruments of conveyance executed by or in favour of scheduled castes/tribes (SC/ST).

6.12.2 Test check of records of the District Registrar, Shillong revealed (April 2001) that a plot of land measuring 26,859 sq.ft. located at Upper New Colony, Laitumkhrah, Shillong was sold (June 1999) for Rs.43.47 lakh by persons of general category (not SC/ST) to an educational institution. The deed for transfer of ownership of the aforesaid land was registered (June 1999) on realisation of 50 *per cent* stamp duty of Rs.2.37 lakh against full stamp duty of Rs.4.73 lakh. This resulted in short realisation of stamp duty of Rs.2.36 lakh.

6.12.3 On this being pointed out (June 2001) in audit the State Government endorsed (September 2002) the reply of the District Registrar, Shillong stating *inter alia* (September 2001) that 50 *per cent* stamp duty in this case was exempted (May 1999) by the Government as the said college was for development of the tribal women folk in particular and other women in general. The reply is not tenable as this benefit of exemption in respect of all instruments of conveyance has been extended only to SC/ST community of the State and in the instant case, neither the seller, nor the purchaser belonged to SC/ST community.

TAXATION DEPARTMENT

6.13 Loss of Tax Revenue due to delay in completing assessment

Delay in completion of assessment in respect of seven registered dealers led to the evasion of tax of Rs.10.59 crore and penalty of Rs.3.86 crore.

6.13.1 Under Section 16 of the Meghalaya Sales Tax Act and Rules made thereunder, every registered dealer is required to submit prescribed return along with payment of admitted tax through treasury challan as *per* return within 30 days of the close of each six monthly period. If the dealer fails to submit such returns along with payment of admitted tax despite notices, the assessing officer shall complete the assessment on best judgement basis and direct that such dealer shall pay by way of penalty a sum not exceeding one and half times of the tax due. The provisions of the State Act apply *mutatis mutandis* in case of assessment/re-assessment under the Central Sales Tax Act, 1956.

6.13.2 Cross verification of records of Superintendent of Taxes, Byrnihat with those of the Taxation Check Gate, Boxirhat, Assam revealed (May 2001) that two registered dealers ‘A’ and ‘B’ sold ‘dried *supari*’ (betel nut) valued at Rs.25.74 crore (A: Rs.21.61 crore; B: Rs.4.13 crore) in course of inter-State trade or Commerce during the period from March 1999 to March 2000. The dealer ‘A’ was, however, found registered for dealing in limestone, coal, bamboos and GI Pole but not registered for dealing in dried *supari*. Both the dealers failed to submit their returns and to pay tax (‘A’ from October 1991 and ‘B’ from March 1999 onwards). The assessing Officer did not initiate any action to assess the dealers on best judgement basis for non-submission of returns and default in payment of tax. Thus, failure of the assessing officer to initiate timely action to assess the dealers on best judgement basis resulted in evasion of tax of Rs.2.57 crore (A: Rs.2.16 crore; B: Rs.41.34 lakh) besides, loss of maximum penalty of Rs.3.86 crore (A: Rs.3.24 crore; B: Rs.62.01 lakh).

6.13.3 Similarly in Purchase Tax Circle, Shillong cross check of records of Athiabari and Byrnihat Taxation check gates revealed (October 2000) that five registered dealers, in course of inter-State trade or commerce during April 1994 to September 1995 sold 13,374 truck loads of timber of different classes valued at Rs.13.37 crore involving tax effect of Rs.8.02 crore. These dealers did not file any returns along with payment of admitted tax nor did the

assessing officer initiate action to complete the assessments on best judgement basis to realise the tax.

6.13.4 On these being pointed out in audit, the Government in the former case stated (November 2002) that notices had been issued to the dealers for submission of returns and production of accounts and the case was under investigation. Further report of assessment and recovery of tax has not been received. In the latter case, the assessing officer while admitting the facts, assessed these dealers to tax in absentia during March and June 2001 and reported (February 2002) that these cases were referred to the Bakijai Officer for recovery of dues as the dealers were no longer in existence right from the time when trade in timber was banned (December 1996) by the Hon'ble Supreme Court. Further, the Government stated (November 2002) that the dealer could not file return or pay tax due to sudden ban on sale of timber. The reply is not tenable in view of the fact that the timber had been sold before the ban on sale of timber came into effect. Thus, failure of the assessing officer to complete the assessment on best judgement basis, when the dealers failed to furnish their six-monthly returns, resulted in loss of revenue of Rs.8.02 crore to the Government.

6.14 Evasion of tax due to concealment of turnover

A registered dealer concealed turnover of Rs.2.38 crore and evaded tax of Rs.9.51 lakh and penalty of Rs.14.27 lakh.

6.14.1 Under the Meghalaya Finance (Sales tax) Act, if the Commissioner of Taxes is satisfied that a dealer has concealed the particulars of his turnover or deliberately furnished inaccurate particulars of such turnover, he may direct that such a dealer shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half times the amount of tax due.

6.14.2 Cross check (August 2000) of records of the Sales Tax unit office (Circle-2) Shillong with Byrnihat Taxation check gate revealed that a registered dealer imported mild steel rod valued Rs.3.96 crore from outside the State for resale within Meghalaya during October 1997 to March 1999. But the dealer disclosed net turnover of Rs.1.58 crore in his returns for the aforesaid period and was assessed (April and August 1999) accordingly by the Assessing Officer (AO) although the dealer filed declarations of goods worth Rs.3.96 crore with the AO from time to time. Thus, the dealer concealed turnover of Rs.2.38 crore and evaded tax of Rs.9.51 lakh calculated at the prescribed rate of 4 per cent even within the knowledge of the AO. Further, penalty not exceeding Rs.14.27 lakh leviable for such willful concealment of sales was not levied.

6.14.3 On this being pointed out (November 2000 and May 2002) in audit the Government stated (November 2002) that the assessment was completed summarily (April 2002) as the dealer was untraceable and had stopped business since 1999. Further report of recovery of tax has not been received.

6.14.4 Thus, failure on the part of the AO to ensure proper assessment by verifying/linking all such declarations available with him (AO) *vis-à-vis* returns submitted by the dealer led to evasion of revenue of Rs.23.78 lakh, the chance of recovery of which is remote as the whereabouts of the dealer are reportedly not known.

6.15 Evasion of tax by unregistered dealers

Failure of the department to register three dealers led to evasion of tax of Rs.59.48 lakh.

6.15.1 Under the Central Sales Tax Act, 1956, no dealer liable to pay tax, shall carry on business unless he is registered and possesses a Certificate of registration. Further, sales made in the course of inter-State trade or commerce, if not supported by declarations in Form 'C', are leviable to tax at the rate of 10 *per cent* or the rate applicable for such goods inside the State whichever is higher. In Meghalaya, dry *supari* is taxable at the rate of 8 *per cent* at the point of last purchase within the State.

6.15.2 Cross check of records of the Superintendent of Taxes, Tura with those of Boxirhat check gate (Assam) revealed (June 2001) that 3 unregistered dealers sold dry *supari* valued at Rs.5.95 crore (A: Rs.4.57 crore; B: Rs.1.04 crore and C: Rs.33.56 lakh) in course of inter-State trade or commerce during the period from January 1999 to March 2000. Thus, failure of the assessing officer to get the dealers registered had resulted in evasion of tax of Rs.59.48 lakh (A: Rs.45.70 lakh, B: Rs.10.42 lakh and C: Rs.3.36 lakh) calculated at the rate of 10 *per cent*.

6.15.3 On this being pointed out (July 2001), in audit, the assessing officer stated (September 2001) that the question of evasion of tax did not arise as the dealers might have given false declaration to the extent that the goods were purchased from within Meghalaya. The reply was not tenable as the declarations furnished by the dealers at the check gate were duly verified by the officer in-charge of the Taxation check gate who duly furnished copies of such declarations to the concerned assessing officer as part of assessment procedure.

6.15.4 The case was reported to the Government in July 2001 and February and June 2002; their reply has not been received (November 2002).

6.16 Non-realisation of additional security due to failure in detecting excess load at check gate

Failure of the Officer in charge of the Taxation Check Gate to detect cases for carrying excess load led to non-levy of additional security of Rs.36.19 lakh.

6.16.1 The Commissioner of Taxes, Meghalaya, Shillong notified (September 2000) that coal traders carrying coal in excess of 15 metric tonnes (MT) *per* truck in course of inter-State trade or commerce shall pay at the check gate additional security for the excess weight carried at the rate of Rs.80 *per* MT with effect from 1 October 2000. This additional security was in addition to the security deposit, fixed (February 1999) at Rs.1,200 *per* truck carrying coal of 15 MT.

6.16.2 Cross verification (December 2001) of records of the Superintendent of Taxes, Jowai with the Divisional Mining Officer, Jowai revealed that 19,695 commercial trucks during 1 October 2000 – 31 October 2001 carried 45,243 MT of coal in excess for which additional security of Rs.36.19 lakh was leviable but was not levied and collected by the Officer-in-charge of the Umkiang check gate. This resulted in non-realisation of additional security of Rs.36.19 lakh.

6.16.3 On this being pointed out (December 2001) in audit, the assessing officer in reply (March 2002) stated 'no comments'. As the department has no specific reply, this tantamounts to acceptance of audit observations. However, the report of recovery of additional security from the defaulting coal dealers has not been received (November 2002).

6.16.4 The case was reported to the Government in December 2001 and June 2002; their reply has not been received (November 2002).

6.17 Evasion of tax due to concealment of turnover

A registered dealer concealed turnover of Rs.22.47 lakh and evaded tax of Rs.5.62 lakh.

6.17.1 Under the Sales Tax Laws of Meghalaya, if a dealer conceals the particulars of turnover or deliberately furnishes inaccurate particulars in his return, he shall be liable to pay penalty in addition to tax payable by him, a sum not exceeding one and a half times the tax due. The provisions of the

State Act, apply *mutatis mutandis* in case of assessment/re-assessment under the Central Sales Tax Act, 1956.

6.17.2 Cross check (September 2000) of records of the Director of Mineral Resources, Meghalaya, Shillong revealed that a registered dealer sold 41,400 metric tonnes of lime stones valued at Rs.33.12 lakh, in course of inter-State trade and commerce during April 1997 to March 2000. But the said dealer disclosed inter-State Sales turnover of Rs.10.65 lakh during the aforesaid period and the dealer was assessed (January and August 2000) accordingly. Thus, the dealer concealed turnover of Rs.22.47 lakh and evaded tax of Rs.5.62 lakh, besides, maximum penalty of Rs.8.43 lakh.

6.17.3 On this being pointed out (November 2000) in audit, the Department stated (October 2002) that the dealer was re-assessed to additional tax of Rs.1.73 lakh and the balance tax of Rs.3.89 lakh was not levied as the dealer had exported 6,950 MT of Limestone to Bangladesh which was exempted from payment of tax. The reply is not tenable as the dealer failed to furnish Custom Clearance Certificate in support of such export as confirmed (November 2002) subsequently by the Assessing Officer.

6.17.4 The case was reported to the Government in November 2000, July 2001 and July 2002; their reply has not been received (November 2002).

6.18 Evasion of tax by an unregistered dealer

Failure of the department to register a dealer led to evasion of tax of Rs.23.52 lakh.

6.18.1 No dealer liable to pay tax under the Central Sales Tax Act, 1956 shall carry on business unless he is registered and possesses a certificate of registration. Further, in respect of sales of declared goods made in course of inter-State trade or commerce, if not supported by declaration in Form – ‘C’, tax is leviable at twice the rate applicable to the sale of such goods inside the State.

6.18.2 Cross verification (June 2001) of records of the Superintendent of Taxes, Tura with those of Superintendent of Taxes, in-charge Kabaitary Check-Post, (Assam) and Income Tax Officer, Ward – Bongaigaon (Assam) revealed that an unregistered dealer having business at Nangalbibra, Garo Hills (Meghalaya) sold coal valued at Rs.2.94 crore in course of inter-State trade or commerce during the year 1992-1993 and evaded tax of Rs.23.52 lakh calculated at the rate of 8 *per cent* on the sale value (Rs.2.94 crore) as the coal is taxable at the rate of 4 *per cent* inside Meghalaya.

6.18.3 On this being pointed out (July 2001), the Assessing Officer while admitting the facts of non-registration of the dealer stated (August 2002) that show cause notice was issued to the dealer for reply and production of accounts. Further report of assessment and recovery of tax has not been received (November 2002).

6.18.4 The case was reported (July 2001, February and July 2002) to the Government; reply has not been received (November 2002).

6.19 Short levy of interest on default in payment of tax

Interest of Rs.7.83 lakh was short levied due to erroneous assessment besides non-levy of maximum penalty of Rs.5.21 lakh for default in payment of tax.

6.19.1 Under Section 35 (A) of the Meghalaya Sales Tax Act, if a registered dealer fails to pay full amount of tax by the due date (i.e. within a period of one month following the close of the half year), he is liable to pay interest at prescribed rates for the period of default on the amount by which tax paid falls short in addition to the penalty of a sum not exceeding the amount of tax due.

6.19.2 Test check (December 2001) of the records of the Superintendent of Taxes, Jowai revealed that a registered dealer was assessed (July 2001) and levied tax of Rs.7.41 lakh for the half yearly period ended September 1993 (Rs.3.80 lakh) and March 1994 (Rs.3.61 lakh). The dealer paid Rs.2.20 lakh in total on due dates and balance amount of Rs.5.21 lakh was not paid till date of audit. Thus, for non-payment of tax, interest amounting to Rs.9.12 lakh was leviable against which only Rs.1.29 lakh was levied by the assessing officer. This resulted in short levy of interest of Rs.7.83 lakh. Besides, maximum penalty of Rs.5.21 lakh which could have been levied, was, also not levied.

6.19.3 On this being pointed out (December 2001) in audit, the assessing officer while admitting the audit observation stated (March 2002) that the dealer was reassessed and levied further interest of Rs.7.83 lakh and demand notices issued (February 2002) accordingly, but no penalty was imposed. Further report on realisation of interest and reasons for non-imposition of penalty have not been received (November 2002).

6.20 Evasion of tax by unregistered owners of taxable vehicles

Failure to register 33 transport vehicles under the MPGT Act led to evasion of tax of Rs.4.18 lakh.

6.20.1 Rule 37 of the Meghalaya Passengers and Goods Taxation (MPGT) Rules envisages that any owner of taxable vehicle carrying goods or passengers shall apply to the prescribed authority for registration under the MPGT Act. The owner is also required to file return to the assessing officer within 10 days of the close of each month along with a copy of Treasury Challan showing payment of tax as *per* rates prescribed by the Government from time to time under Rules 11 and 13 *ibid*. Such tax is assessed and collected by the Superintendent of Taxes (SOT) being the assessing officer in respect of vehicles registered in his office.

6.20.2 Cross check (May 1999) of records of the District Transport Officer, Williamnagar with that of SOT, Williamnagar revealed that 33 owners of taxable vehicles of different categories (Goods carrying vehicle: 27; Passengers vehicle: 6) were registered between August 1995 and July 1997 under the Motor Vehicles (MV) Act, 1988 and MV tax in respect of these vehicles was realised for different periods falling between August 1995 and March 2000. But the owners of these vehicles neither applied to the SOT, Williamnagar for registration under the MPGT Act nor was any action initiated by the SOT, Williamnagar to register these owners of vehicles under the MPGT Act till date. Thus, failure to register these vehicles resulted in evasion of tax of Rs.4.18 lakh during the aforesaid period.

6.20.3 The case was reported to the Department/Government in July 1999, May 2000, December 2001 and July 2002; their replies have not been received (November 2002).

6.21 Short realisation of tax by Public Works Department

Collection of tax and surcharge of Rs.2.94 lakh against Rs.5.72 lakh led to short realisation of tax and surcharge of Rs.2.78 lakh.

6.21.1 Schedule II under Section 4 of the Meghalaya Sales Tax Act, provides that tax at 7 *per cent* and surcharge at 1 *per cent* shall be levied on the sales turnover of sand and stone. Further, the Government of Meghalaya, Taxation

Department issued instruction (October 1991) that tax and surcharge in respect of sales of taxable goods to any Department of the Government should be realised at source and deposited into the Government account by the purchasing department of the Government.

6.21.2 Cross check (between June 2000 and November 2001) of records of the Divisional Forest Officers and the Executive Engineers, Public Works Department, Tura, Jowai, Shillong and Nongpoh revealed that 606 contractors sold 23,649.557 cum of sand and 92,223.912 cum of stone to seven user agencies between December 1998 and May 2001 as shown below: -

Table 6.8

Name of User Agency	Number of contractor	Quantity sold	
		Sand (in cum)	Stone (in cum)
(i) Roads Division, PWD, Williamnagar	115	9,595.500	10,994.090
(ii) Public Health Engineering Division, Tura	18	1,378.899	5,390.245
(iii) Irrigation Division, Jaintia Hills, Jowai	21	2,324.210	7,407.560
(iv) Roads Division, PWD, Jowai	109	729.445	14,917.000
(v) Central Division PWD Roads, Shillong	148	3,229.890	12,204.440
(vi) NH Bye-pass Division, Shillong	93	--	21,036.883
(vii) Shillong North Division, Nongpoh	102	6,391.613	20,273.694
Total	606	23,649.557	92,223.912

6.21.3 The royalty value of the aforesaid quantity of sand and stone was Rs.80.87 lakh on which tax and surcharge of Rs.5.72 lakh was to be collected, but these user agencies collected tax and surcharge of Rs.2.94 lakh (between December 1998 and June 2001). This resulted in short realisation of tax and surcharge of Rs.2.78 lakh.

6.21.4 On this being pointed out (January 2002) the Department stated (October 2002) that the enhanced rate of tax could be realised when such products were collected and removed from Government Reserve Forest only. The reply is not tenable as the Sales tax is leviable on sale of commodities specified in the Schedule II of MST Act irrespective of their place of extraction.

6.21.5 The matter was reported to the Government in January and August 2002; their reply has not been received (November 2002).

6.22 Under-assessment of tax due to irregular grant of exemption

Grant of incorrect exemption of freight charges led to under assessment of tax of Rs. 5.22 lakh.

6.22.1 Under the Central Sales Tax Act, 1956, 'sale price' means the amount payable to a dealer as consideration for sale of goods and it will not include the cost of 'freight' where such cost is separately charged. Where the sale consideration is shown as a single indivisible amount inclusive of freight charges, it could not be said that the freight had been charged for separately and hence, subsequent reduction of the amount on account of freight to seek exemption from tax is not admissible as judicially held* by the Hon'ble Supreme Court. It was also held by the Apex Court that the freight was to be included in the turnover if it was not specified and charged for by the dealer separately without including them in the price of the goods sold.

6.22.2 In Purchase Tax Circle, Shillong, and Superintendent of Taxes, Jowai, it was noticed in audit (October 2000 and December 2001) that two registered dealers 'A' and 'B' disclosed inter-State sales price of veneer at Rs.1.72 crore and coal at Rs. 95.73 lakh duly supported by declarations in Form 'C' during assessment period April 1994 to September 1996 and October 2000 to March 2001 respectively without exhibiting cost of freight separately. However, the dealers later on, reduced the sales by Rs.1.31 crore (A: Rs.54.37 lakh; B: Rs.76.25 lakh) on account of freight which was accepted in assessment (November 1999 and July 2001) for the aforesaid periods. As the entire sale in each assessment period was shown as indivisible amount duly supported by declarations in Form 'C', the grant of exemption of Rs.1.31 crore being cost of freight subsequently shown separately by the dealers was incorrect, resulting in under-assessment of tax of Rs.5.22 lakh (A: Rs.2.17 lakh; B: Rs.3.05 lakh).

6.22.3 On this being pointed out (November 2000 and December 2001) in audit, the assessing officers while accepting (June 2001 and March 2002) the audit observations, reassessed (December 2000 and February 2002) the dealers accordingly. The report on recovery of dues has not been received (November 2002).

6.22.4 The cases were reported to the Government in November 2000, December 2001 and May-June 2002; their reply has not been received (November 2002).

* Tungabhadra Industries Ltd., Vs Commercial Tax Officer,(1960) 11 ST 827 (SC).

TRANSPORT DEPARTMENT

6.23 Non-levy of fine on carrying excess load of coal

Failure of the Enforcement Wing to detect offence committed by 1,34,827 commercial load carrying trucks for carrying excess load (10.07 lakh MT) beyond maximum permissible limit led to non-levy of fine of Rs.127.68 crore.

6.23.1 In Meghalaya, all commercial load-carrying trucks are registered by District Transport Officers with maximum permissible pay load of 10 metric tonnes (MT) on which road tax is payable under the Assam Motor Vehicle Taxation Act, 1936 (as adopted in Meghalaya). Further, under the Motor Vehicles Act, 1988 (as amended in 1994), whoever drives a motor vehicle or causes or allows a motor vehicle to be driven carrying load in excess of permissible limit, there shall be levied a minimum fine of Rs.2,000 and an additional amount of Rs.1,000 *per* MT of excess load so carried.

6.23.2 Cross check of records of the Taxation check gate at Dainadubi and the Directorate of Mineral Resources check gates at Umkiang and Mookyndur disclosed (July 1999, April and December 2001) that 1,34,827 commercial load carrying trucks carried 23,55,443 MT of cement and coal against the maximum permissible limit of 13,48,270 MT during different periods between December 1995 and March 2001. But the excess load of 10,07,173 MT carried in these trucks beyond the maximum permissible limit escaped notice of the Enforcement Wing of the Transport Department, Meghalaya resulting in non-realisation of fine of Rs.127.68 crore leviable in these cases.

6.23.3 The matter was reported to the Department/Government in February and May 2002; their replies have not been received (November 2002).

6.24 Loss of revenue/temporary misappropriation of Government money by the Meghalaya Transport Corporation

Non-accountal and non-deposit of sale proceeds of 1,695 tickets for Helicopter services resulted in loss of revenue of Rs.12.29 lakh, besides there was temporary misappropriation of Rs.84.79 lakh due to unauthorised retention of sale proceeds outside Government accounts.

6.24.1 In February 1999 the Government of Meghalaya, (Transport Department) introduced Helicopter services of M/S Pawan Hans Helicopters Limited (PHHL) in the State to operate between Shillong, Guwahati and Tura and appointed the Meghalaya Transport Corporation (MTC), Shillong as an agent for operating the Helicopter services including selling of tickets and other ancillary works on the basis of commission payable at the rate of 9 *per cent* of sale proceeds of tickets. Further, in order to monitor day to day running of Helicopter services, the MTC was required to submit fortnightly reports showing the details of number of flights operated, total flying hours, number of tickets sold, amounts collected, etc.

6.24.2 In course of test check (February 2002) of records of the Commissioner of Transport, Meghalaya, Shillong, the fortnightly reports submitted by the MTC, Shillong on Helicopter services were cross verified with the daily flight manifests of PHHL. It was noticed that 9,475 passengers were shown as having travelled during the period February 1999 to February 2001 as *per* MTC's fortnightly reports, against 11,170 passengers actually travelled as *per* the flight manifests of the PHHL resulting in a discrepancy of 1,695 in number of passengers travelled during that period.

6.24.3 Thus, sale proceeds of 1,695 tickets were neither accounted for nor deposited by the MTC authorities. This resulted in loss of revenue to the tune of Rs.12.29 lakh calculated at the minimum approved fare of Rs.725 *per* passenger.

6.24.4 Further scrutiny revealed that, an amount of Rs.84.79 lakh collected by the MTC, Shillong as sale proceeds of tickets for Helicopter services during the period February 1999 to February 2001 were kept outside the Government account and unauthorisedly utilised to meet various departmental charges in complete violation of standing provisions of Central Treasury Rules/General Financial Rules and Government instructions in this regard. Out of this, an amount of Rs.50 lakh was belatedly deposited (July 2001) into the Government account leaving a balance of Rs.34.79 lakh with MTC till date, which tantamounts to temporary misappropriation of Government money.

6.24.5 The matters were reported to the Government in July 2002; their reply has not been received (November 2002).

6.25 Short/non-realisation of composite fee from National Permit holders

Realisation of composite fee of Rs.5.28 lakh against Rs.14.10 lakh as due from 409 National Permit holders of 6 different States led to short/non-realisation of composite fee of Rs.8.82 lakh.

6.25.1 The Government of Meghalaya, Transport Department notified (October 1994) that every National Permit holder of goods carriage vehicles of other States authorised to ply in Meghalaya should pay a composite fee of Rs.3,000 *per annum per vehicle* with retrospective effect from 01 September 1993.

6.25.2 Test check (July 1999) of records of the Secretary, State Transport Authority (STA), Meghalaya, Shillong revealed as under :-

(i) 381 National Permit holders of five States *viz.* Assam, Himachal Pradesh, Haryana, Jammu & Kashmir and Manipur were authorised by the Secretary, STA, Shillong to ply their goods carriage vehicles in Meghalaya for one year from different dates falling between September 1993 and March 1999. However, composite fee of Rs.4.44 lakh only was realised against Rs.11.43 lakh due from these permit holders for the aforesaid periods. This resulted in short-realisation of composite fee of Rs.6.99 lakh.

(ii) It was also noticed in audit (July 1999) that 28 National Permit holders of Mizoram were authorised to ply their goods carriage vehicles in Meghalaya for two to five years from different dates falling between October 1994 and March 2000, but composite fee of Rs.0.84 lakh was realised from these permit holders for one year only leaving the balance constituting of Rs.1.83 lakh unrealised.

6.25.3 These cases were reported to the Department/Government in (September 1999, May 2000, December 2001 and May 2002); their replies have not been received (November 2002).

6.26 Short/non-levy of fine from vehicles plying without valid permit

Realisation of fine of Rs.1.04 lakh against Rs.5.04 lakh for plying of 252 vehicles without valid permit/registration led to short/non-levy of fine of Rs.4 lakh.

6.26.1 Under Section 192 (A) of the Motor Vehicles Act, 1988 (as amended in 1994) no owner of motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place unless a permit is granted or countersigned by the prescribed authority and whoever drives or causes or allows a motor vehicle to be used in any public place without a permit, shall be punishable for the first offence with a fine which may extend to five thousand rupees but shall not be less than two thousand rupees.

6.26.2 (A) Test check (September 1998 and June 1999) of records of the District Transport Officers (DTO), Jowai and Tura revealed that 191 commercial motor vehicles (Jowai: 107; Tura: 84) were used in public places without valid permits on different dates falling between October 1994 and March 1999 for which lump sum fine of Rs.1.04 lakh (Jowai: Rs.0.57 lakh; Tura: Rs.0.47 lakh) was levied and collected during the aforesaid period against the minimum and due fine of Rs.3.82 lakh (Jowai: Rs.2.14 lakh; Tura: Rs.1.68 lakh) resulting in short levy of fine of Rs.2.78 lakh (Jowai: Rs.1.57 lakh; Tura: Rs.1.21 lakh).

6.26.3 (B) It was also noticed in audit (December 2000) that the DTO, Jowai (between May 1996 and March 2000) granted 61 permits to owners of 61 commercial motor vehicles for use of these vehicles in public places with validity periods falling on different dates between June 1996 and June 2000. These permits were not renewed thereafter, nor were these vehicles off road (December 2000) as *per* Combined Register. Since these vehicles continued to ply even after expiry of validity of permits on different dates falling between January 1999 and July 2000, the minimum fine of Rs.1.22 lakh was to be levied and collected but as the same was not enforced, resulted in non-levy of fine of Rs.1.22 lakh.

6.26.4 On these being pointed out in audit, the DTO, Jowai in the case of 'B' stated (April 2001) that notices were being served on the 61 permit holders for renewal of permits and recovery of fines. The report on renewal of permits and recovery of fines has however not been received. No reply has been received in the cases of 'A' above.

6.26.5 The cases were referred to Government in September 1998, July 1999, January 2001 and May 2002; replies have not been received (November 2002).