

## OVERVIEW

The Report contains 45 paragraphs and two reviews relating to under assessments, non-realisation, short realisation of penalties, taxes and duties etc. the total money value involved is Rs. 1,175.55 crore. Some of the major findings are mentioned below:

### 1. GENERAL

- The total revenue receipts generated by the State during the year 2008-09 amounted to Rs. 2,810.64 crore as against Rs. 2,441.38 crore during 2007-08. Out of these 21.16 *per cent* comprised of State's own tax (Rs. 369.44 crore) and non-tax receipts (Rs. 225.31 crore) as against 21.24 *per cent* in the preceding year. The balance 78.84 *per cent* (Rs. 2,215.89 crore) comprised of state's share of divisible taxes and duties of Rs. 595.23 crore and grants-in-aid of Rs. 1,620.66 crore, received from the Government of India. The increase in receipts from the Government of India was 15.24 *per cent* during 2008-09 over that of the previous year as against an increase of 16.32 *per cent* in 2007-08 over the previous year.

**(Paragraph 1.1)**

- The percentage of expenditure on collection during 2008-09 as compared to the all India average percentage for 2007-08 was higher in the case of sales tax, state excise, taxes on vehicles and stamp duty and registration fees.

**(Paragraph 1.3)**

- Out of 3,07,751 cases pending for assessment during 2008-09, only 6,860 cases were disposed. The balance of cases due for assessment at the end of 2008-09 stood at 3,00,891. Thus, the percentage of pending cases at the end of 2008-09 was 97.77 *per cent*.

**(Paragraph 1.4)**

- Test check of the records of sales tax, state excise, motor vehicles tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 revealed underassessment/short/non-levy/loss of revenue amounting to Rs. 1,472.93 crore in 234 cases. During the year, the departments accepted assessments/short/non-levy/loss of revenue of Rs. 1,109.48 crore in 30 cases pointed out during 2008-09 and in earlier years, and recovered Rs. 30.81 lakh. Reply has not been received in respect of the remaining cases.

**(Paragraph 1.11)**

### 2. SALES TAX

A Review of “**Transition from Sales Tax to VAT in Meghalaya**” and audit of Sales Tax department revealed the following irregularities:

- The growth rate of revenue over the previous year after implementation of VAT touched a high of 50.12 *per cent* in 2005-06. Although the rate had fallen in the subsequent years, it still recorded a healthy 24.98 *per cent* growth in 2008-09.

**(Paragraph 2.2.6.1)**

- The department failed to detect and register 606 dealers who sold taxable goods of Rs. 27.44 crore. This resulted in evasion of tax of Rs. 2.08 crore. Besides, penalty of Rs. 3.91 crore was also leviable.

**(Paragraph 2.2.8.2)**

- In the absence of a mechanism for monitoring the receipt of the returns, the assessing officers could not detect non-submission of returns by 11,816 dealers between May 2005 and March 2009 and consequently penalty of Rs. 372.21 crore could not be levied.

**(Paragraph 2.2.9.4)**

- In the absence of a mechanism to check input tax credit claimed by the dealers coupled with the failure to scrutinise returns effectively, the department failed to detect excess claim of input tax credit of Rs. 30.40 crore by 69 dealers.

**(Paragraph 2.2.11)**

- Three bottling plants sold 26,84,292 cases of liquor, but tax of Rs. 34.20 crore was not levied. Further, the State Government had to suffer loss of revenue of Rs. 4.15 crore due to the delay in implementation of VAT on liquor.

**(Paragraphs 2.2.12.1 & 2.2.12.2)**

- Due to the implementation of defective tax remission scheme for new industries, State Government had to pay Rs. 7.98 crore from its exchequer.

**(Paragraph 2.2.14)**

- There was loss of revenue of Rs. 73.56 lakh due to non-deduction of tax at source. Further, Rs. 62.09 lakh though deducted at source; was not deposited into the Government account.

**(Paragraph 2.2.16.1)**

- The department failed to prefer claim of compensation due to the implementation of VAT which led to loss of revenue of Rs. 247.49 crore.

**(Paragraph 2.2.20)**

Two companies purchased goods at concessional rate for use in manufacture of cement but utilised the goods for other purposes resulting in non-levy of tax of Rs. 63.70 lakh and penalty of Rs. 1 crore.

**(Paragraph 2.6)**

Five dealers utilised fake ‘C’ forms and evaded tax of Rs. 19.21 lakh on which penalty of Rs. 38.42 lakh was also leviable.

**(Paragraph 2.8)**

Levy of tax at the rate of eight *per cent* against the leviable rate of twelve *per cent* on turnover of Rs. 1.33 crore led to short levy of tax of Rs. 4.91 lakh and interest of Rs. 3.70 lakh.

**(Paragraph 2.9)**

A dealer purchased cement valued at Rs. 1.05 crore at concessional rate which was not included in the certificate of registration and evaded tax of Rs. 13.09 lakh. Beside penalty of Rs. 26.18 lakh was also leviable.

**(Paragraph 2.10)**

Irregular grant of authorisation certificate led to undue exemption of Rs. 15.22 lakh.

**(Paragraph 2.14)**

Non-forfeiture of tax of Rs. 33.20 lakh irregularly collected on exempted goods.

**(Paragraph 2.15)**

Interstate sale of Rs. 69.88 crore not supported by declaration form was irregularly exempted resulting in non-levy of tax of Rs. 8.39 crore and interest of Rs. 6.92 crore.

**(Paragraph 2.16)**

Incorrect deduction of taxable turnover of Rs. 2.35 crore led to short levy of tax of Rs. 18.80 lakh.

**(Paragraph 2.25)**

### **3. OTHER TAXES AND DUTIES**

Two dealers concealed turnover of Rs. 86 lakh and evaded tax of Rs. 8.60 lakh; besides interest of Rs. 3.05 lakh and penalty of Rs. 12.90 lakh was additionally leviable.

**(Paragraph 3.4)**

Inaction of the assessing officer led to loss of revenue of Rs. 2.87 crore.

**(Paragraph 3.5)**

Two lessees acquired immovable property of Rs. 3.23 crore and evaded stamp duty of Rs. 1.21 crore.

**(Paragraph 3.7)**

### **4. STATE EXCISE**

A Review of “**Receipts from State Excise**” revealed the following irregularities:

- There was no mechanism to ensure that the liquor manufactured in the State conformed to prescribed standards as there was no departmental laboratory.

**(Paragraph 4.2.7)**

- Due to the absence of a definition of ‘cost price’ in the Meghalaya Excise Act, the element of import fee was not included in the price for calculating the excise duty leading to loss of Rs. 30.32 crore.

**(Paragraph 4.2.8)**

- The Department failed to inspect licensed premises at regular intervals and set up excise check gates which led to loss of Rs. 2.98 crore.

**(Paragraph 4.2.9)**

- There was abysmally low detection of excise default cases, the shortfall ranged between 79.20 and 87.48 *per cent* against targets.

**(Paragraph 4.2.15)**

- Excise duty of Rs. 33.10 crore was not paid by three bottling plants which indented spirits for manufacture of IMFL.

**(Paragraph 4.2.21)**

## **5. TAXES ON MOTOR VEHICLES**

Rs. 3.71 crore was deposited into Government account after a lapse of 19 months resulting in loss of interest of Rs. 44.29 lakh.

**(Paragraph 5.3)**

Non-levy of fine of Rs. 271.80 crore on 3,58,992 commercial trucks for carrying excess load beyond maximum permissible limit.

**(Paragraph 5.4)**

Delay in deployment of enforcement staff in a private weighbridge as stipulated in the agreement led to loss of revenue of Rs. 20.83 lakh.

**(Paragraph 5.5)**

Sale of vehicles without valid registration led to non-levy of penalty of Rs. 2.56 lakh.

**(Paragraph 5.7)**

## **6. FOREST RECEIPTS**

Export of limestone without transit pass fee resulted in non realisation of revenue of Rs. 46.85 lakh.

**(Paragraph 6.3)**

Forest royalty of Rs. 1.11 crore collected by the Meghalaya Government Construction Company from contractors remained undeposited.

**(Paragraph 6.4)**

Illicit felling and removal of 510.769 cum of timber from reserve forests led to loss of revenue of Rs. 23.72 lakh.

**(Paragraph 6.6)**

Incorrect application of rate on 11,565.35 cum of sand, 20,813.71 cum of stone and 52,053.60 cum of clay led to short realisation of royalty of Rs. 10.49 lakh.

**(Paragraph 6.8)**

## **7. RECEIPTS ON MINES AND MINERALS**

Lack of co-ordination between two departments led to non-realisation of revenue Rs. 68.30 lakh.

**(Paragraph 7.3)**

Delay in implementation of revised rate of royalty led to loss of revenue of Rs. 20.38 crore.

**(Paragraph 7.5)**

Failure of the Mines and Minerals Department to prevent unauthorised export of coal and limestone led to the loss of revenue of Rs. 13.73 crore.

**(Paragraph 7.6)**

There was short realisation of royalty and cess on limestone of Rs. 6.18 crore.

**(Paragraph 7.7)**