CHAPTER – I

GENERAL

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1.1 Trend of Revenue Receipts

1.1.1 The Tax and Non-Tax Revenue raised by Government of Meghalaya (GoM) during the year 2023-24, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-Aid received from Government of India (GoI) during the year and the corresponding figures for the preceding four years are depicted in **Table 1.1**.

Table 1.1: Trends of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1.	**Revenue raised by the State Government**					
	Tax Revenue	1,891.25	2,072.56	2,300.38	2,650.67	3,216.53
	Non-Tax Revenue	530.11	523.17	524.58	456.61	523.25
	Total	**2,421.36**	**2,595.73**	**2,824.96**	**3,107.28**	**3,739.78**
2.	**Receipts from the Government of India**					
	Share of Union taxes/ duties	4,211.78	4,551.63	6,580.63	7,286.14	8,663.22
	Grants-in-aid and contributions	2,780.38	3,535.88	4,868.55	4,426.45	5,574.86
	Total	**6,992.16**	**8,087.51**	**11,449.18**	**11,712.59**	**14,238.08**
3.	**Total Revenue Receipts (1 & 2)**	**9,413.52**	**10,683.24**	**14,274.14**	**14,819.87**	**17,977.86**
4.	**Percentage of 1 to 3**	**25.72**	**24.30**	**19.79**	**20.97**	**20.80**

Source: Finance Accounts 2023-24 (Vol I), Government of Meghalaya.

It is evident from **Table 1.1** that the revenue raised by the State Government during the fiscal year 2023-24 (₹ 3,739.78 crore) was 20.36 *per cent* higher than the revenue raised during 2022-23 (₹ 3,107.28 crore) and was 20.80 *per cent* of the total Revenue Receipts (₹ 17,977.86 crore). Notably, the remaining 79.20 *per cent* of Revenue Receipts during 2023-24 was received from Government of India (GoI) in the form of State Share of Union taxes and duties and Grants-in-aid.

Total Revenue Receipts of the State increased by ₹ 3,157.99 crore (21.31 *per cent*) during 2023-24 over the preceding year. The increase was on account of increase in revenue raised by the State Government and receipts from GoI as compared to the previous year.

1.1.2 The details of the tax revenue raised during the period 2019-20 to 2023-24 are given in **Table 1.2.**

Table 1.2: Details of Tax Revenue Raised

(₹ in crore)

Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		% of increase (+)/ decrease (-) in 2023-24 over 2022-23	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Sales Tax	1,650.00	567.13	679.18	725.09	767.52	718.89	747.51	621.78	791.98	836.93	(+) 5.95	(+) 34.60
State Goods & Services Tax	--	909.78	1,219.35	822.81	489.30	1,117.94	1,316.01	1,477.03	1,785.06	1,723.06	(+) 35.64	(+) 16.66
State Excise	289.85	276.27	312.50	375.38	360.00	308.00	350.03	365.16	413.04	458.20	(+) 18.00	(+) 25.48
Taxes on Vehicles	100.00	99.24	120.00	78.63	125.00	99.42	100.12	131.51	150.30	144.56	(+) 50.12	(+) 9.92
Stamps and Registration fees	21.33	20.34	23.46	31.56	21.30	27.06	38.18	28.16	32.47	26.30	(-) 14.96	(-) 6.61
Land revenue	1.69	1.00	2.20	21.29	4.51	9.83	4.51	4.91	5.85	4.71	(+) 29.71	(-) 4.07
Taxes on goods and passengers	9.41	9.13	9.97	10.72	10.00	12.54	11.00	14.05	16.91	13.59	(+) 53.73	(-) 3.27
Others[1]	17.52	8.36	10.32	7.09	7.80	6.70	8.04	8.07	9.05	9.18	(+) 12.56	(+) 13.75
Total	**2,089.80**	**1,891.25**	**2,376.98**	**2,072.57**	**1,785.43**	**2,300.38**	**2,575.40**	**2,650.67**	**3,204.66**	**3,216.53**	**(+) 24.43**	**(+) 21.35**

Source: Annual Financial Statement, Government of Meghalaya.

As indicated in **Table 1.2**, the actual realisation of tax revenue during 2023-24 was ₹ 3,216.53 crore, surpassing the Budget Estimates (BEs) of ₹ 3,204.66 crore by ₹ 11.87 crore, reflecting a growth of 0.37 *per cent*. In comparison to the previous fiscal year (2022-23), there was a notable 21.35 *per cent* increase in overall tax revenue raised.

During the fiscal year 2023-24, all tax revenue heads, except for Stamps and Registration, Land Revenue, and Taxes on goods and passengers, demonstrated positive trends, exhibiting increase in tax revenue receipts ranging between 9.92 *per cent* and 34.60 *per cent*. Stamps and Registration, Land Revenue, and Taxes on goods and passengers experienced declines ranging between 4.07 *per cent* and 6.61 *per cent* when compared to the preceding year. The most noteworthy surge under tax revenue receipts was observed in Sales Tax at 34.60 *per cent* and State Excise at 25.48 *per cent*.

1.1.3 Details of BEs and actuals on Non-Tax Revenue raised during the period 2019-20 to 2023-24 are given in **Table 1.3.**

Table 1.3: Non-Tax Revenue Raised

(₹ in crore)

Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		% of increase (+)/ decrease (-) in 2023-24 over 2022-23	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Interest receipts	55.06	28.91	60.57	11.53	34.98	24.65	13.95	8.81	8.65	10.77	(-) 37.99	(+) 22.25
Dividends and profits	0.21	0.14	0.23	0.00	0.16	0.12	0.18	0.35	0.33	0.14	(+) 83.33	(-) 60.00
Non-ferrous mining and metallurgy	320.53	322.84	400.66	246.44	449.98	239.78	500.00	263.38	500.00	322.82	0.00	(+) 22.57
Forestry and wildlife	125.83	81.27	120.00	102.12	120.00	117.34	120.00	129.76	170.95	108.88	(+) 42.46	(-) 16.09

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

Head of revenue	2019-20		2020-21		2021-22		2022-23		2023-24		% of increase (+)/ decrease (-) in 2023-24 over 2022-23	
	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
Other administrative services	7.90	41.30	8.69	26.98	21.57	3.73	32.65	6.33	7.05	7.22	(-) 78.41	(+) 14.06
Public works	18.71	9.78	20.58	7.05	11.83	6.34	8.53	9.86	10.24	18.44	(+) 20.05	(+) 87.02
Police	8.67	8.17	9.53	7.29	9.89	6.62	8.82	8.82	10.58	9.14	(+) 19.95	(+) 3.63
Animal husbandry	2.75	1.91	3.03	1.96	2.31	2.20	2.54	1.99	2.82	1.99	(+) 11.02	0.00
Crop husbandry	9.45	2.29	10.40	2.03	2.77	2.65	2.46	2.78	2.95	3.37	(+) 19.92	(+) 21.22
Other receipts[2]	51.46	33.50	56.60	138.23	40.54	144.12	41.59	24.55	29.01	42.87	(-) 30.25	(+) 74.62
Total	**600.57**	**530.11**	**690.29**	**543.63**	**694.03**	**547.55**	**730.72**	**456.63**	**742.58**	**525.64**	**(+) 1.62**	**(+) 15.11**

Source: Finance Accounts (Vol-I) and Annual Financial Statement, Government of Meghalaya.

As indicated in **Table 1.3**, the total revenue realised under Non-Tax Receipts for the fiscal year 2023-24 amounted to ₹ 525.64 crore, which fell short of the BEs of ₹ 742.58 crore by ₹ 216.94 crore, reflecting a shortfall of 29.21 *per cent*. The shortfall in actual receipts can primarily be attributed to two heads of revenue, *viz.,* (i) Dividends and Profits, which experienced a significant decline of 60 *per cent*, and (ii) Forestry and Wildlife, where actual receipts were lower by 16.09 *per cent* compared to receipts during 2022-23.

When comparing the fiscal year 2023-24 with the preceding year (2022-23), the BEs saw an increase of ₹ 11.86 crore (1.62 *per cent*). Despite a shortfall of 29.21 *per cent* in actual non-tax receipts compared to the BEs, the actual non-tax revenue receipts in 2023-24 showed a notable improvement, increasing by ₹ 69.01 crore, which represents a growth of 15.11 *per cent* over the previous year.

Recommendation: *The State Government should assess its revenue collection mechanisms, particularly in areas where receipts fall short of the projected budget estimates, to identify deficiencies and implement targeted corrective measures to mitigate them.*

1.2 Goods and Services Tax

Goods and Services Tax (GST) was implemented in the country with effect from 01 July 2017 on supply of goods or services or both. GST is concurrently administered

[2] It includes - (i) Public Service Commission, (ii) Jails, (iii) Stationery and Printing, (iv) Contributions and Recoveries towards Pension and Other Retirement Benefits, (v) Miscellaneous General Services, (vi) Education, Sports, Art and Culture, (vii) Medical and Public Health (viii) Water supply and sanitation, (ix) Housing, (x) Urban Development, (xi) Information and Publicity, (xii) Labour and Employment, (xiii) Social Security and Welfare, (xiv) Dairy Development, (xv) Fisheries, (xvi) Co-operation, (xvii) Other Agriculture Programmes, (xviii) Other Rural Development Programmes, (xix) North Eastern Areas, (xx) Other Special Programmes, (xxi) Minor Irrigation, (xxii) Power (xxiii) Village and small Industries, (xxiv) Road Transport, (xxv) Tourism, (xxvi) Civil supplies, (xxvii) Other General Economic Services.

by the Union (CGST) and the States (MGST) on supply within the State while Integrated Goods and Services Tax (IGST) is levied on inter-state supply of goods or services or both. In Meghalaya, GST was implemented with effect from 01 July 2017.

1.2.1 GST Registrations

Under GST Law, any dealer 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 and Himalayan (NE&H) States were required to be registered in the State under the new GST law. Status of various categories of dealers registered under the State GST as on 31 March 2024 is shown in **Table 1.4** below:

Table 1.4: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) as on 31 March 2024

Category of registrants	No. of registrants	Percentage of total
Normal taxpayers	27,616	90.45
Composition taxpayers	2,142	7.02
Tax deductors at source (TDS)	623	2.04
Tax collectors at source (TCS)	141	0.46
Input Service Distributors	09	0.03
Others (Casual, NRTP, OIDAR)	0	0.00
Total Registrants	**30,531**	**100**

Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

From **Table 1.4**, it may be seen that as on 31 March 2024, the total number of registered dealers under the State GST were 30,531, out of which 'normal taxpayers' accounted for 90.45 *per cent* of the total registrants. 'Composition taxpayers' accounted for 7.02 *per cent* while 'Tax deductors at source' accounted for 2.04 *per cent*. During 2023-24, of the total registrations, 6,415 taxpayers (21.01 *per cent*) migrated from pre-GST regime, while the remaining were new registrations under the GST regime. A total of 3,495 registrations had been cancelled by the Department during 2023-24.

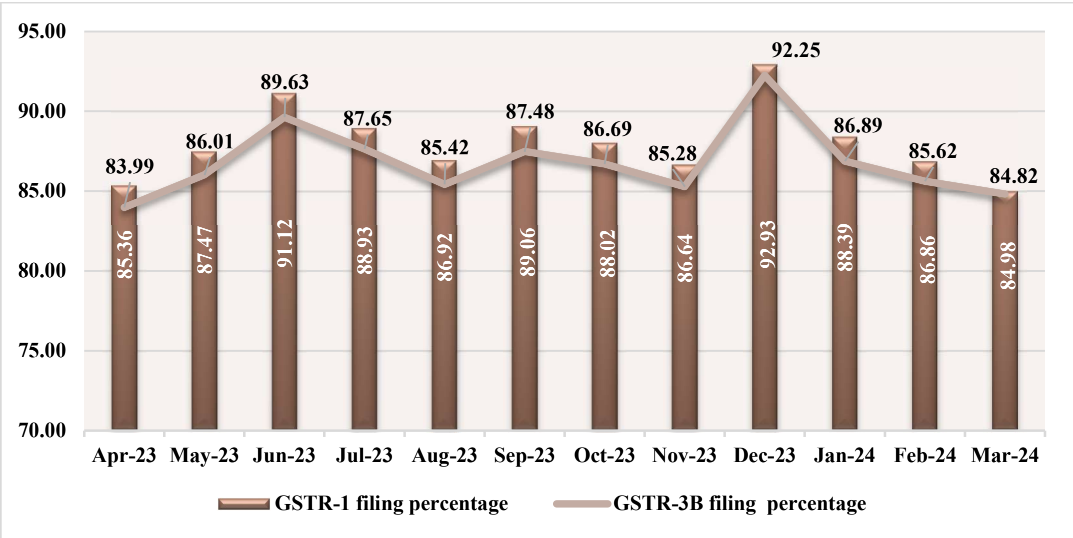
1.2.2 GST Return filing pattern (GSTR-1 and GSTR-3B)

The filing of GSTR-1[3] and GSTR-3B[4] returns is mandated under Section 37 and 39(1) of the Meghalaya Goods and Services Tax (MGST) Act. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of dealers for a particular month.

The trends of filing of GSTR-1 and GSTR-3B for the period from April 2023 to March 2024, as compiled from the information furnished by the Department, have been depicted in **Chart 1.1.**

[3] **GSTR-1**: It is a sales return that is required to be filed by every GST registered person.
[4] **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.

Chart 1.1: Month-wise percentage of Return filing (GSTR-1 and GSTR-3B)



Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

The chart illustrates fluctuations in the monthly return filing percentages of GSTR-1 and GSTR-3B. Both filing percentage increased in May and June 2023, with GSTR-1 increasing from 85.36 to 91.12 *per cent*, and GSTR-3B from 83.99 to 89.63 *per cent*. However, a decline began in July 2023, with GSTR-1 dropping to 86.92 *per cent* and GSTR-3B to 85.42 *per cent* in August 2023. After a brief improvement in September, both filing percentage fell again in October and November 2023, with GSTR-1 at 86.64 *per cent* and GSTR-3B at 85.28 *per cent*. The highest filing rates during 2023-24 were recorded in December 2023, at 92.93 *per cent* for GSTR-1 and 92.25 *per cent* for GSTR-3B. By March 2024, both filing percentage dropped significantly to 84.98 *per cent* for GSTR-1 and 84.82 *per cent* for GSTR-3B. Details are placed in **Appendix 1.1.**

1.3 Revenue from GST

GST is based on the principle of destination-based consumption taxation as against the then principle of origin-based taxation. It is a dual GST with the Centre and the States levying simultaneous 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) is levied on inter-state supply (including stock transfers) of goods or services. The IGST is levied and collected by GoI and is 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

Scrutiny of BEs *vis-à-vis* actual receipts under SGST for five years from 2019-20 to 2023-24 revealed that there were variations between BEs as compared to the actual realisation of revenue as detailed in **Table 1.5**.

Table 1.5: Revenue from SGST

(₹ in crore)

Year	Budget Estimate	Actuals
2019-20	Not estimated	909.78
2020-21	1,219.35	822.81
2021-22	489.30	1,117.94
2022-23	1,316.01	1,477.03
2023-24	1,785.06	1,723.06

Source: Finance Accounts (Vol-I) and Annual Financial Statement, GoM.

From **Table 1.5** above, it may be seen that despite significant fluctuations in BEs during the years 2020-21 to 2023-24, the actual revenue collection under SGST has generally shown an upward trajectory (except for the year 2020-21).

In 2023-24, the revenue receipt from SGST amounted to ₹ 1,723.06 crore, reflecting an increase of 16.66 *per cent* when compared to the previous year (₹ 1,477.03 crore). This upward trend in revenue collection highlights growth in the SGST receipts, which is a positive performance indicator.

1.3.2 Apportionment of IGST

Under Section 17 of the IGST Act, apportionment of tax and settlement of funds is provided to States and IGST has to be shared between the Centre and the States in the ratio of 50:50. The provisional apportionment of IGST to Meghalaya for the years 2021-22 to 2023-24 is given in **Table 1.6**.

Table 1.6: Apportionment of IGST

(₹ in crore)

IGST component	2021-22	2022-23	2023-24
IGST apportioned to the State as per Section 17 of IGST Act, 2017	187.08	267.98	1,125.49
IGST provisionally/ ad hoc apportioned to the State	46.61	35.16	0.00
IGST cross utilised between			
SGST as IGST	(-) 45.95	(-) 57.09	(-) 71.58
IGST as SGST	582.84	755.01	1,197.07

Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

1.3.3 Collection of SGST from top 10 commodities/services

The detailed lists of top 10 commodities and services which contributed maximum State GST during the years 2022-23 and 2023-24 are given in **Table 1.7.**

Table 1.7: Revenue from Top 10 commodities/Services for the year 2022-23 and 2023-24

(₹ in crore)

Sl. No.	2022-23		2023-24	
	Name of Commodity/ Service	SGST	Name of Commodity/ Service	SGST
	COMMODITIES			
1	Automobiles	133.44	Lime, Cement and minerals products	976.32
2	Iron and steel and articles	78.28	Iron and steel and articles	140.86
3	Lime, Cement and minerals products	65.03	Minerals fuels and oils and products	20.17
4	Electrical machinery and equipment parts	47.07	Machinery and mechanical appliances; parts	19.16
5	Tobacco and substitutes	44.95	Electrical machinery and equipment parts	14.01
6	Machinery and mechanical appliances; parts	35.24	Automobiles	11.14
7	Dairy products	32.37	Dairy products	9.57
8	Pharmaceutical products	28.12	Pharmaceutical products	8.98
9	Rubber & articles (Tubes and tyres)	20.72	Rubber & articles (Tubes and tyres)	7.96

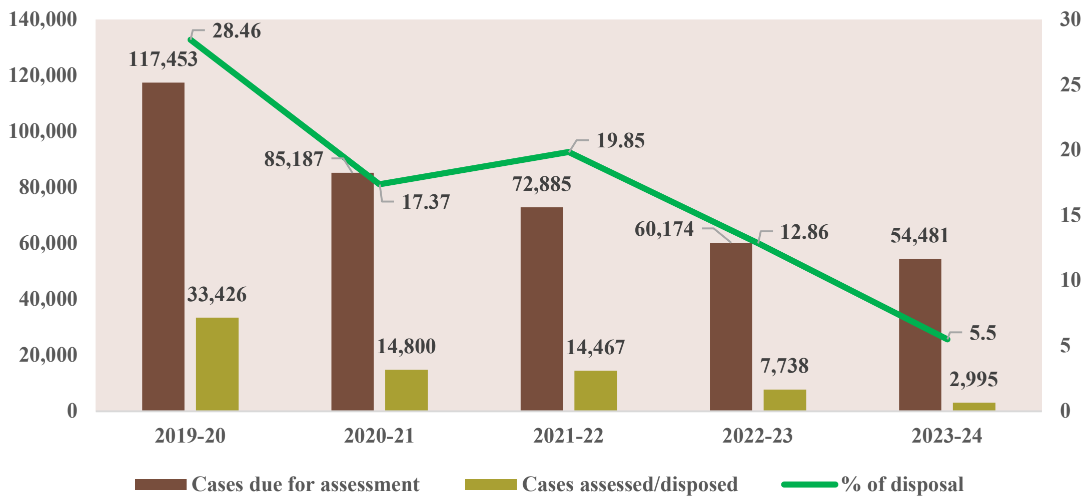
Sl. No.	2022-23		2023-24	
	Name of Commodity/ Service	SGST	Name of Commodity/ Service	SGST
10	Minerals fuels and oils and products	17.86	Tobacco and substitutes	7.77
SERVICES				
1	Construction services	126.80	Construction services	144.92
2	Communication services	42.44	Communication services	68.60
3	Support services	21.76	Support services	43.48
4	Financial services	19.28	Financial services	35.16
5	Real Estate, Leasing, Rental services	10.42	Accommodation, Food and beverage services	12.36
6	Accommodation, Food and beverage services	7.63	Transport services	11.31
7	Transport services	5.40	Real Estate, Leasing, Rental services	8.75
8	Other services	3.68	Other services	6.41
9	Professional services	1.72	Manufacturing services	2.98
10	Manufacturing services	1.59	Professional services	2.71

Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

1.4 Arrears in Assessment

The details of assessment pending at the beginning of 2019-20, along with cases that became due for assessment during the period 2019-20 to 2023-24, cases disposed of during the years and the corresponding percentage of disposal of cases under the head, 0040 – Taxes on Sale, Trade, *etc.*, are depicted in **Chart 1.2.**

Chart 1.2: Arrears in assessment



Source: Information furnished by the Deputy Commissioner of Taxes, Meghalaya, Shillong.

As illustrated in **Chart 1.2**, the disposal rate of assessment cases relative to the total cases due ranged between 5.50 and 28.46 *per cent*, indicating a significantly low rate of disposal. Moreover, a matter of great significance and concern was the decreasing trend in terms of the absolute numbers of cases disposed over the period. This had led to an accumulation of assessment arrears, with a total of **51,486 cases pending** at the end of 2023-24 **(Appendix 1.2)**.

Table 1.8 presents the status of assessments, disposals and the extent of pendency during 2023-24, as reported under the jurisdiction of each Superintendent of Taxes (STs) across the various tax circles in Meghalaya.

Table 1.8: Circle-wise status of assessment, disposal and pendency

STs (Circle)	Total cases due for assessment	Cases assessed/ disposed	% of disposal	Total tax assessed (₹ in crore)	Tax recovered (₹ in crore)	Cases pending for assessment as on 31.03.2024
ST, Shillong (Circle I)	7,392	161	2.18	0.04	0.0026	7,231
ST, Shillong (Circle II)	5,639	370	6.56	0.78	0.52	5,269
ST, Shillong (Circle III)	5,621	264	4.70	1.60	0.69	5,357
ST, Shillong (Circle IV)	31	31	100.00	0.18	0.18	0
ST, Shillong (Circle V)	97	4	4.12	1.15	1.15	93
ST, Shillong (Circle VI)	8,487	147	1.73	1.40	1.71[5]	8,340
ST, Shillong (Circle VII)	1,594	189	11.86	0.044	0.044	1,405
ST, Shillong (Circle VIII)	4,930	356	7.22	1.32	0.26	4,574
ST, Shillong (Circle XIII)[6]	11,081	182	1.64	0.021	0.017	10,899
ST, Nongpoh Circle	2,445	156	6.38	84.14	94.32[7]	2,289
ST, Nongstoin Circle	1,123	17	1.51	0.00	0.00	1,106
ST, Jowai Circle	835	315	37.72	0.90	0.86	520
ST, Khliehriat Circle	4,144	339	8.18	2.09	0.01	3,805
ST, Tura (Circle I)	134	87	64.93	9.85	8.33	47
ST, Tura (Circle II)	337	170	50.45	0.00	0.00	167
ST, Williamnagar Circle	591	207	35.03	21.05	20.92	384
Total:	**54,481**	**2,995**	**5.50**	**124.57**	**129.01**	**51,486**

Source: Information furnished by the Deputy Commissioner of Taxes, Meghalaya, Shillong.

Analysis of the assessment activities conducted by the Superintendents of Taxes (STs) across various circles in Meghalaya during 2023-24 revealed a low overall disposal rate of only 5.50 *per cent*, with only 2,995 out of 54,481 pending cases assessed. Among the circles, ST, Shillong (Circle IV) recorded the highest disposal rate of 100 *per cent*, though the number of cases were relatively small (31 cases). Notably, relatively high disposal rates were also observed in Tura Circle I (65 *per cent*), Tura Circle II (50 *per cent*), Jowai Circle (38 *per cent*) and Williamnagar Circle (35 *per cent*), indicating better performance in these jurisdictions.

Conversely, several circles, particularly those in Shillong, reported significantly lower disposal rates, with STs, Shillong (Circle I, VI and XIII) and ST, Nongstoin Circle disposing of only two *per cent* of cases. The bulk of the assessment pendency remained concentrated in the circles under STs, Shillong, Nongpoh, Nongstoin and Khliehriat. These delays highlight the need for targeted measures to improve assessment efficiency and reduce the backlog, especially in high-pendency circles.

[5] Tax recovered is more than the tax assessed since the recovered amount also includes payment of demands prior to 2023-24.

[6] Shillong, Non- resident circle.

[7] Recovered amount includes tax payment and recovery of arrears.

1.4.1 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2024 under the head, 0040 – Taxes on Sale, Trade, *etc.*, amounted to ₹ 89.66 crore of which, ₹ 36.07 crore was outstanding for more than five years as detailed in **Table 1.9.**

Table 1.9: Details of Arrears of Revenue Collection as on 31 March 2024

(₹ in crore)

Head of revenue	Amount outstanding as on 31 March 2024[8]	
	Total	For more than five years
0040 – Taxes on Sale, Trade, *etc.*	89.66	36.07

Source: Information furnished by the Deputy Commissioner of Taxes, Meghalaya, Shillong.

As seen from **Table 1.9**, recovery of ₹ 89.66 crore was pending against the principal head, which was 2.40 *per cent* of the State's own revenue collection amounting to ₹ 3,739.78 crore (Own Tax Revenue: ₹ 3,216.53 crore *plus* Non-Tax Revenue: ₹ 523.25 crore) for 2023-24. Revenue amounting to ₹ 36.07 crore (40.23 *per cent* of the total revenue arrears) was pending for recovery for more than five years which indicated that the chances of recovery were remote.

Table 1.10 presents the position of arrears of revenue recovery under the jurisdiction of each ST across various tax circles in Meghalaya as on 31 March 2024.

Table 1.10: Circle-wise arrears of revenue recovery during 2023-24

(₹ in crore)

STs (Circle)	Arrears of revenue collection as on 31.03.2024	Amount outstanding for more than five years	Reason for pendency
ST, Shillong (Circle I)	0.02	0.028	Reminder, notices served but dealers failed to comply.
ST, Shillong (Circle II)	1.70	0.06	Dealers failed to make payment on demand raised in spite of reminder notices served. Some dealers verbally appealed against assessment orders passed.
ST, Shillong (Circle III)	0.69	0.07	Reminders issued but dealers did not comply.
ST, Shillong (Circle IV)	0.18	0.00	-
ST, Shillong (Circle V)	0.02	0.01	Some of the taxpayers have closed their business and they are finding it difficult to clear the dues.
ST, Shillong (Circle VI)	1.09	0.04	Notices already served to the dealer for payment of arrear. Some cases have been sent to *bakijai* officer (Taxation).
ST, Shillong (Circle VII)	27.48	21.10	Non-compliance by taxpayers.
ST, Shillong (Circle VIII)	1.05	1.05	Taxpayers are untraceable. Recovery proceeding u/s 60 of MVAT Act was initiated, however, the dues could not be recovered.
ST, Shillong (Circle XIII)[9]	2.61	1.50	The office is doing its best to recover the arrears due.
ST, Nongpoh Circle	10.84	5.21	The office is doing its best to recover the arrears due.

[8] The Department previously reported the total outstanding amount as ₹ 82.00 crore, of which ₹ 34.00 crore was shown as pending for more than five years. The Department revised this position, citing computation errors and the updated figures are presented in the **Table 1.9**.

[9] Shillong, Non-resident circle.

STs (Circle)	Arrears of revenue collection as on 31.03.2024	Amount outstanding for more than five years	Reason for pendency
ST, Nongstoin Circle	0.31	0.00	MSL Non-functioning dealer.
ST, Jowai Circle	0.01	0.00	The Department is doing its best to recover the arrears due.
ST, Khliehriat Circle	0.91	0.84	The Department is doing its best to recover the arrears due.
ST, Tura (Circle I)	8.57	5.42	Mostly TDS, hence arrear is due to non-production of Treasury Challans.
ST, Tura (Circle II)	6.5	0.74	Dealers did not comply with the demand notice issued.
ST, Williamnagar Circle	27.68	0.00	The Department is doing its best to recover the arrears due.
Total:	**89.66**	**36.07**	**-**

Source: Information furnished by the Deputy Commissioner of Taxes, Meghalaya, Shillong.

A review of circle-wise arrears of revenue collection revealed significant disparities in recovery performance. ST, Shillong (Circle VII) reported the highest amount pending for over five years at ₹ 21.10 crore (58 *per cent* of the total arrears outstanding for more than five years), primarily due to non-compliance by taxpayers to pay the dues. Tura (Circle I) also recorded a substantial long-term arrear of ₹ 5.42 crore, largely attributed to non-submission of Treasury Challans related to TDS deductions.

In Shillong (Circle VIII), ₹ 1.05 crore remained unrecovered due to taxpayers being untraceable, even after recovery proceedings under Section 60 of the MVAT Act were initiated. Further, in Shillong (Circle V), the arrears were due to the taxpayers unable to pay the arrears due to business closure.

In other circles such as Shillong (Circles I, II, III and VI) and Tura (Circle II), the reported arrears were due to lack of compliance by the taxpayers despite notices and reminders having been served on them. While in Shillong (Circle XIII, Non-resident), Nongpoh and Khliehriat Circle, the Department stated that it was doing its best to recover the arrears.

This situation highlights the need for strengthened enforcement mechanisms, enhanced follow-up procedures and more effective legal action to ensure timely recovery and prevent further accumulation of arrears.

Recommendation: *To improve arrears recovery, the Department may adopt a circle-wise action plan with clear timelines, prioritising high-value and long-pending cases, especially in circles such as Shillong (VII) and Tura (I). Recovery proceedings may be fast-tracked and targeted drives launched for recent arrears involving traceable but non-compliant taxpayers.*

1.5 Pendency of Refund Cases

The MVAT Act stipulates that the interest at the rate of eight *per cent* per annum shall be paid if the refund is not processed 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 obligated to pay interest at a rate of six *per cent* per annum if any tax, which has been ordered to be refunded to the applicant is not refunded within 60 days from the date of receipt of the application.

The number of refund cases under Sales Tax/ Meghalaya Value Added Tax (MVAT) and State GST pending at the beginning of the year 2023-24, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2023-24 as reported by the Department are given in **Table 1.11.**

Table 1.11: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	2023-24			
		Sales Tax/VAT		State GST	
		No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	14	13.55	59	6.30
2	Claims received during the year	07	1.85	109	23.36
3	Refunds made during the year	17	3.59	46	9.97
4	Refunds rejected during the year	-	-	63	17.09
5	Balance outstanding at the end of the year	04	11.81	59	2.60

Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

As seen from **Table 1.11** above, during 2023-24, out of 21 pending refund cases involving ₹ 15.40 crore under the Sales Tax/MVAT, 17 cases (80.95 *per cent*) involving ₹ 3.59 crore were refunded. While under the State GST, 46 cases (27.38 *per cent*) involving ₹ 9.97 crore were refunded against the total of 168 pending cases involving refund claims of ₹ 29.66 crore.

The remaining four cases involving ₹ 11.81 crore under Sales Tax/MVAT and 59 cases involving ₹ 2.60 crore under the State GST were yet to be refunded at the end of the year (March 2024).

1.6 Details of evasion of tax detected by Department

The cases of evasion of tax detected by the Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. The details of evasion of tax detected during 2023-24 are given in **Table 1.12**.

Table 1.12: Evasion of Tax Detected

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31.03.2023	Cases detected during 2023-24	Total	No. of cases in which assessment/investigation completed and additional demand with penalty, *etc.* raised		No. of cases pending as on 31.03.2024
					No. of cases	Amount	
1.	0040 – Taxes on Sales, Trade	0	0	0	0	0	0
2.	0006 - SGST	53	59	**112**	69	2.67	43

Source: Information furnished by the Joint Commissioner of Taxes, Meghalaya, Shillong.

From **Table 1.12**, it is evident that in the fiscal year 2023-24, the Department identified 59 instances of tax evasion, bringing the total number of cases to 112, including those carried over from the previous year. Of the 112 cases, 69 were assessed/investigated, resulting in an additional demand of ₹ 2.67 crore. As of 31 March 2024, 43 cases remain unresolved.

1.7 Response of the Government/Department towards audit

The succeeding paragraphs discuss the response of the Departments/Government to audit.

1.7.1 Position of outstanding Inspection Reports

Upon conclusion of the audit pertaining to Government Departments and offices, the audit process yields Inspection Reports (IRs) that are subsequently disseminated to the respective heads of the offices. Additionally, copies of these reports are transmitted to their superior officers for the purpose of effecting corrective measures and ongoing monitoring. Instances of significant financial irregularities are promptly communicated to both the Heads of the Departments and the overarching governmental body for immediate attention and remedial action.

The summarised position of IRs issued during the year 2023-24, including those of previous years and their status as on 30 September 2024 are presented in **Table 1.13**:

Table 1.13: Position of IRs[10]

(₹ in crore)

Year	Opening balance			Addition[11]			Clearance[12]			Closing balance (as on 30 September 2024)		
	IR	Para	Value	IR	Para	Value	IR	Para	Value	IR	Para	Value
2019-20	374	1,647	3,435.27	55	476	1,888.23	12	166	241.04	417	1,957	5,082.46
2020-21	417	1,957	5,082.46	27	223	1,359.64	7	92	74.15	437	2,088	6,367.95
2021-22	437	2,088	6,367.95	8	75	358.08	12	102	157.90	433	2,061	6,568.13
2022-23	433	2,061	6,568.13	40	193	2,189.70	16	122	247.14	457	2,132	8,510.69
2023-24	457	2,132	8,510.69	18	137	150.48	18[13]	113	691.07	457	2,156	7,970.10

Review of IRs issued up to 31 March 2024 disclosed that 2,156 paragraphs involving money value of ₹ 7,970.10 crore relating to 457 IRs remained outstanding for want of replies or due to incomplete or unacceptable replies furnished by various Government departments.

1.7.2 Department wise position of outstanding Inspection Reports

Department-wise details of IRs, audit observations pending settlement as on 31 March 2024 and the amount involved are presented in **Table 1.14**.

[10] Figures of opening and closing balance of outstanding IRs and paras and their money value for the years 2019-20 to 2023-24 have been updated based on reconciliation of records.
[11] Up to 31 March 2024.
[12] Up to 30 September 2024.
[13] Includes 17 IRs and 92 Paras (₹ 673.59 crore) pertaining to the SSCAs on, (i) Refund claims under GST, (ii) Transitional Credit under GST, and (iii) Department's oversight on GST Payments and Returns Filing (Phase-I) which have already featured in the Audit Reports for the years ending 31 March 2020, 31 March 2022 and 31 March 2023 respectively.

Table 1.14: Department-wise Outstanding IRs and paragraphs

(₹ in crore)

Name of Department	Nature of receipts	2023-24		
		No. of outstanding		Money Value
		IRs	Audit Observations	
Excise, Registration, Taxation & Stamps	(a) Taxes on sales, trade, *etc.*	173	1061	2,920.85
	(b) SGST	0	0	0.00
	(c) State Excise	80	345	261.55
	(d) Stamps & Registration	30	61	10.11
	(e) State Lotteries	0	0	0.00
Forests & Environment	Forestry and wildlife	67	351	845.40
Transport	Taxes on motor vehicles	77	206	1,167.64
Mining and Geology	Mining receipts	30	132	2,764.55
Total		**457**	**2156**	**7970.10**

Further, in respect of 12 out of 24 Inspection Reports (IRs) issued during 2023-24, the initial response mandated to be submitted by the heads of offices within one month from the issuance of the IRs were not received as of October 2024. The delay in addressing these IRs may be attributed to the lack of proactive measures taken by the Heads of Offices and Heads of Departments to rectify the deficiencies, omissions, and irregularities highlighted by audit within the IRs.

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

1.7.3 Response of the Departments to the Draft Compliance Audit Paragraphs

The draft Compliance Audit Paragraphs (CAPs) are forwarded to the Secretaries of the Departments concerned through demi-official letters drawing their attention to audit findings and requesting them to send their response within four weeks. The fact of non-receipt of replies from the Departments is invariably indicated at the end of each paragraph included in the Audit Report of the Comptroller & Auditor General of India (CAG).

The draft audit paragraphs proposed to be included in the Report of the CAG on State Revenues of the Government of Meghalaya for the year ended 31 March 2024 were forwarded to the Secretaries of the Departments concerned between August 2024 and November 2024 to which replies received from Taxation and Forests and Environment Departments have been suitably incorporated in this Report.

1.7.4 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 in the Legislative Assembly, the Departments concerned should initiate action on the audit paragraphs. The Government should submit Action Taken Notes (ATNs) and Explanatory Notes (ENs) 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 had not been received as per the prescribed time schedule.

A total of 402 audit paragraphs, including Performance Audits (PAs), included in the Reports of the CAG for the years ended 31 March 2009 to 2022, were placed before the State Legislature between May 2010 and September 2023. The *Suo Motu* explanatory notes from the departments concerned are awaited in respect of 174 paragraphs, which constitute 43.28 *per cent* of the total audit observations (March 2024).

The PAC discussed 53 selected paragraphs[14] between April 2011 and March 2024 and its 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 2024) in respect of 14 recommendations made by the PAC as mentioned in **Table 1.15.**

Table 1.15: Outstanding ATNs

Year	Name of the Department	No. of ATNs awaited
2008-09	Sales Tax	11
2009-10	Sales Tax	02
2009-10	Stamps and Registration	01
Total		**14**

Source: 37th and 39th Reports of the PAC of Meghalaya for the years 2008-09 and 2009-10.

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/Government, action taken on the paragraphs included in the Audit Reports of the last five years on Stamps & Registration Department had been evaluated and results were included in this Audit Report. No Performance Audit of the Department had been conducted in the last five years.

1.8.1 Position of Inspection Reports of Stamps & Registration Department

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Stamps & Registration Department as on 30 September 2024 are presented in **Table 1.16.**

Table 1.16: Position of Inspection Reports of Stamps & Registration Department

(₹ in crore)

Year	Opening balance			Addition			Clearance			Closing balance		
	IR	Para	Value	IR	Para	Value	IR	Para	Value	IR	Para	Value
2019-20	24	45	16.25	3	9	0.67	0	3	12.72	27	51	4.20
2020-21	27	51	4.20	0	0	0.00	2	8	1.29	25	43	2.91
2021-22	25	43	2.91	0	0	0.00	0	3	0.59	25	40	2.32
2022-23	25	40	2.32	2	8	0.86	2	10	0.09	25	38	3.09
2023-24	25	38	3.09	5	23	7.02	0	0	0	30	61	10.11

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

As illustrated in **Table 1.16**, the clearance rate of IRs/Paras was significantly low. As on September 2024, 30 IRs and 61 Paras with collective objections valued at ₹ 10.11 crore, remain pending for clearance.

It is imperative that the Stamps & Registration Department takes prompt and decisive action to address the outstanding Inspection Reports and enhance the clearance rate.

1.8.2 Recovery in respect of Accepted Cases

The status of paragraphs pertaining to the Stamps & Registration Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered as on 31 March 2024 are mentioned in **Table 1.17**.

Table 1.17: Status of recovery of accepted cases

(₹ in crore)

Year of Audit Report	No. of paragraphs		No. of paragraphs		Amount recovered during the year
	Included	Money Value	Accepted	Money Value	
2018-19	1	0.39	--	--	0.22
2019-20	Nil	Nil	--	--	Nil
2020-21	Nil	Nil	--	--	Nil
2021-22					
2022-23	1	0.34	--	--	Nil
Total	**2**	**0.73**	**--**	**--**	**0.22**

Source: Reports of the C&AG of India (Revenue Sector) for the years ended 31 March 2019 to 31 March 2023.

In summary, the data presented in **Table 1.17** highlights a notable challenge in the Stamps & Registration Department's recovery efforts over the last five years (2019-2023). Despite a total value of ₹ 0.73 crore identified for recovery, only ₹ 0.22 crore (30.14 *per cent*) has been recovered. This disparity suggests a need to enhance recovery mechanisms to ensure more effective fiscal outcomes and to mitigate financial losses for the Stamps & Registration Department.

1.9 Audit Planning

Offices within various departments are classified into high, medium, and low-risk units, taking into consideration factors such as revenue position, historical trends of audit observations, and other relevant parameters. The formulation of the annual audit plan is based on risk analysis, which encompasses critical aspects of government revenues and tax administration, drawing insights from sources like budget speeches, white papers on State Finances, reports from the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical evaluation of revenue earnings over the past five years, features of tax administration, audit coverage, and its impact during the last five years.

During the year 2023-24, out of 165 auditable units, 24 units were audited (15 *per cent*).

1.10 Results of Audit

1.10.1 Position of local audits conducted during the year 2023-24

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 2023-24 revealed short/non-collection/loss of revenue, and evasion of tax amounting to ₹ 67.49 crore in 67 cases, which accounted for 1.80 *per cent* of the State's Own Resources. During the year 2023-24, the departments concerned accepted short/non-collection/loss of revenue of ₹ 21.94 crore in 24 cases.

Additionally, the audit process uncovered other irregularities[15] pertaining to compliance issues with monetary value of ₹82.99 crore across 70 cases. Subsequently, ERTS and Forests & Environment Department accepted 18 cases amounting to ₹ 23.84 crore.

During the fiscal year 2023-24, the respective departments successfully recovered a total sum of ₹ 26.15 crore from the amounts held under audit objection pertaining to 22 cases. This encompasses amounts from objections related to years preceding 2023-24.

1.11 Coverage of this Report

The audit identified significant weaknesses in the internal controls of revenue generating departments, which hindered detection of shortfalls, non-payments, tax evasion, and other irregularities, including the non-levy of taxes, fees, and royalties. Additionally, there was no effective system in place for exchange of information or coordination among departments for cross-verification of records to identify evasion of government dues. The audit also found instances of inadequate assessment of returns, misapplication of the provisions of Acts, Rules, and Government directives, among other issues.

This report contains two Performance Audits (PAs) and two Subject-Specific Compliance Audits (SSCAs), namely:

(i) PA on E-Waybill System under Goods and Services Tax,

(ii) PA on Functioning of Regional Transport Offices (RTOs),

(iii) SSCA on Department's Oversight on GST Payments and Returns Filing (Phase II), and

(iv) SSCA on District Mineral Foundation (DMF) Fund in Meghalaya.

Additionally, the report includes four Compliance Audit Paragraphs (CAPs) derived from test audits conducted by the Office of the Principal Accountant General (Audit) Meghalaya during the year 2023-24. The total financial impact identified in the aforementioned report materials stands at ₹ 563.51 crore. Paragraphs from 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.

[15] Production of IMFL and beer without affixing holograms, absence of land valuation for stamp duty calculation, under reporting by forest check-gates, non-submission of UCs, unadjusted advances, *etc*.