

## CHAPTER V : REVENUE RECEIPTS

### 5.1 General

#### 5.1.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Meghalaya during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given below:

**Table 5.1**

Sl. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05
		(Rupees in crore)				
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue <sup>(a)</sup>	118.62	135.98	144.87	177.68	207.73
	• Non tax revenue	86.66	94.09	92.78	128.95	133.49
	<b>Total : I</b>	<b>205.28</b>	<b>230.07</b>	<b>237.65</b>	<b>306.63</b>	<b>341.22</b>
<b>II.</b>	<b>Receipts from Government of India</b>					
	• State's share of divisible Union taxes	164.20	164.83	176.11	225.08	269.04
	• Grants in aid	762.68	728.48	875.17	867.12	935.87
	<b>Total : II</b>	<b>926.88</b>	<b>893.31</b>	<b>1,051.28</b>	<b>1,092.20</b>	<b>1,204.91</b>
<b>III.</b>	<b>Total revenue receipts of the State Government</b>	<b>1,132.16</b>	<b>1,123.38</b>	<b>1,288.93</b>	<b>1,398.83</b>	<b>1,546.13</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>18.13</b>	<b>20.48</b>	<b>18.44</b>	<b>21.92</b>	<b>22.07</b>

The position of non plan grants given to the State by Government of India during the five year period ending March 2005 is as under:

**Table 5.2**

(Rupees in crore)

Year	Amount of non plan grants
2000-01	320.31
2001-02	317.17
2002-03	407.74
2003-04	329.33
2004-05	360.82

<sup>(a)</sup> Excluding share of net proceeds of taxes and duties assigned to State.

The share of non plan grants during 2004-05 was 38.55 *per cent* of the total grants in aid received from the Government of India. Compared to 2000-01, non plan grants of the State increased by about 13 *per cent* mainly due to increase in the receipt of grants by the state to cover deficit on non plan revenue account from Rs.304.70 crore in 2003-04 to Rs.321.83 crore in 2004-05.

The details of tax revenue during the year 2004-05 along with the figures for the preceding four years are given below:

**Table 5.3**

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.(a)	Sales tax	32.95	59.78	71.67	83.37	106.35	28
(b)	Central sales tax	31.76	21.11	15.53	26.76	19.84	(-) 26
2.	State excise	41.09	41.69	44.95	52.80	62.70	19
3.	Stamps and registration fees	3.01	3.49	2.95	3.37	4.56	35
4.	Taxes and duties on electricity	0.46	0.01	0.02	0.03	0.03	...
5.	Taxes on vehicles	4.66	4.72	4.62	5.52	7.45	35
6.	Taxes on goods and passengers	1.42	1.61	1.63	2.02	2.66	32
7.	Other taxes on income and expenditure – Taxes on professions, trades, callings and employments	0.38	0.90	0.92	0.97	1.02	5
8.	Other taxes and duties on commodities and services	1.79	2.00	2.26	2.35	2.83	20
9.	Land revenue	1.10	0.67	0.32	0.49	0.29	(-) 41
		<b>118.62</b>	<b>135.98</b>	<b>144.87</b>	<b>177.68</b>	<b>207.73</b>	

Increase under serial 1, 2 & 3 above was mainly due to more receipt under state sales tax, increase in state excise on sale of foreign liquor and spirits and under Court fee on stamps respectively. Reasons for variations under other heads of revenue though called for (November 2005) have not been furnished (December 2005).

- The details of the major non tax revenue raised during the year 2004-05 along with the figures for the preceding four years are given below:

**Table 5.4**

(Rupees in crore)

Sl. No.	Head of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04
1.	Interest receipts	9.26	5.26	4.66	5.61	7.75	38
2.	Dairy development	0.71	0.97	1.09	1.18	1.25	6
3.	Forestry and wild life	5.44	7.82	8.56	11.77	14.62	24
4.	Non ferrous mining and metallurgical industries	50.22	63.36	56.11	86.18	90.26	5
5.	Miscellaneous general services (including lottery receipts)	1.15	0.57	6.18	8.55	4.22	(-) 51
6.	Education, sports, arts and culture	0.55	0.62	0.76	0.80	0.45	(-) 44
7.	Medical and public health	0.33	0.41	0.55	0.62	0.61	(-) 2
8.	Co operation	0.02	0.46	1.13	0.84	0.56	(-) 33
9.	Public works	3.62	4.16	3.63	3.66	5.10	39
10.	Police	1.89	1.41	1.53	1.42	2.26	59
11.	Other administrative services	1.10	4.11	3.41	0.91	0.75	(-) 18
12.	Other agricultural programme	0.42	0.32	0.72	0.69	0.49	(-) 29
13.	Crop husbandry	2.33	1.71	1.40	1.57	1.76	12
14.	Animal husbandry	1.10	1.04	1.09	1.23	1.22	(-) 1
15.	Others	8.52	1.87	1.96	3.92	2.19	(-) 44
		<b>86.66</b>	<b>94.09</b>	<b>92.78</b>	<b>128.95</b>	<b>133.49</b>	

Increase under serial 3 and 4 was mainly due to more receipts under other receipts and mineral concession fees. Shortfall in receipts under the head mentioned at serial 5 was mainly due to less receipts under state lotteries. Reasons for variations in respect of other heads of revenue though called for (November 2005) have not been furnished (December 2005).

### 5.1.2 Commitments made in budget speech

Following commitments made by Finance Minister in the budget speech for the year 2004-05 remained unfulfilled;

- computerisation of the tax administration to ensure that all eligible dealers are brought under tax net, they file return regularly and to enhance the capability of monitoring the tax administration to the desired extent.
- conducting surprise inspection by vigilance squad to plug loopholes and to initiate action for online assessment of revenue collection.

To mobilise additional resources during 2004-05 it was committed in the budget speech that cess of Rs.10 per tonne of limestone and coal would be imposed to generate additional resources for the development of education and maintenance of State roads. But no action was initiated for fulfilment of these commitments (November 2005).

### 5.1.3 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2004-05 in respect of principal heads of tax and non tax revenue are given below:

**Table 5.5**

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Land revenue	0.44	0.29	(-) 0.15	(-) 34
2.	Sales tax	108.00	126.19	18.19	17
3.	State excise	78.00	62.70	(-) 15.30	(-) 20
4.	Stamps and registration fees	4.20	4.56	0.36	09
5.	Taxes and duties on electricity	0.32	0.03	(-) 0.29	(-) 91
6.	Taxes on vehicles	6.30	7.45	1.15	18
7.	Forestry and wildlife	9.40	14.62	5.22	56
8.	Non ferrous mining and metallurgical industries	88.88	90.26	1.38	2
9.	Taxes on goods and passengers	4.40	2.66	(-) 1.74	(-) 40

The Taxation and the Forest departments stated in October and November 2005 that variations were due to collection of more revenue than the targets fixed by Government. The other departments have not furnished the reasons for variations (November 2005) though called for (October 2005).

#### 5.1.4 Cost of collection

The gross collection under principal revenue receipt heads, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2002-03 to 2004-05 along with all India average percentage of expenditure on collection to gross collection for 2003-04 were as under:

**Table 5.6**

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2003-04
1.	Sales tax	2002-03	87.20	2.36	2.71	-
		2003-04	110.13	2.48	2.25	1.15
		2004-05	126.28	2.73	2.16	-
2.	State excise	2002-03	44.95	2.99	6.65	-
		2003-04	52.80	Awaited	Awaited	3.81
		2004-05	62.70	Awaited	Awaited	-
3.	Taxes on vehicles	2002-03	4.62	2.00	43.29	-
		2003-04	5.52	1.78	32.25	2.57
		2004-05	7.45	2.13	28.59	-

It is evident that the costs of collection under the above mentioned heads of revenue were much higher than the all India average.

### 5.1.5 Collection of sales tax per assessee

**Table 5.7**

(Rupees in crore)

Year	Number of assessees	Sales Tax revenue	Revenue/assessee
2000-01	5442	64.71	0.012
2001-02	5875	80.89	0.014
2002-03	5883	87.20	0.015
2003-04	14696	110.14	0.007
2004-05	15398	126.28	0.008

It would be observed that the revenue per assessee during the period 2000-01 to 2004-05 varied from Rs.0.007 crore to Rs.0.015 crore.

### 5.1.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2004-05, cases due for assessment during the year and cases pending finalisation at the end of the year 2004-05 as furnished by the Department in respect of sales tax, purchase tax and taxes on motor spirits are as under:

**Table 5.8**

Names of tax	Opening balance of cases pending assessment	Cases due for assessment during the year	Total assessment due	Cases finalised during the year	Balance cases pending at the end of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales tax/Central sales tax/Luxury tax	82,882	24,105	1,06,987	7,344	99,643	7
Motor spirits tax	2,902	523	3,425	208	3,217	6
<b>Total</b>	<b>85,784</b>	<b>24,628</b>	<b>1,10,412</b>	<b>7,552</b>	<b>1,02,860</b>	<b>7</b>

It would appear from above that the percentage of final assessments ranged between six and seven *per cent* of the total assessments due up to 2004-05. Government had not fixed any norm quantifying the number of assessments to be completed by each assessing officer during a particular period.

### 5.1.7 Arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs.38.45 crore of which Rs.33.23 crore was outstanding for more than five years as detailed in the table below:

**Table 5.9**

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than five years as on 31 March 2005
1.	Sales tax	22.23	18.72
2.	Purchase tax	1.68	1.68
3.	Motor spirits	0.66	0.31
4.	Electricity duty	1.43	1.43
5.	Amusement and Betting tax	1.18	1.10
6.	Passengers and goods tax	0.91	0.03
7.	Geology and mining	8.74	8.73
8.	Environment and forests	1.62	1.23
	<b>Total</b>	<b>38.45</b>	<b>33.23</b>

Particulars of arrears of revenue as on 31 March 2005 in respect of State excise and motor vehicles taxes though called for have not been received (November 2005).

### 5.1.8 Results of audit

Test check of records of sales tax, state excise, motor vehicles tax, other tax receipts, forest receipts and other non tax receipts conducted during the year 2004-05 revealed underassessment/short levy/non levy/loss of revenue amounting to Rs.182.91 crore in 151 cases. During the course of the year the departments accepted underassessments, short/non levy/loss of revenue of Rs.19.27 crore in 81 cases pointed out during 2004-05 and in earlier years, and recovered Rs.0.30 crore. Reply has not been received in respect of the remaining cases.

This chapter contains 23 paragraphs involving Rs.83.32 crore. The departments/Government have accepted 17 cases involving Rs.23.02 crore of which Rs.0.24 crore had been recovered up to November 2005 and seven cases involving Rs.3.50 crore had not been accepted. Replies have not been received in respect of two paragraphs (November 2005).

### ***5.1.9 Failure of senior officials to enforce accountability and protect interest of Government***

Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong conducts periodic inspection of various offices of Government departments to test check the correctness of assessments, levy and collection of tax and non tax receipts, and verify the maintenance of accounts and records as per Acts, Rules and procedures prescribed by Government. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the Government/Head of the Department by the Office of the Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong. A half yearly report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through intervention of Government.

Inspection reports issued up to December 2004 pertaining to offices under sales tax, state excise, land revenue, motor vehicles tax, passengers and goods tax, other taxes, forest, geology and mining departments disclosed that 894 objections relating to 182 IRs involving money value of Rs.1,274.83 crore remained outstanding for settlement at the end of June 2005. Of these 74 IRs containing 189 observations involving money value of Rs.13.52 crore had not been settled for more than five years. The year wise position of old outstanding IRs and paragraphs is given in *Appendix XXXVII*.

In respect of 70 paragraphs relating to 26 IRs involving money value of Rs.163.64 crore issued up to March 2005, even first reply required to be received from the Department/Government has not been received (November 2005).

Report regarding position of old outstanding IRs/paragraphs was reported to Government in July 2005; reply has not been received (November 2005).

### ***5.1.10 Response of the departments to draft paragraphs***

The draft paragraphs are forwarded to the secretaries of the concerned departments through demi official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non receipt of replies from the departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Out of 23 audit paragraphs included in this chapter, the secretaries of the concerned departments did not send replies to two paragraphs in compliance to the request (between June and September 2005) of audit (November 2005).

As such these paragraphs have been included without the response of Government.

### 5.1.11 Follow up on Audit Report – Summarised position

To ensure accountability of the executive in respect of all the issues dealt with in the various Audit Reports, the Public Accounts Committee (PAC) issued instructions in 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 six weeks up to 32<sup>nd</sup> Report and six months in the 33<sup>rd</sup> Report.

Review of outstanding ATNs as of November 2005 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed as under:

- The departments of the state Government had not submitted *suo motu* explanatory notes on 154 paragraphs of Audit Reports for the years from 1992-93 to 2003-04 in respect of revenue receipts.

**Table 5.10**

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/ reviews included in the Audit Report		Number of paragraphs/reviews for which <i>suo motu</i> replies are awaited	
		Para-graphs	Reviews	Para-graphs	Reviews
1992-93	16 September 1994	6	...	6	...
1993-94	08 September 1995	8	...	...	...
1994-95	29 September 1996	10	...	4	...
1995-96	07 April 1997	14	2	3	2
1996-97	12 June 1998	21	1	17	1
1997-98	09 April 1999	8	1	1	...
1998-99	12 April 2000	8	1	8	1
1999-2000	07 December 2001	23	2	22	2
2000-01	01 April 2002	20	1	18	1
2001-02	20 June 2003	25	...	8	...
2002-03	11 June 2004	30	1	30	1
2003-04	14 October 2005	29	...	29	...
<b>Total</b>		<b>202</b>	<b>9</b>	<b>146</b>	<b>8</b>

- 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 their 16<sup>th</sup> to 33<sup>rd</sup> Reports presented before the State Legislature between December 1988 and June 2000, as detailed below:

**Table 5.11**

<b>Year of Audit Report</b>	<b>Number of paragraphs on which recommendations were made by PAC but ATNs are awaited</b>	<b>Number of PAC Report in which recommendations were made</b>
1982-83	2	16 <sup>th</sup>
1984-85	9	26 <sup>th</sup> 19 <sup>th</sup>
1987-88	1	26 <sup>th</sup>
1988-89	1	20 <sup>th</sup>
1989-90	1	20 <sup>th</sup>
1990-91	11	26 <sup>th</sup> 20 <sup>th</sup>
1991-92	3	26 <sup>th</sup> 20 <sup>th</sup>
1997-98	1	33 <sup>rd</sup>
<b>Total</b>	<b>29</b>	

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

## PARAGRAPHS

### EXCISE DEPARTMENT

#### **5.2 Non realisation of share of licence fee from country spirit vends under local chiefs**

**Failure of the Department to realise 50 per cent share of licence fee from 466 country spirit vends under the local chiefs led to non realisation of revenue of Rs.5.83 lakh.**

Government of Meghalaya, Excise Department through notification of July 1975 appointed Syiems, Lyngdohs and other local chiefs as excise officers and authorised them to issue licence for manufacture and sale of country spirit within their respective “*elakas*” (territories). Further, 50 per cent licence fee collected from the licencees by the above officials could be retained by them and the balance 50 per cent was to be deposited with Government.

Mention was made in para 5.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004, Government of Meghalaya about non-realisation of 50 per cent Government share of licence fee in respect of 466 manufacturers cum sellers of country spirit functioning under five syiems, two lyngdohs and two sirdars in East Khasi Hills District for the period up to March 2004. Test check of records of the Commissioner of Excise, Meghalaya, Shillong in May 2004 further revealed that 50 per cent Government share of licence fee in respect of these country spirit vends payable in April 2004 for the year 2004-05 was neither paid by the local chiefs nor was any action initiated by the Department to realise the same. This resulted in non realisation of revenue of Rs.5.83 lakh.

After this was pointed out between June 2004 and July 2005, Government while admitting the facts stated *inter alia* in October 2005 that the power conferred on local chiefs to act as excise officers is proposed to be revoked. The report on revocation and recovery has not been received (November 2005).

## FOREST AND ENVIRONMENT DEPARTMENT

### 5.3 Non levy of penalty

**Penalty of Rs.54.41 crore was not realised from 4,955 offenders for unauthorised occupation of 6,584.4949 hectares of land in reserve forests.**

Under Section 72(c) of the Assam Forest Regulation (AFR) 1891 (as amended in December 1971) and Rules framed thereunder (adopted by Government of Meghalaya with all amendments made before 21 January 1972), if any person unauthorisedly occupies any land in a reserve forest in which he has not been allowed to settle, the divisional forest officer (DFO) shall eject or order him to vacate the land forthwith and confiscate or destroy any crops raised and any building constructed on such land. Further, the Rules provide that if any person intentionally disobeys such order to vacate the forest land, he shall be liable to pay penalty which may extend up to Rs.200 and if such disobedience is continued, he shall be liable to pay further penalty which may extend to Rs.50 per day during the period such breach continues.

Test check of records of the Principal Chief Conservator of Forests (PCCF), Meghalaya, Shillong in January 2005 revealed that 4,955 persons unauthorisedly occupied 6,584.4949 hectares of land in reserve forests under the jurisdiction of DFOs, Shillong, Jowai and Tura prior to 1999. Immediate action was to be initiated to evict the encroachers from the forest land as required under the above provisions. Instead, the concerned DFOs served notices between January 1999 and March 2001 on the encroachers for vacating the forest land without confiscating or destroying any crops raised or any building constructed. The encroachers instead of complying with the notices continued to occupy the aforesaid forest land unauthorisedly till the date of audit (January 2005). For such violation, penalty was to be levied as per Rules.

The Department did not initiate any further action either to evict the encroachers or to levy penalty as required under the Rules. This resulted in non levy of maximum penalty of Rs.54.41 crore.

After this was pointed out in March and September 2005, the PCCF stated *inter alia* in October 2005 that the Rules framed under Section 72(c) of the AFR, 1891 is not applicable in Meghalaya since the same was applicable in Assam with effect from 30 May 1973 whereas the Government of Meghalaya had adopted the provisions of AFR with Rules framed by Assam prior to 21

January 1972. The reply is not tenable as the Rules framed under Section 72 (c) of AFR were applicable in Assam with effect from December 1971, i.e prior to January 1972 and not from May 1973 as contended.

The matter was reported to Government between March and September 2005. Government endorsed (November 2005) the views of the PCCF.

#### **5.4 Unauthorised lifting of forest produce**

**Sand, stone and timber were unauthorisedly allowed to be extracted/lifted by the Public Works Department and the Forest Development Corporation of Meghalaya on part payment of Rs.1.19 crore against full royalty of Rs.2.04 crore.**

Under the Meghalaya Forest Regulation, 1973, no forest produce shall be extracted/lifted from forest area unless written permission is granted by the Forest Department on realisation of royalty in full. The rates of royalty on sand, stone and different classes of timber varies from Rs.30 to Rs.8,107 per cum.

Test check of records of the DFO, Jowai revealed that contractors of two public works divisions\* were allowed to extract and utilise sand and stone in the works on payment of royalty of Rs.1.17 crore against royalty payable of Rs.1.60 crore between 2000-01 and 2003-04. The balance royalty of Rs.43 lakh was neither paid by the contractors of these divisions nor was the same levied and collected by the Forest Department as required under the Forest Act.

Similarly, test check of records of the DFOs, Tura and Shillong revealed that Forest Development Corporation of Meghalaya (FDCM) was allowed to lift timber of mixed species on part payment of Rs.2.19 lakh (Tura : nil, Shillong: Rs.2.19 lakh) against payable royalty of Rs.44.06 lakh (Tura : Rs.35.37 lakh; Shillong : Rs.8.69 lakh) between May 2001 and August 2004. The balance royalty of Rs.41.87 lakh (Tura : Rs.35.37 lakh; Shillong : Rs.6.50 lakh) was neither paid by the FDCM nor was any action initiated by the Forest Department to realise the same as required under the Forest Act. This led to irregular allowance of lifting of timber without full payment of royalty.

After this was pointed out between November 2004 and February 2005, the DFO, Jowai stated in May 2005 that Rs.12.47 lakh had been realised. The

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\* PWD (Roads) South Jowai Division and PWD (Roads) Jowai Central Division.

PCCF stated in October 2005 that records of the concerned public works divisions would be scrutinised and they would be asked to pay the balance amount. As regards recovery of dues from FDCM it was stated that bills were raised for payment of dues. The report on recovery has not been received (November 2005).

The cases were reported to Government between November 2004 and June 2005. Government endorsed (November 2005) the views of the PCCF.

### **5.5 Short realisation of royalty**

**Incorrect application of rate on 64,425.029 cum of sand, 4,40,346.169 cum of stone and 12,512.808 cum of clay led to short realisation of royalty of Rs.1.85 crore.**

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 clay, sand and stone from Rs.16, Rs.20 and Rs.40 to Rs.32, Rs.30 and Rs.80 per cubic meter (cum) respectively with immediate effect.

Cross check of records of 13 user agencies\* with those of the DFO, Jowai and Shillong disclosed that 64,425.029 cum of sand, 4,40,346.169 cum of stone and 12,512.808 cum of clay were extracted and utilised in works by the contractors between December 2000 and December 2003. However, the user agencies realised royalty of Rs.1.91 crore at prerevised rate from the contractors' bills instead of Rs.3.76 crore at revised rate. The differential royalty was neither collected by the user agencies nor was any action initiated by the DFOs to recover the same. This resulted in short realisation of royalty of Rs.1.85 crore.

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\* (1) Meghalaya State Warehousing Corporation Limited, Shillong (2) Executive Engineer (EE) Public Health Engineering, Greater Shillong Water Supply Division, Mawphlang, (3) EE Public Works Department (PWD) (Roads), National Highway (NH) Bye Pass Division, Shillong. (4) EE Mawsynram PWD (Roads), Division (5) EE NH PWD (Roads) Division, (6) EE Shillong South PWD (Roads) Division, (7) EE Mairang PWD (Roads) Division, (8) EE Shillong Central Public Works Department (CPWD) (Roads) Division, (9) EE PWD (Roads) South Jowai Division, Jowai (10) EE PWD (Roads) North Jowai Division, Jowai (11) EE PWD (Roads) North Eastern Council Division, Jowai (12) EE Jowai CPWD (Roads) Division (13) Additional Chief Engineer (Civil), Myntdu, Leshka Hydro Electric Project, MeSEB, Jowai.

After this was pointed out in December 2004 and June 2005, the PCCF stated in October 2005 that the user agencies were liable for such short realisation and they would be impressed upon to realise the balance amount. Further report on recovery has not been received (November 2005).

The matter was reported to Government between December 2004 and June 2005. Government endorsed (November 2005) the views of the PCCF.

## **5.6 Loss of revenue due to illicit removal of timber**

**Illegal felling and removal of 144.288 cum timber from the State reserve forests led to loss of revenue of Rs.7.60 lakh.**

Under the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, if any person fells and removes trees from the state reserve forest without written permission of the Forest Department, he shall be liable for imprisonment for a term which may extend to six months or with fine which may extend to Rs.500 or with both. In order to prevent illegal felling and removal of timber, forest protection force is deployed and check gates are erected at vital points of reserve forests by the Forest Department.

Test check of records of DFO, Tura revealed in September 2004 that 324 trees of mixed species measuring 220.208 cum were illegally felled by miscreants from reserve forest under five ranges\* of the division between February 2003 and March 2004. The divisional authority was, however, able to recover only 75.920 cum of timber from the forest and the balance 144.288 cum of timber was removed by the miscreants. The forest protection force deployed to keep vigil on the forest produces failed to prevent the illegal felling and removal of such a large number of trees from the reserve forests by miscreants which indicated poor surveillance of forest resources. This resulted in loss of revenue of Rs.7.60 lakh.

After this was pointed out in November 2004 and July 2005, the PCCF stated in October 2005 that illicit removal of trees from scattered and extensive reserve forests particularly from those adjoining Assam and Bangladesh is an inevitable phenomenon and therefore, unavoidable. The reply is not tenable as the contention of the PCCF is contrary to the provisions of the Acts and Rules which require extensive patrolling by forest protection force to prevent such illicit felling and removal of trees.

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\* Southern Range, Kharkutta, Dainadubi, Angratali and Darugiri.

The matter was reported to Government in November 2004 and July 2005. Government endorsed (November 2005) the views of the PCCF.

### **5.7 Loss of revenue due to delay in disposal of timber**

**Delay in disposal of 138.164 cum of timber led to loss of revenue of Rs.5.52 lakh.**

Under the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, when there is reason to believe that a forest offence has been committed in respect of any forest produce, such produce shall be seized and transported to the notified place for safe custody immediately after reporting to the Court and to the superior authority for disposal. Further, timber of soft and hard wood species loses its value due to deterioration if not disposed of within 10 to 12 months and three years of its felling respectively.

Test check of records for the period April 1999 to March 2004 of DFO, Tura in August 2004 revealed that 138.164 cum of timber of mixed wood species was seized from forest areas of Simsangiri range and Tura forest beat between 1999-2000 and 2001-02. Thereafter, the timber was kept in lots exposed to the vagaries of nature in forest floor without reporting the cases to the court and to the higher authority for immediate disposal. No action was initiated by the divisional authority for disposal of the timber except allotment of 12.2 cum of timber to FDCM from Tura beat in 1999-2000, but the FDCM rejected the allotted timber due to its poor condition. As the timber was of mixed wood species it had lost its commercial value due to exposure to the vagaries of nature. Thus, delay in disposal of the timber led to loss of revenue of Rs.5.52 lakh.

After this was pointed out between November 2004 and July 2005 the PCCF stated in October 2005 that there was no better means to stock the timber. As such the loss was unavoidable which would be written off soon. The reply is not tenable as the loss was due to delay in disposal of the timber which could have been avoided had the Department reported the case to the Court and higher authority.

The matter was reported to Government in November 2004 and July 2005. Government endorsed (November 2005) the views of the PCCF.

## MINING AND GEOLOGY DEPARTMENT

### 5.8 Incorrect application of rate

**Incorrect application of rate on 19,239 tonne of coal led to short realisation of royalty of Rs.9.02 lakh inclusive of penalty.**

Under Section 9(3) of the Mines and Minerals (Development and Regulation) Act, 1957, Government of India (GOI) is empowered to enhance/reduce the royalty on any mineral. Further, the Director of Mineral Resources, Meghalaya, notified in 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 rate of 25 *per cent* of royalty should be collected at the mineral check gate in addition to the royalty on the quantity of coal on which advance royalty was not paid.

GOI, Ministry of Coal and Mines enhanced in August 2002 the rate of royalty on run of mine coal\* from Rs.120 to Rs.165 per tonne with effect from 16 August 2002. Though revised rate was applicable from the date notified by GOI, the Government of Meghalaya, Mining and Geology Department notified the applicability of the revised rate with effect from 2 June 2003.

Test check of records for the year 2003-04 of Mookyndur mineral check gate under the divisional mining officer, Jowai revealed in November 2004 that different coal traders deposited advance royalty of Rs.19.19 lakh to transport 15,990 tonne of coal at prerevised rate between 2 and 4 June 2003 and transported 19,239 tonne of coal. Royalty including penalty on differential quantity of 3,249 tonne of coal was, however, collected at the check gate at prerevised rate instead of revised rate. This resulted in short realisation of royalty and penalty of Rs.9.02 lakh.

The matter was reported to the Department and Government in February and July 2005; reply has not been received (November 2005).

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\* Coal extracted from mine/quarry either manually or mechanically.

## POWER DEPARTMENT

### 5.9 Loss of revenue

**Loss of revenue of Rs.14.28 lakh due to non conducting periodical inspections.**

Indian Electricity Rules, 1956 as adopted by Government of Meghalaya provides that when any installation is connected to the supply system of the supplier, every such installation shall be periodically inspected and tested at intervals not exceeding five years either by the inspectors or officers appointed to assist the inspectors or by the suppliers as may be directed by the State Government. Government of Meghalaya, Power Department vide notification dated 20 September 2001 prescribed periodical inspection fees at Rs.7.50, Rs.30 and Rs.25 per installation in respect of inspection of domestic, commercial and industrial inspection respectively.

Test check of records of Inspectorate of Electricity, Meghalaya, Shillong in March 2005 revealed that as on March 2000 there were 1,45,828 consumers of electricity in the State (including 1,27,396 domestic, 14,980 commercial and 920 industrial consumers). Scrutiny further revealed that no periodical inspection had ever been carried out even though there was one senior electrical inspector, one assistant electrical inspector and two electrical testers in the inspectorate to carry out the periodical inspections. This was not only a violation of the rules, but could also have endangered human life and property as the electricity connections remained unchecked. Besides, Government suffered a loss of Rs.14.28 lakh being fees for a five year period commencing from 1999-2000.

After this was pointed out in May 2005, Government stated in September 2005 that the inspection was not mandatory and that existing manpower was not sufficient to carry out such inspection. The reply is not in consonance with the provisions of the Rules.

## STAMPS AND REGISTRATION DEPARTMENT

### 5.10 Incorrect exemption of stamp duty

#### **Incorrect exemption from levy of stamp duty led to short realisation of stamp duty of Rs.2.71 lakh.**

Under IS Act, stamp duty for registration of conveyance deed for transfer of ownership of land shall be paid by the purchaser in the absence of any agreement between the purchaser and the seller. Government of Meghalaya, Stamps and Registration Department 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 members of schedule castes/tribes.

Test check of records of DR/SR, Ri-Bhoi district, Nongpoh, in March 2004 revealed that 16 plots of land were purchased by various firms/companies/societies from local tribes without any agreement between May 1999 and May 2003. The conveyance deeds for transfer of ownership of these plots of land were registered in favour of the purchasers on realisation of 50 *per cent* stamp duty. Since these firms/companies/societies did not fall under the category of schedule castes/tribes, the incorrect exemption allowed resulted in short realisation of stamp duty of Rs.2.71 lakh.

After this was pointed out in July 2004, Government stated in October 2005 that Rs.1.34 lakh was realised from 13 purchasers and demand notices were served on the remaining purchasers for payment of the balance amount of Rs.1.37 lakh. The report on recovery has not been received (November 2005).

## TAXATION DEPARTMENT

### **5.11 Irregular removal of India made foreign liquor(IMFL)/beer without payment of sales tax**

**Twelve dealers were irregularly allowed to sell 12.22 lakh cases of IMFL/beer from bonded warehouses without payment of sales tax of Rs.18.76 crore.**

As per the Meghalaya Finance (Sales Tax) Act, as amended on 31 December 1999, IMFL/ beer is taxable at the rate of 20 *per cent* (prepaid) at the point of first sale in the state. Since the element of tax is a prepaid one, it has to be realised in advance from retailers before removal of IMFL/beer from the bonded warehouses.

Further, under Section 16 of the Meghalaya Sales Tax Act and Rules framed thereunder, every registered dealer is required to file prescribed return along with payment of admitted tax within 30 days of the close of each quarter. If the dealer fails to file such return along with payment of admitted tax despite notices, the assessing officer shall complete the assessment on best judgement basis.

Test check of records of the Commissioner of Excise, Shillong and the Joint Commissioner of Excise, Tura between June 2003 and September 2004 revealed that 11 warehouse bonders sold 12.22 lakh cases of IMFL/beer valued at Rs.93.81 crore during April 2002 to March 2004. The advance tax realisable before sale/lifting of IMFL/beer from the warehouses was not realised. Cross check of records of three sales tax unit offices at Shillong, Byrnihat and Tura during June 2003 and September 2004 revealed that these dealers did not file any return along with payment of admitted tax. The assessing officers also did not initiate any action to assess the dealers on best judgement basis for realisation of tax as required under the Act. Thus, failure to realise tax in advance before lifting/sale of liquor from the warehouses as well as non initiation of any action to assess the dealers on best judgement basis led to loss of revenue of Rs.18.76 crore.

After this was pointed out between December 2003 and November 2004, Government stated in October 2005 that 20 *per cent* tax (prepaid) on IMFL could not be realised due to administrative problems and inconvenience. The reply also added that with the implementation of value added tax it was notified in August 2005 to collect 20 *per cent* tax on the cost of IMFL on prepaid basis with immediate effect. The reply is, however, silent about recovery of dues for the earlier period.

## 5.12 Short levy of interest

**Interest of Rs.3.98 crore due from four dealers could not be recovered due to non-inclusion of up to date interest in the requisition sent to the bakijai officer.**

Under the provision of Meghalaya Sales Tax Laws (MST Laws), where a dealer is in default, the amount due shall be recoverable as an arrear of land revenue. The Act further provides that where an order is passed under the provision of the Act *ibid*, in respect of any dues, any interest related to the same dues up to the date of such order and any further interest accruing after such date shall also be recovered in the course of proceedings initiated in accordance with the provision of the Act *ibid*, in respect of the said dues.

Test check of records of the Superintendent of Taxes (SOT), Purchase Tax Circle, Shillong in January 2005 revealed that an amount of Rs.1.95 crore in respect of three dealers pertaining to the period from April 1993 to March 1998 was included in the requisitions sent between February 2002 and August 2004 to the bakijai officer (BO) <sup>1</sup> to recover the amount as an arrear of land revenue without incorporating the up to date interest leviable thereon as on the date(s) of requisition. The interest of Rs.2.96 crore further leviable in these cases became irrecoverable due to non inclusion of the amount in the requisitions sent by the assessing officer.

Similarly, test check of records of the SOT, Nongpoh revealed in June 2004 that an amount of tax of Rs.74.78 lakh in respect of a dealer for the period between April 1991 and March 1995 was included in the requisition sent in December 2003 to the BO to recover the dues as arrears of land revenue. The assessing officer, included interest of Rs.66.69 lakh on the aforesaid dues in the requisition instead of Rs.1.69 crore leviable up to the date of referring (December 2003) the case to the BO. Thus, differential amount of Rs.1.02 crore was demanded short due to incorrect levy and inclusion of interest by the assessing officer.

After this was pointed out between August 2004 and July 2005, Government while admitting the facts stated in October 2005 that interest in one case was recalculated and a revised requisition had been sent to BO. The report on recovery in this case was awaited (November 2005). In respect of the remaining cases it was stated that interest had to be recorded in the order but it was not done as there is no time limit for passing such order. The reply is not tenable as the contention of Government is contrary to the provisions of the

<sup>1</sup> Bakijai officer is the empowered authority to initiate recovery proceedings under the Bengal Public Demands Recovery Act, 1913 as applicable in the State of Meghalaya.

Act which requires inclusion of interest payable up to the date of sending order to the BO.

### **5.13 Incorrect application of rate**

**Incorrect application of rate of security on 20,415 trucks of coal led to short realisation of security of Rs.1.22 crore.**

In Meghalaya, security (advance tax) for sale of coal in course of interstate trade was enhanced from Rs.1,200 to Rs.1,800 per truck carrying 15 tonne of coal with effect from 26 September 2003.

Test check of records for the period April 2003 to March 2004 of the taxation check gate, Byrnihat in June 2004 revealed that 183 dealers were allowed to despatch 20,415 trucks of coal carrying 15 tonne per truck in course of interstate trade between 26 September 2003 and 29 February 2004. In these cases, security of Rs.2.45 crore was realised at the pre revised rate instead of realising Rs.3.67 crore at the revised rate. This resulted in application of incorrect rate and short realisation of security of Rs.1.22 crore.

After this was pointed out in August 2004 and July 2005, the Government stated *inter alia* in October 2005 that the assessing officers had been directed to determine the turnover of the concerned coal dealers and to adjust the tax accordingly. The report on assessment and adjustment of tax is awaited (November 2005).

### **5.14 Short realisation of tax and surcharge**

**Deduction of tax and surcharge of Rs.15.16 lakh against Rs.55.86 lakh by 27 user agencies led to short deduction of tax and surcharge of Rs.40.70 lakh.**

Under the Meghalaya Sales Tax Act (MST Act), Government of Meghalaya, Taxation Department instructed (October 1991 and January 1995) that tax and surcharge payable by a contractor or dealer in respect of sale of any taxable

goods to Government department or public sector undertaking (user agency) shall be deducted at source from the contractors' bills and the amount so deducted shall be deposited into the treasury. Sand and stone (minor minerals) are taxable at the rate of eight *per cent*. Besides, surcharge at the rate of 10 *per cent* is leviable on the amount of tax with effect from July 2001.

Cross check of records between August and November 2004 of three divisional forest officers (DFO)<sup>1</sup> revealed that contractors of 27 user agencies<sup>2</sup> extracted and utilised sand and stone (minor minerals) involving royalty of Rs.6.35 crore in the works executed between February 2002 and September 2004. The user agencies deducted full royalty from the contractors' bills and remitted the amount to the concerned DFOs to credit into Government account. However, against Rs.55.86 lakh payable as tax or surcharge only Rs.15.16 lakh were deducted from the contractors' bills and deposited into Government account by the user agencies during the aforesaid period. Further, test check of records of the taxation unit offices at Tura, Williamnagar, Jowai and Shillong between September 2004 and April 2005 disclosed that the Taxation Department did not initiate any action either to check correctness of deduction of tax at source or to take up the matter with the concerned user agencies for recovery of the balance dues. Thus, failure to initiate any action by the Taxation Department led to short realisation of tax and surcharge of Rs.40.70 lakh.

After this was pointed out between November 2004 and April 2005, Government stated in October 2005 that appropriate steps would be taken to recover the dues at the earliest. The report on recovery is awaited (November 2005).

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<sup>1</sup> Jowai, Shillong and Tura

<sup>2</sup> East Khasi Hills Irrigation Division, Engineering Wing Director of Health Service Shillong, Forest Development Corporation of Meghalaya Shillong, Greater Shillong PHE Water Supply Division – I, Greater Shillong PHE Water Supply Division – II, Hospital Service Consultancy Corporation (India) Limited Shillong, Mairang PW Division, Mawkyrwat Public Health Engineering (PHE) Division, Mawsynram PW Division, Meghalaya State Electricity Board, Myntdu Leshka Hydro Electric project, National Highway Bye Pass PW Division Shillong, National Highway cum Tura Central PW Division, Nongpoh PHE Rural Water Supply Division, Nongstoin PW Division, North Eastern Council Jowai PW Division, North Eastern Hill University, North Jowai PW Division, Ri-Bhoi Irrigation Division, Shillong National Highway PW Division, Shillong North PW Division, Shillong PHE Investigation Division, Shillong South PW Division, Sohra PW Division, South Jowai PW Division, Umsning PW Division, Williamnagar Public Works (PW) Division.

## 5.15 Concealment of turnover

**Disclosure of turnover of Rs.78.05 lakh against Rs.2.68 crore by a registered dealer of coal led to concealment of turnover of Rs.1.90 crore with evasion of tax of Rs.15.19 lakh besides leviable penalty of Rs.26.65 lakh inclusive of interest.**

Under the MST Act, if any dealer conceals the particulars of his turnover or deliberately furnishes inaccurate particulars of such turnover or evades in any way the liability to pay tax, he shall be liable to pay penalty, in addition to the tax, a sum not exceeding one and a half times of the tax due. Interest at the prescribed rate is also leviable for belated/ non payment of tax. This provision of the Act, applies *mutatis mutandis* in the case of assessment and reassessment under the Central Sales Tax Act (CST Act), 1956. Further, sale of declared goods in course of interstate trade is taxable at concessional rate of four *per cent* if such sale is supported by declaration in form 'C'. Otherwise such sale is taxable at the rate of eight *per cent*.

Cross check of records for the period April to September 2002 of the Director of Mineral Resources (DMR), Shillong with those of SOT, circle V, Shillong for the same period revealed that as per DMR records, a Shillong based dealer sold 26,791.5 tonnes of coal valued at Rs.2.68 crore in the course of interstate trade but disclosed turnover of Rs.78.05 lakh in his sales tax assessment records during the aforesaid period. The assessing officer assessed him accordingly as per record submitted. The dealer, thus, concealed turnover of Rs.1.90 crore and evaded tax of Rs.15.19 lakh. Maximum penalty of Rs.22.78 lakh and interest of Rs.3.87 lakh were also leviable for such wilful evasion.

After this was pointed out between May 2004 and July 2005, Government while admitting the facts, stated in October 2005 that the dealer was reassessed and Rs.8.22 lakh had been recovered and demand notice served on the dealer for payment of the balance dues. The report on recovery of balance dues has not been received (November 2005).

## **5.16 Turnover escaped assessment**

**Escapement of turnover of Rs.3.50 crore in assessment of five dealers led to short levy of tax of Rs.27.99 lakh.**

Under the MST Act, if upon information which has come to his possession, the Commissioner of Taxes is satisfied that any sales turnover has escaped assessment or under assessed during any return period, he may at any time within eight years of the end of that period, proceed to reassess the dealer through notice. This provision of the State Act, applies *mutatis mutandis* in the case of assessment or reassessment under the CST Act.

Test check of records of the SOT, Tura and Williamnagar in September 2004 revealed that five registered dealers sold 1,14,088 metric tonne (MT) of coal valued at Rs.11.41 crore as per the case records of the dealers in course of interstate trade between October 2002 and March 2004. But while assessing the dealers between April 2003 and May 2004 turnover of Rs.7.91 crore was brought under assessment during the aforesaid period. Thus, failure on the part of the assessing officer to detect under valuation of coal had resulted in escapement of turnover of Rs.3.50 crore leading to under assessment of tax of Rs.27.99 lakh.

After this was pointed out in November 2004, Government stated in October 2005 that the SOT, Tura had been directed to examine the case records of the dealer and to include the escaped turnover in the assessment. The report on assessment and recovery has not been received (November 2005). In respect of remaining four dealers it was stated that the SOT, Williamnagar completed assessments determining the turnover based on various factors and market price of coal. The reply is not tenable as the minimum turnover should have been determined based on the market price of Rs.1,000 per tonne of coal as intimated in October 2000 by the Commissioner of Taxes after market survey.

## **5.17 Evasion of tax by unregistered dealers**

**Failure of the Department to register 10 dealers led to evasion of tax of Rs.17.34 lakh.**

Under the CST Act, no dealer shall carry on business in course of interstate trade or commerce unless he is registered and possesses a certificate of

registration. Further, interstate sales turnover of goods other than declared goods, is taxable at the rate of four *per cent* if supported by declaration in form 'C'. Otherwise such a sale is taxable at the rate of 10 *per cent* or at the rate applicable to sale or purchase of such goods inside the State whichever is higher. Further, purchase turnover of bamboo is taxable at the rate of eight *per cent* at the last point of sale in the state under the Meghalaya Purchase Tax Act.

Test check of records of DFO, Tura in August 2004 revealed that 10 dealers purchased and sold 94.12 lakh bamboos (without 'C' form) involving royalty of Rs.96.54 lakh inclusive of export pass fee, in course of interstate trade between May 2001 and March 2004. Cross check of records in the office of the SOT, Tura and Williamnagar (August and September 2004) revealed that the dealers were neither registered under the Meghalaya Purchase Tax Act nor under the CST Act, and did not pay any tax for sale of bamboos outside the State during the period. Thus, failure to get the dealers registered and allowing them to irregularly despatch bamboos outside the State led to evasion of CST of Rs.9.65 lakh, besides purchase tax of Rs.7.69 lakh.

After this was pointed out in November 2004, Government stated in October 2005 that the DFO, Tura had been advised to recover the dues from nine dealers and henceforth no transit pass should be issued without obtaining no objection certificate from the concerned SOT. In respect of the other dealer it was stated that the SOT, Williamnagar had served demand notice on the dealer for payment of dues. The report on recovery of dues has not been received (November 2005).

#### **5.18 Loss of revenue due to non deduction of tax at source**

**Failure to register nine dealers dealing in taxable goods led to loss of revenue of Rs.10.64 lakh.**

Under the Meghalaya Finance (Sales Tax) Act, no dealer shall carry on business in taxable goods unless he is registered and possesses a certificate of registration. If any dealer fails to apply for registration, the Commissioner of Taxes, shall register the dealer within a specified time after issuing a notice. As a measure of control, Government of Meghalaya, Taxation Department instructed (October 1991 and January 1995) that the buying department shall deduct tax at source at the rates prescribed while making payment to the supplier and deposit the same into Government account.

Cross check of records of the block development officer (BDO), Myllem with the records of the SOT, circles I, II, III and IV, Shillong revealed in December 2003 that eight Shillong based dealers sold CGI sheet/pipe, electrical goods, furniture, *etc.* valued at Rs.90.22 lakh to the BDO who did not deduct tax at source while making payment to them between May 2001 and November 2002. These dealers neither applied for registration nor paid tax on sales turnover of the goods. The assessing officer (AO), Shillong also did not initiate any action to register these dealers to realise the tax due. Thus, failure to bring these dealers under the tax net led to loss of revenue due to evasion of tax of Rs.6.59 lakh.

After this was pointed out in May 2004, Government stated in October 2005 that the dealers under Circle I, II and IV are fictitious and hence could not be traced out. However, the concerned buying departments had been instructed to recover the dues to make good the loss. The report on recovery has not been received (November 2005). In respect of the dealers under Circle III it was stated that the dealers sold goods after purchasing the same from local market on payment of tax for which tax was not recovered. The reply is not tenable as the AO failed to register the dealers as required under the Act, *ibid*.

Cross check of records of the taxation check gate, Bajengdoba with those of the SOT, Tura revealed that the Commandant, 2 Meghalaya Police Battalion, Tura imported 23,400 filled LPG cylinder valued at Rs.50.61 lakh from Assam for resale in Tura (Meghalaya) between April 2002 and March 2004. The Commandant neither applied for registration nor was the tax on sales turnover of the aforesaid LPG cylinders paid. The assessing officer, Tura also did not initiate any action to register the Commandant. Thus, failure to bring the Commandant under tax net led to evasion of tax of Rs.4.05 lakh.

After this was pointed out in November 2004, Government stated in October 2005 that the SOT, Tura had initiated proceedings for registering the dealer. The report on registration and recovery has not been received (November 2005).

#### **5.19 Short levy of tax**

**Levy of tax at the rate of eight *per cent* against leviable rate of 12 *per cent* on turnover of Rs.1.60 crore led to short levy of tax of Rs.6.42 lakh.**

As per Meghalaya Finance (Sales Tax) Act, electronic goods are taxable at the rate of 12 *per cent* at the first point of sale inside the State.

Test check of records of the SOT (Circle II), Shillong in December 2003 revealed that a registered dealer sold electronic goods (vacuum cleaner and aquaguard) valued at Rs.1.60 crore between April 2000 and March 2003. The sale turnover of electronic goods was to be assessed at the rate of 12 *per cent*. Instead, the AO assessed the dealer at the rate of eight *per cent* treating the goods as electrical goods. Thus, application of incorrect rate led to short levy of tax of Rs.6.42 lakh.

After this was pointed out between May 2004 and July 2005, Government stated in October 2005 that the dealer had been asked to appear before the concerned SOT and action would be taken to recover the amount. The report on recovery has not been received (November 2005).

### **5.20 Short levy of tax due to concealment of turnover**

**A registered dealer of Shillong concealed turnover of Rs.10.24 lakh and evaded tax inclusive of surcharge, interest and penalty of Rs.2.68 lakh.**

Under the Meghalaya Finance (Sales Tax) Act, if any dealer conceals the particulars of his turnover or deliberately furnishes inaccurate particulars of such turnover or evades in any way the liability to pay tax, he shall be liable to pay penalty, in addition to the tax payable by him, a sum not exceeding one and a half times of the tax due. Electrical goods are taxable at the rate of eight *per cent* at the first point of sale inside the State. Further, interest at the prescribed rate shall be levied for belated/non payment of tax.

During audit of the records of the EE, Public Health Engineering Investigation Division, (PHED) Shillong it was seen in December 2003 that a dealer 'A' under jurisdiction of the SOT, Circle II, Shillong sold electrical goods valued at Rs.10.24 lakh to a contractor 'B' of Shillong in August 2001 who in turn supplied the items to EE, PHED Shillong. Test check of records of the SOT, Circle – II, Shillong, however, revealed in January 2004 that the dealer 'A' disclosed sale of electrical goods valued at Rs.34.54 lakh only to the Meghalaya State Electricity Board and the NEEPCO, Shillong during April to September 2001 and the dealer was assessed (November 2002) accordingly. Thus, the sale of electrical goods to the contractor was neither disclosed by the dealer 'A' nor was the same brought under assessment. This resulted in concealment of turnover of Rs.10.24 lakh with consequential evasion of tax inclusive of surcharge, interest and penalty of Rs.2.68 lakh.

After this was pointed out between May 2004 and July 2005, Government admitted the facts in October 2005. However, further action taken to recover the amount has not been received (November 2005).

### **5.21 Incorrect exemption**

**Incorrect exemption of turnover of Rs.44.87 lakh being cost of freight led to under assessment of tax of Rs.2.14 lakh inclusive of interest.**

Under Section 2 (h) of the CST Act, sale price means the amount payable to a dealer as consideration for sale of goods and it will not include “cost of freight” when such cost is separately charged. It was held\* by the Hon’ble Supreme Court that 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 separately and hence subsequent reduction of the amount on account of freight is not admissible to seek exemption from tax.

Test check of records of the SOT (Circle V), Shillong in December 2003 revealed that a registered dealer sold coal valued at Rs.1.26 crore to another registered dealer of Assam in course of interstate trade as declared in form ‘C’ during October 2001 to March 2002 without exhibiting cost of freight separately. But the assessing officer, while making assessment in October 2002 reduced the sale by Rs.44.87 lakh on account of freight for the aforesaid period. As the entire amount of Rs.1.26 crore was shown by the dealer as indivisible amount inclusive of freight, the grant of exemption of Rs.44.87 lakh being cost of freight was incorrect, resulting in under assessment of tax of Rs.2.14 lakh inclusive of interest.

After this was pointed out in March 2004, Government stated in October 2005 that the dealer had been reassessed and tax of Rs.1.55 lakh had been recovered. The report on recovery of balance amount of Rs.0.59 lakh has not been received (November 2005).

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\* Tungabhadra Industries Limited Vrs. Commercial Tax Officer (1960) 11 ST827 (SC).

## TRANSPORT DEPARTMENT

### 5.22 Short realisation of composite fee

**Realisation of composite fee of Rs.12.41 lakh against Rs.36.63 lakh led to short realisation of composite fee of Rs.24.22 lakh.**

Government of Meghalaya, Transport Department fixed (October 1994) annual composite fee (CF) of Rs.3,000 on goods carriages authorised to ply in Meghalaya under national permit (NP). The CF is to be realised by the Secretary, State Transport Authority (STA) of the State which issues the NP and the same is to be sent to the Secretary, STA Meghalaya by bank draft.

Test check of records of the Secretary, STA, Meghalaya, Shillong revealed in May 2003 that in 546 cases, CF of Rs.12.41 lakh was realised and remitted to the STA, Shillong through bank drafts instead of Rs.36.63 lakh by the STAs of nine States\* on goods carriage vehicles authorised to ply under NP in Meghalaya during different periods between January 2001 and March 2004. The short collection of Rs.24.22 lakh was neither paid by the vehicle owners subsequently nor was the matter taken up by the STA, Shillong with his counterparts in the nine States immediately after the CF was received short. This resulted in short realisation of CF of Rs.24.22 lakh.

After this was pointed out between June 2003 and July 2005, Government while admitting the facts stated in October 2005 that the cases had been taken up with the concerned STAs of nine States for recovery of dues. The report on recovery has not been received (November 2005).

### 5.23 Short/non levy of penalty

**Levy and collection of penalty of only Rs.0.69 lakh against Rs.4.96 lakh for use of 183 vehicles without permit led to short/non levy of minimum penalty of Rs.4.27 lakh.**

Under the provisions of the Motor Vehicle Act, no transport vehicle shall be used in any public place unless a permit is granted by the prescribed authority and permit shall be renewed on application of the permit holder not less than

\* Assam, Arunachal Pradesh, Bihar, Manipur, Nagaland, Punjab, Pondicherry, Tripura and West Bengal.

15 days before the date of expiry of validity period of permit. In case any person drives or causes or allows a motor vehicle to be used without any permit, he shall be liable to pay minimum penalty of Rs.2,000 and Rs.5,000 in first and subsequent offences respectively. If any owner of transport vehicle has occasion to withdraw the vehicle from use for a particular period, he shall surrender the licence of vehicle to the licencing authority and thereupon he shall be exempted from tax for that period.

Test check of records for the period April 2000 to March 2005 of three<sup>⊕</sup> district transport officers (DTO) between November 2003 and March 2005 revealed that 172 owners of transport vehicles were granted permits with validity periods up to different dates between November 1999 and January 2005. After expiry of validity periods, the permits were neither got renewed nor the licences of vehicles were surrendered as a proof of withdrawal of vehicles from use. Hence, the vehicles plied without any permit for which minimum penalty of Rs.4.96 lakh was leviable during the aforesaid period. The DTO, Tura levied and collected penalty of only Rs.0.69 lakh against Rs.1.41 lakh and others did not levy any penalty as required under the Act. This resulted in short/non levy of minimum penalty of Rs.4.27 lakh.

After this was pointed out between January 2004 and May 2005, the DTO, Tura stated in February 2005 that the cases were under examination. The report on recovery in these cases and reply of DTO Jowai and Nongpoh have not been received (November 2005).

The matter was reported to Government between January 2004 and July 2005; reply has not been received (November 2005).

## **5.24 Irregular exemption**

**Nineteen owners of taxable vehicles were irregularly exempted from payment of tax of Rs.2.06 lakh.**

Under the Assam Motor Vehicle Taxation Act, 1936 as adopted by the Government of Meghalaya, if any owner of taxable vehicle has occasion to withdraw the vehicle from use for a particular period he shall surrender the licence relating to the vehicle to the licensing officer and thereupon he shall be exempted from payment of tax in respect of the said period.

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<sup>⊕</sup> DTO Jowai, Nongpoh and Tura.

Test check of records of the DTO, Jowai revealed that 19 vehicle owners claimed exemption from payment of tax for withdrawal of their vehicles from use without surrendering the licences or any other documents in respect of the vehicles during the periods between April 2000 and March 2005. The DTO (licensing officer), Jowai granted exemption without getting the licences surrendered by the concerned vehicle owners for the aforesaid period as required under the Act. This resulted in irregular exemption of tax of Rs.2.06 lakh.

After this was pointed out between January 2004 and July 2005, Government stated in October 2005 that the number of vehicles were nine and not 19. The reply is not tenable as information on 19 vehicles were furnished to Government in between January 2004 and July 2005. The report on recovery is awaited (November 2005).