

# **CHAPTER – I**

## **GENERAL**



## CHAPTER-I GENERAL

### 1.1 Trend of Revenue Receipts

**1.1.1** The Tax and Non-Tax Revenue raised by Government of Meghalaya (GoM) during the years 2020-21 and 2021-22, 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 years and the corresponding figures for the preceding three years is depicted in **Table 1.1**.

**Table 1.1: Trends of Revenue Receipts** (₹ in crore)

| Sl. No. | Particulars                                   | 2017-18         | 2018-19         | 2019-20         | 2020-21          | 2021-22          |
|---------|---|-----------------|-----------------|-----------------|------------------|------------------|
| 1.      | <b>Revenue raised by the State Government</b> |                 |                 |                 |                  |                  |
|         | Tax Revenue                                   | 1,450.10        | 1,793.24        | 1,891.25        | 2,072.56         | 2,300.38         |
|         | Non-Tax Revenue                               | 366.63          | 427.70          | 530.11          | 523.17           | 524.58           |
|         | <b>Total</b>                                  | <b>1,816.73</b> | <b>2,220.94</b> | <b>2,421.36</b> | <b>2,595.73</b>  | <b>2,824.96</b>  |
| 2.      | <b>Receipts from the Government of India</b>  |                 |                 |                 |                  |                  |
|         | Share of Union taxes/ duties                  | 4,323.14        | 4,889.07        | 4,211.78        | 4,551.63         | 6,580.63         |
|         | Grants-in-aid and contributions               | 3,133.61        | 2,608.61        | 2,780.38        | 3,535.88         | 4,868.55         |
|         | <b>Total</b>                                  | <b>7456.75</b>  | <b>7497.68</b>  | <b>6,992.16</b> | <b>8,087.51</b>  | <b>11,449.18</b> |
| 3.      | <b>Total Revenue Receipts (1 and 2)</b>       | <b>9,273.48</b> | <b>9,718.62</b> | <b>9,413.52</b> | <b>10,683.24</b> | <b>14,274.14</b> |
| 4.      | <b>Percentage of 1 to 3</b>                   | <b>19.59</b>    | <b>22.85</b>    | <b>25.72</b>    | <b>24.30</b>     | <b>19.79</b>     |

Source: Finance Accounts, Government of Meghalaya.

It is evident from **Table 1.1** that revenue raised by the State Government (₹ 2,824.96 crore) during 2021-22 was 20 per cent of the Revenue Receipts (₹ 14,274.14 crore), lower than the revenue raised during 2019-20 (26 per cent) and 2020-21 (24 per cent). The remaining 80 per cent of Revenue Receipts during 2021-22 was received from GoI in the form of State Share of Union taxes and duties and Grants-in-aid. Revenue Receipts of the State increased by ₹1,269.72 crore (13.49 per cent) and ₹ 3,590.91 crore (34 per cent) during 2020-21 and 2021-22 over the previous year respectively. The increase was mainly on account of an increase in share of Union taxes/duties and Grants-in-aid and contributions as compared to the previous year.

**1.1.2** The details of the tax revenue raised during the period 2017-18 to 2021-22 are given in **Table 1.2**.

**Table 1.2: Details of Tax Revenue raised** (₹ in crore)

| Head of revenue                  | 2017-18  |         | 2018-19  |         | 2019-20  |         | 2020-21  |         | 2021-22 |          | % of increase (+)/ decrease (-) in 2021-22 over 2020-21 |           |
|----------------------------------|----------|---------|----------|---------|----------|---------|----------|---------|---------|----------|---|-----------|
|                                  | BEs      | Actuals | BEs      | Actuals | BEs      | Actuals | BEs      | Actuals | BEs     | Actuals  | BEs   | Actuals   |
| Sales Tax                        | 1,223.25 | 766.63  | 1,339.73 | 627.50  | 1,650.00 | 567.13  | 679.18   | 725.09  | 767.52  | 718.89   | (+) 13.01   | (-) 0.86  |
| State Goods & Services Tax       | --       | 376.00  | --       | 805.96  | --       | 909.78  | 1,219.35 | 822.81  | 489.30  | 1,117.94 | (-) 59.87   | (+) 35.87 |
| State Excise                     | 229.13   | 199.30  | 263.50   | 226.21  | 289.85   | 276.27  | 312.50   | 375.38  | 360.00  | 308.00   | (+) 15.02   | (-) 17.95 |
| Taxes on Vehicles                | 60.82    | 67.01   | 69.94    | 86.95   | 100.00   | 99.24   | 120.00   | 78.63   | 125.00  | 99.42    | (+)4.17   | (+)26.44  |
| Stamp duty and Registration fees | 18.83    | 20.25   | 19.39    | 26.19   | 21.33    | 20.34   | 23.46    | 31.56   | 21.30   | 27.06    | (-) 9.21  | (-)14.26  |
| Land revenue                     | 5.60     | 2.08    | 1.54     | 2.73    | 1.69     | 1.00    | 2.20     | 21.29   | 4.51    | 9.83     | (+)105.00   | (-)53.82  |
| Taxes on goods and passengers    | 5.62     | 7.83    | 6.18     | 8.45    | 9.41     | 9.13    | 9.97     | 10.72   | 10.00   | 12.54    | (+) 0.30  | (+) 16.98 |

| Head of revenue     | 2017-18         |                 | 2018-19         |                 | 2019-20         |                 | 2020-21         |                 | 2021-22         |                 | % of increase (+)/<br>decrease (-) in<br>2021-22 over 2020-21 |                  |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|------------------|
|                     | BEs             | Actuals         | BEs   | Actuals          |
| Others <sup>1</sup> | 15.73           | 11.00           | 15.93           | 9.25            | 17.52           | 8.36            | 2,417.89        | 7.09            | 801.6           | 6.70            | (-) 66.85   | (-) 5.50         |
| <b>Total</b>        | <b>1,558.98</b> | <b>1,450.10</b> | <b>1,716.21</b> | <b>1,793.24</b> | <b>2,089.80</b> | <b>1,891.25</b> | <b>4,784.55</b> | <b>2,072.57</b> | <b>2,579.23</b> | <b>2,300.38</b> | <b>(-) 46.09</b>  | <b>(+) 10.99</b> |

Source: Finance Accounts and Budget, Government of Meghalaya.

As shown in **Table 1.2**, the actual realisation of revenue during 2021-22 was ₹ 2,300.38 crore as against the budget estimates (BEs) of ₹ 2,579.23 crore, a shortfall of ₹ 278.85 crore (10.81 per cent). However, in comparison to the previous year, the actual overall revenue realisation increased by 10.99 per cent. The increase was mainly on account of increase in State Goods and Services Tax (SGST) (36 per cent), Taxes on vehicles (26 per cent) and Taxes on goods and passengers (17 per cent).

**1.1.3.** Details of BEs and actual Non-Tax Revenue raised during the period 2017-18 to 2021-22 are indicated in **Table 1.3**:

**Table 1.3: Non-Tax Revenue raised** (₹ in crore)

| Head of revenue                   | 2017-18       |               | 2018-19       |               | 2019-20       |               | 2020-21       |               | 2021-22       |               | % of increase (+)/<br>decrease (-) in<br>2021-22 over 2020-21 |                 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---|-----------------|
|                                   | BEs           | Actuals       | BEs   | Actuals         |
| Interest receipts                 | 43.27         | 52.50         | 47.60         | 58.26         | 55.06         | 28.91         | 60.57         | 11.53         | 34.98         | 24.65         | (-) 42.25   | (+) 113.79      |
| Dividends and profits             | 0.17          | 0.11          | 0.19          | 0.11          | 0.21          | 0.14          | 0.23          | 0.00          | 0.16          | 0.12          | (-)30.43  | (+) 0.12        |
| Non-ferrous mining and metallurgy | 264.87        | 207.88        | 291.39        | 147.56        | 320.53        | 322.84        | 400.66        | 246.44        | 449.98        | 239.78        | (+) 12.31   | (-) 2.70        |
| Forestry and wildlife             | 112.55        | 55.61         | 114.39        | 78.31         | 125.83        | 81.27         | 120.00        | 102.12        | 120.00        | 117.34        | 0.00  | (+) 14.90       |
| Other administrative services     | 6.67          | 3.76          | 7.18          | 9.25          | 7.90          | 41.30         | 8.69          | 26.98         | 21.57         | 3.73          | (+) 148.21  | (-) 86.17       |
| Public works                      | 10.78         | 17.01         | 11.60         | 17.64         | 18.71         | 9.78          | 20.58         | 7.05          | 11.83         | 6.34          | (-) 42.52   | (-) 10.07       |
| Police                            | 7.32          | 4.51          | 7.88          | 16.27         | 8.67          | 8.17          | 9.53          | 7.29          | 9.89          | 6.62          | (+) 3.57  | (-) 9.19        |
| Animal husbandry                  | 2.28          | 1.85          | 2.50          | 2.10          | 2.75          | 1.91          | 3.03          | 1.96          | 2.31          | 2.20          | (-) 23.76   | (+) 12.24       |
| Crop husbandry                    | 7.81          | 4.49          | 8.59          | 6.71          | 9.45          | 2.29          | 10.40         | 2.03          | 2.77          | 2.65          | (-) 73.37   | (+) 30.54       |
| Others                            | 57.05         | 18.91         | 46.78         | 91.49         | 51.46         | 33.50         | 56.60         | 117.77        | 40.54         | 121.15        | (-) 28.37   | (+) 2.87        |
| <b>Total</b>                      | <b>512.77</b> | <b>366.63</b> | <b>538.10</b> | <b>427.70</b> | <b>600.57</b> | <b>530.11</b> | <b>690.29</b> | <b>523.17</b> | <b>694.03</b> | <b>524.58</b> | <b>(+) 0.54</b>   | <b>(+) 0.27</b> |

Source: Finance Accounts and Budget, Government of Meghalaya.

As seen from **Table 1.3**, actual realisation of revenue under Non-Tax Receipts during 2021-22 was ₹ 524.58 crore against BEs of ₹ 694.03 crore, a shortfall of ₹ 169.45 crore (24.42 per cent). In comparison to the previous year, the shortfall was most pronounced in 'Other Administrative Services' (86.17 per cent), 'Public Works' (10.07 per cent), and 'Police' (9.19 per cent).

**Recommendation:** The State Government needs to review its revenue estimation and collection mechanism and put in place adequate measures to enable it to prepare a more realistic budget and strengthen its revenue collection apparatus.

<sup>1</sup> It includes- Taxes on profession, Trades, callings and employment, taxes and duties on electricity and other taxes and duties on commodity and services.

## 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 by the Union (CGST) and the States (SGST) 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 launched with effect from 01 July 2017.

### 1.2.1 GST Registrations

Under GST Law, any dealers 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 2021 and 31 March 2022 is shown in the table below:

**Table 1.4: Statement showing category of dealers registered under GST in Meghalaya (under State jurisdiction) as on 31 March 2021 and 31 March 2022**

| Category of registrant         | As on 31 March 2021 |                     | As on 31 March 2022 |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | No. of registrants  | Percentage of total | No. of registrants  | Percentage of total |
| Normal taxpayers               | 25,516              | 89.43               | 27,125              | 90.45               |
| Composition taxpayers          | 2,440               | 8.55                | 2,232               | 7.44                |
| Tax deductors at source (TDS)  | 496                 | 1.74                | 533                 | 1.78                |
| Tax collectors at source (TCS) | 72                  | 0.25                | 92                  | 0.31                |
| Input Service Distributors     | 08                  | 0.03                | 06                  | 0.02                |
| Others (Casual, NRTP, OIDAR)   | 00                  | 0.00                | 00                  | 0.00                |
| <b>Total Registrants</b>       | <b>28,532</b>       | <b>100</b>          | <b>29,988</b>       | <b>100</b>          |

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

It is seen from the above table that as on 31 March 2021 and 31 March 2022, total number of registered dealers under the State GST were 28,532 and 29,988, out of which ‘normal taxpayers’ accounted for 89.43 per cent and 90.45 per cent respectively. ‘Composition taxpayers’ accounted for 8.55 per cent and 7.44 per cent while ‘Tax deductors at source’ accounted for 1.74 per cent and 1.78 per cent respectively. During 2020-21 and 2021-22, of the total registrations, 8,586 (30.09 per cent) and 8,108 (27.04 per cent) respectively have migrated from pre-GST regime, while the remaining were new registrations under GST regime.

### 1.2.2 GST Return filing pattern

#### 1.2.2.1. Filing pattern of GSTR-1 and 3B

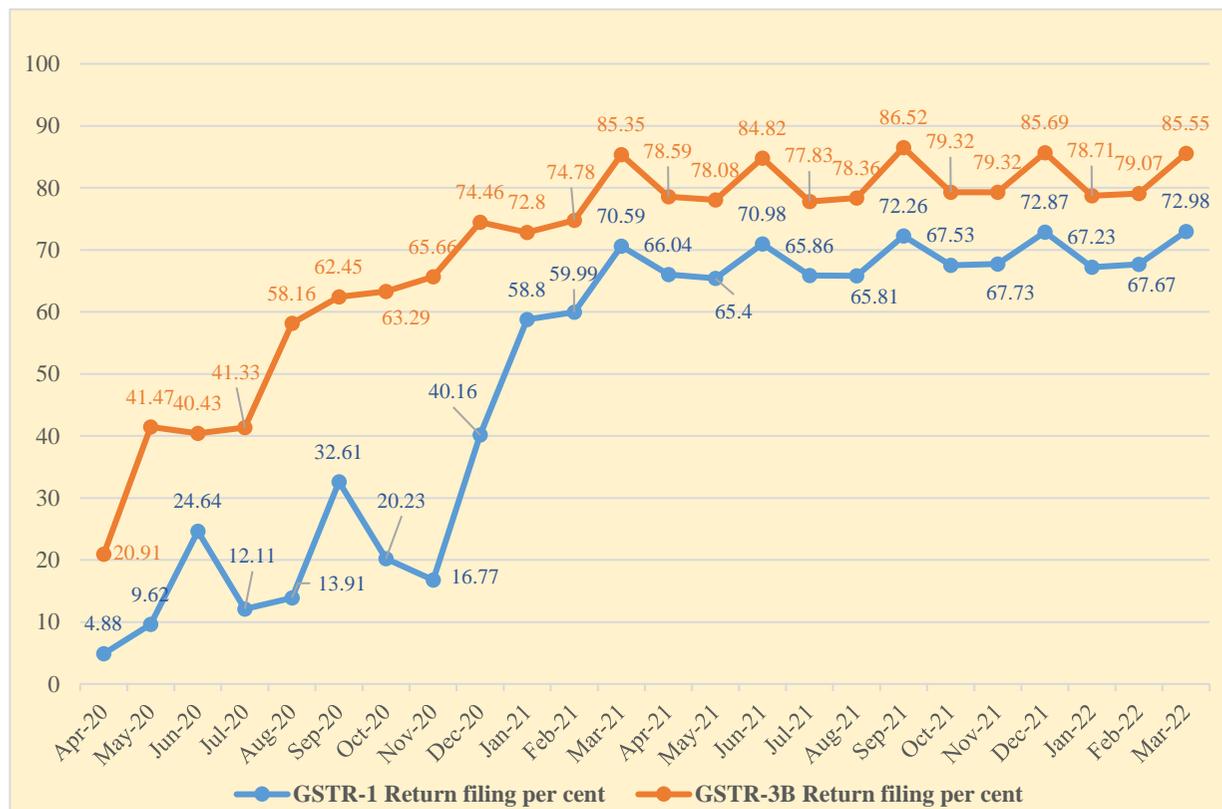
The filling of GSTR-1<sup>2</sup> and GSTR-3B<sup>3</sup> returns is mandated under Section 37 and 39 (1) of the Meghalaya Goods and Services Tax (MGST) Act. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of dealers, for a particular month.

<sup>2</sup> GSTR-1: It is a sales return that is required to be filed by every GST registered person.

<sup>3</sup> 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.

The trends of filing of GSTR-1 and 3B for the period from April 2020 to March 2022, as compiled from the information furnished by the Department, have been depicted in the **Chart 1.1**.

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



Source: Information furnished by the ACT, Meghalaya, Shillong.

It can be seen from the above chart that filing of GSTR-1 and GSTR-3B increased from 4.88 per cent and 20.91 per cent in April 2020 to 72.98 per cent and 85.55 per cent in March 2022 respectively. Details are given in **Appendix 1.2.1**.

### 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

The Taxation Department has not included any estimations of revenue on account of SGST in the Budget. However, the actual realisation of revenue from collection under SGST for three years from 2019-20 to 2021-22 is given in **Table 1.5**.

**Table 1.5: Revenue from SGST**

(₹ in crore)

| Year    | Actuals  |
|---------|----------|
| 2019-20 | 909.78   |
| 2020-21 | 822.81   |
| 2021-22 | 1,117.94 |

Source: State Finances Audit Report for the year ended 31 March 2022.

It is observed that revenue collection under SGST has shown an upward trend, with collections rising by as much as 35.81 per cent in the year 2021-22 over the previous year.

### 1.3.2 Compensation

Under the GST (Compensation to States) Act, 2017, states were guaranteed bi-monthly compensation for any loss of revenue in the first five years of GST implementation starting from 01 July 2017. **Table 1.6** shows the figures of bi-monthly compensation under GST received by the State from the Union Government.

**Table 1.6: Bi-monthly compensation received from the Union Government**

(₹ in crore)

| Month                      | Provisional Compensation due | Provisional compensation received | Shortfall/surplus, if any |
|----------------------------|------------------------------|-----------------------------------|---------------------------|
| April-May 2020             | 63.86                        | 12.55                             | (-) 51.31                 |
| June-July 2020             | 63.86                        | 52.00                             | (-) 11.86                 |
| August-September 2020      | 63.86                        | 0.00                              | (-) 63.86                 |
| October-November 2020      | 63.86                        | 32.70                             | (-) 31.16                 |
| December 2020-January 2021 | 63.86                        | 32.70                             | (-) 31.16                 |
| February-March 2021        | 63.86                        | 41.99                             | (-) 21.87                 |
| April-May 2021             | 46.30                        | 0.00                              | (-) 46.30                 |
| June-July 2021             | 46.30                        | 38.13                             | (-) 8.17                  |
| August-September 2021      | 46.30                        | 35.85                             | (-) 10.45                 |
| October-November 2021      | 46.30                        | 27.78                             | (-) 18.52                 |
| December 2021-January 2022 | 46.30                        | 29.65                             | (-) 16.65                 |
| February-March 2022        | 46.30                        | 31.52                             | (-) 14.78                 |
| <b>Total</b>               | <b>660.96</b>                | <b>334.87</b>                     | (-) 114.87                |

Source: Information furnished (31 March 2023 and 12 April 2023) by Department.

### 1.3.3 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 states in the ratio of 50:50. The provisional apportionment of IGST to Meghalaya for the years 2019-20 to 2021-22 is given as under:

**Table 1.7: Apportionment of IGST**

(₹ in crore)

| IGST component  | 2019-20   | 2020-21   | 2021-22   |
|---|-----------|-----------|-----------|
| IGST apportioned to the State as per Section 17 of IGST Act, 2017 | 101.82    | 89.11     | 187.08    |
| IGST provisionally/ ad-hoc apportioned to the State.              | 26.25     | 60.33     | 46.61     |
| <b>IGST cross utilised between</b>                                |           |           |           |
| SGST as IGST  | (-) 37.53 | (-) 34.94 | (-) 45.95 |
| IGST as SGST  | 522.49    | 421.81    | 582.84    |

Source: Information provided by Department.

### 1.3.4 Collection of SGST from top 10 commodities/services

The detailed lists of top 10 commodities and services which contribute maximum State GST during the year 2020-21 and 2021-22 are given in **Table 1.8**:

**Table 1.8: Revenue from Top 10 commodities/Services for the year 2020-21 and 2021-22**  
(₹ in crore)

| Sl. No.            | 2020-21                                    |       | 2021-22                                    |       |
|--------------------|--|-------|--|-------|
|                    | Name of Commodity/ Service                 | SGST  | Name of Commodity/ Service                 | SGST  |
| <b>Commodities</b> |  |       |  |       |
| 1.                 | Automobiles                                | 74.54 | Automobiles                                | 77.83 |
| 2.                 | Iron and steel and articles                | 54.42 | Iron and steel and articles                | 67.79 |
| 3.                 | Lime, Cement and minerals products         | 47.27 | Lime, Cement and minerals products         | 55.97 |
| 4.                 | Electrical machinery and equipment parts   | 38.72 | Electrical machinery and equipment parts   | 38.15 |
| 5.                 | Tobacco and substitutes                    | 28.29 | Tobacco and substitutes                    | 36.73 |
| 6.                 | Dairy products                             | 23.38 | Machinery and mechanical appliances; parts | 25.75 |
| 7.                 | Machinery and mechanical appliances; parts | 20.07 | Dairy products                             | 25.62 |
| 8.                 | Pharmaceuticals products                   | 19.78 | Pharmaceuticals products                   | 23.82 |
| 9.                 | Rubber & articles (Tubes and tyres)        | 14.03 | Rubber & articles (Tubes and tyres)        | 27.03 |
| 10.                | Miscellaneous edible preparation           | 12.50 | Minerals fuels and oils and products       | 14.40 |
| <b>Services</b>    |  |       |  |       |
| 1.                 | Construction services                      | 62.48 | Construction services                      | 80.16 |
| 2.                 | Communication services                     | 42.63 | Communication services                     | 47.10 |
| 3.                 | Support services                           | 19.19 | Support services                           | 21.55 |
| 4.                 | Financial services                         | 15.44 | Financial services                         | 15.60 |
| 5.                 | Real Estate. Leasing, Rental services      | 4.89  | Other services                             | 8.45  |
| 6.                 | Other services                             | 2.54  | Real Estate. Leasing, Rental services      | 7.64  |
| 7.                 | Accommodation, Food and beverage services  | 2.38  | Accommodation, Food and beverage services  | 4.25  |
| 8.                 | Transport services                         | 1.57  | Transport services                         | 1.90  |
| 9.                 | Professional services                      | 1.13  | Manufacturing services                     | 1.33  |
| 10.                | Educational and Health Services            | 0.24  | Professional services                      | 1.13  |

Source: Information provided by Department.

### 1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2022 under some principal heads of revenue amounted to ₹ 117.83 crore, of which, ₹ 46.93 crore was outstanding for more than five years as detailed in **Table 1.9**.

**Table 1.9: Details of Arrears of Revenue Collection** (₹ in crore)

| Sl. No.      | Head of revenue                | Amount outstanding as on 31 March 2022 |                          | Department's reply   |
|--------------|--------------------------------|--|--------------------------|--|
|              |                                | Total                                  | For more than five years |  |
| 1            | 0040-Taxes on Sale, Trade etc. | 105.12                                 | 37.06                    | Accumulation of arrears was due to the fact that very old arrears have not been written off. |
| 2            | 0039- State Excise             | 7.68                                   | 4.84                     | Reply not received.  |
| 3            | 0406 – Forestry and Wildlife   | 5.03                                   | 5.03                     |  |
| <b>Total</b> |                                | <b>117.83</b>                          | <b>46.93</b>             |  |

Source: State Finances Audit Report for the year ended 31 March 2022.

As seen from **Table 1.9**, recovery of ₹ 117.83 crore was pending against three principal heads of revenue, which was 4.17 *per cent* of the State's own revenue collection (Own Tax Revenue: ₹ 2,300.38 crore + Non-Tax Revenue: ₹ 524.58 crore) for 2021-22. Revenue amounting to ₹ 46.93 crore (39.83 *per cent* of the total revenue arrears) was pending for recovery for more than five years which indicates that the chances of recovery are remote.

### 1.5 Pendency of Refund Cases

The number of refund cases under Sales Tax/ Meghalaya Value Added Tax (MVAT) and State GST pending at the beginning of the year 2021-22, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2020-22 as reported by the Department is given in **Table 1.10**.

**Table 1.10: Details of pendency of refund cases** (₹ in crore)

| Sl. No. | Particulars                                     | 2020-21       |        |              |        | 2021-22       |        |              |        |
|---------|---|---------------|--------|--------------|--------|---------------|--------|--------------|--------|
|         |   | Sales Tax/VAT |        | State GST    |        | Sales Tax/VAT |        | State GST    |        |
|         |   | No. of cases  | Amount | No. of cases | Amount | No. of cases  | Amount | No. of cases | Amount |
| 1.      | Claims outstanding at the beginning of the year | 11            | 2.65   | 110          | 22.18  | 15            | 3.40   | 34           | 12.57  |
| 2.      | Claims received during the year                 | 8             | 1.36   | 37           | 17.63  | 16            | 13.60  | 95           | 44.37  |
| 3.      | Refunds made during the year                    | 4             | 0.61   | 113          | 27.24  | 8             | 0.90   | 63           | 49.22  |
| 4.      | Refunds rejected during the year                | -             | -      | -            | -      | -             | -      | 3            | 0.07   |
| 5.      | Balance outstanding at the end of the year      | 15            | 3.40   | 34           | 12.57  | 23            | 16.10  | 63           | 7.65   |

Source: Information furnished by the Taxation Department.

As seen from **Table 1.10** above, during 2020-21, out of 19 pending refund cases involving ₹ 4.01 crore under the Sales Tax/MVAT, only four cases (21.05 *per cent*) involving ₹ 0.61 crore were refunded. While, under the State GST, 113 cases (76.87 *per cent*) involving ₹ 27.24 crore were refunded against total 147 pending cases involving refund claim of ₹ 39.81 crore. The remaining 15 cases involving ₹ 3.40 crore under Sales Tax/MVAT and 34 cases involving ₹ 12.57 crore under the State GST were yet to be refunded at the end of the year (March 2022).

Similarly, during 2021-22, out of 31 pending refund cases involving ₹ 17 crore under the Sales Tax/MVAT, only eight cases (25.81 *per cent*) involving ₹ 0.90 crore were refunded. Similarly, under the State GST, 63 cases (48.84 *per cent*) involving ₹ 49.22 crore were refunded against total 129 pending cases involving refund claim of ₹ 56.94 crore. The remaining 23 cases involving ₹ 16.10 crore under Sales Tax/MVAT and 63 cases involving ₹ 7.65 crore under the State GST were yet to be refunded at the end of the year (March 2022).

The MVAT Act provides for the payment of interest in case of refund at the rate of eight *per cent* *per annum* if the amount is not refunded to the dealer within 90 days from the date of any order authorising such refund. Similarly, under Section 56 of the MGST Act, the Taxation Department is liable to pay interest at the rate of six *per cent* *per annum* if any tax ordered to be refunded to the applicant is not refunded within 60 days from the date of receipt of application.

As such, the Department may expedite the process of refund in such cases which are outstanding to avoid payment of interest on delayed refund.

**Recommendation:** The Department needs to put in place a mechanism to monitor the pendency of refund cases to ensure that there is no delay in refund dues and the consequent interest liability.

## 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. Details of evasion of tax detected during 2020-21 and 2021-22 are given in **Table 1.11**.

**Table 1.11: Evasion of Tax Detected**

| Sl. No.      | Head of revenue              | Cases pending as on 31 March |           | Cases detected during the year |           | Total     |           | No. of cases in which assessment/investigation completed and additional demand with penalty etc. raised |           |                     |             | No. of cases pending as on 31 March |           |
|--------------|------------------------------|------------------------------|-----------|--------------------------------|-----------|-----------|-----------|---|-----------|---------------------|-------------|-------------------------------------|-----------|
|              |                              | 2020-21                      | 2021-22   | 2020-21                        | 2021-22   | 2020-21   | 2021-22   | No. of cases  |           | Amount (₹ in crore) |             | 2020-21                             | 2021-22   |
|              |                              |                              |           |                                |           |           |           | 2020-21   | 2021-22   | 2020-21             | 2021-22     |                                     |           |
| 1.           | 0040 – Taxes on Sales, Trade | 0                            | 0         | 91                             | 1         | 91        | 1         | 59  | 1         | 0.19                | 0.01        | 32                                  | 0         |
| 2.           | 0006 – SGST                  | 0                            | 32        | 0                              | 62        | 0         | 94        | 0   | 68        | 0.00                | 0.36        | 0                                   | 26        |
| <b>Total</b> |                              | <b>0</b>                     | <b>32</b> | <b>91</b>                      | <b>63</b> | <b>91</b> | <b>95</b> | <b>59</b>   | <b>69</b> | <b>0.19</b>         | <b>0.37</b> | <b>32</b>                           | <b>26</b> |

Source: Information furnished by Taxation Department.

It may be seen from **Table 1.11** that during the years 2020-21, the Department detected 91 cases of evasion of tax and out of 91 cases, only 59 cases were assessed/investigated, and an additional demand of ₹ 0.19 crore was raised leaving 32 cases still pending as of 31 March 2021.

During 2021-22, the Department detected 63 cases of evasion of tax. Out of 95 cases, only 69 cases were assessed/investigated and an additional demand of ₹ 0.37 crore was raised (March 2022). As on 31 March 2022, 26 cases were still pending.

## 1.7 Response of the Government/Departments towards audit

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

### 1.7.1 Position of outstanding Inspection Reports

On completion of the audit of Government/ Departments and the offices, audit issues Inspection Reports (IRs) to the concerned head of the offices, with copies to their superior officers for corrective action and monitoring. Serious financial irregularities are reported to the Heads of the Departments and the Government.

The summarised position of IRs issued during the year 2020-22, including those of previous years' and their status as on 31 March 2022 are mentioned in **Table 1.12**:

Table 1.12: Position of IRs<sup>4</sup>

(₹ in crore)

| Year    | Opening balance |       |          | Addition |      |          | Clearance |      |          | Closing balance |       |          |
|---------|-----------------|-------|----------|----------|------|----------|-----------|------|----------|-----------------|-------|----------|
|         | IR              | Para  | Value    | IR       | Para | Value    | IR        | Para | Value    | IR              | Para  | Value    |
| 2017-18 | 308             | 1,508 | 2,749.64 | 27       | 206  | 1,164.38 | 0         | 91   | 133.42   | 335             | 1,623 | 3,780.60 |
| 2018-19 | 335             | 1,623 | 3,780.60 | 50       | 286  | 668.15   | 11        | 262  | 1,013.48 | 374             | 1,647 | 3,435.27 |
| 2019-20 | 374             | 1,647 | 3,435.27 | 55       | 476  | 1,888.24 | 12        | 166  | 289.80   | 417             | 1,957 | 5,033.71 |
| 2020-21 | 417             | 1,957 | 5,033.71 | 27       | 223  | 1,359.64 | 07        | 92   | 74.15    | 437             | 2,088 | 6,319.20 |
| 2021-22 | 437             | 2,088 | 6,319.20 | 08       | 75   | 358.08   | 12        | 98   | 62.41    | 433             | 2,065 | 6,614.87 |

Review of IRs issued up to 31 March 2022 disclosed that 2,065 paragraphs involving money value of ₹ 6,614.87 crore relating to 433 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 2021 and 31 March 2022 and the amount involved are mentioned in **Table 1.13**.

Table 1.13: Department-wise Outstanding IRs and paragraphs

(₹ in crore)

| Name of the Department                  | Nature of receipts              | 2020-21               |                    |                      | 2021-22               |                    |                      |
|---|---------------------------------|-----------------------|--------------------|----------------------|-----------------------|--------------------|----------------------|
|   |                                 | Number of outstanding |                    | Money value involved | Number of outstanding |                    | Money value involved |
|   |                                 | No. IRs               | Audit observations |                      | No. IRs               | Audit observations |                      |
| Excise, Registration, Taxation & Stamps | (a) Taxes on sales, trade, etc. | 170                   | 1,059              | 2,724.96             | 172                   | 1,057              | 2,884.57             |
|   | (b) SGST                        | 0                     | 0                  | 0                    | 2                     | 24                 | 155.10               |
|   | (c) State Excise                | 72                    | 325                | 282.62               | 72                    | 300                | 264.15               |
|   | (d) Stamps & Registration       | 25                    | 43                 | 2.91                 | 25                    | 40                 | 2.32                 |
|   | (e) State Lotteries             | 0                     | 0                  | 0                    | 0                     | 0                  | 0                    |
| Transport                               | Taxes on motor vehicles         | 86                    | 259                | 379.12               | 76                    | 236                | 376.96               |
| Mining and Geology                      | Mining receipts                 | 26                    | 117                | 2,209.98             | 26                    | 117                | 2,209.98             |
| Forests & Environment                   | Forestry and wildlife           | 58                    | 285                | 719.61               | 60                    | 291                | 721.79               |
| <b>Total</b>                            |                                 | <b>437</b>            | <b>2,088</b>       | <b>6,319.20</b>      | <b>433</b>            | <b>2,065</b>       | <b>6,614.87</b>      |

Further, in respect of four out of 27 IRs and three out of eight IRs issued during 2020-21 and 2021-22 respectively, even the first reply, required to be received from the heads of offices within one month from the date of issue of the IRs, was not received up to March 2023. Pendency of IRs due to non-receipt of the replies may be because the Heads of offices and Heads of the departments had not initiated any action to rectify the defects, omissions and irregularities pointed out by audit in 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 six weeks. The fact of non-receipt of replies from the Departments is invariably indicated at the end of each

<sup>4</sup> Figures of opening and closing balance of outstanding IRs and paras and their money value for the years 2017-18, 2018-19 and 2019-20 respectively, have been updated based on reconciliation of records.

paragraph included in the Audit Report of the Comptroller & Auditor General of India (CAG).

Three draft CAPs proposed to be included in the Report of the CAG on Revenue Sector of Government of Meghalaya for the year ended 31 March 2022 were forwarded to the Secretaries of the Departments concerned between September 2022 and December 2022 to which reply from the Transport Department has been received and the same has suitably been 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 are not received as per the prescribed time schedule.

Total of 397 audit paragraphs (including Performance Audits (PAs)) included in the Reports of the CAG for the years ended 31 March 2009 to 2020, were placed before the State Legislature between May 2010 and March 2021. The *Suo Motu* explanatory notes from the Departments concerned are awaited in respect of 182 paragraphs, which constitute 45.84 per cent of the total audit observations (March 2022).

The PAC discussed 53 selected paragraphs<sup>5</sup> between April 2011 and March 2022 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37<sup>th</sup> and 39<sup>th</sup> Reports) for the years 2008-09 and 2009-10. However, ATNs have not been received from the Departments concerned (March 2022) in respect of 14 recommendations made by the PAC as mentioned in **Table 1.14**.

**Table 1.14: Outstanding ATNs**

| Year         | Name of the Department  | Number of ATNs awaited |
|--------------|-------------------------|------------------------|
| 2008-09      | Sales Tax               | 11                     |
| 2009-10      | Sales Tax               | 02                     |
| 2009-10      | Stamps and Registration | 01                     |
| <b>Total</b> |                         | <b>14</b>              |

#### 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 and PAs included in the Audit Reports of the last five years by the Mining and Geology Department has been evaluated and results are included in this Audit Report.

<sup>5</sup> Pertaining to the Audit Reports for the years 2008-09, 2009-10, 2013-14, 2016-17 and 2017-18.

### 1.8.1 Position of Inspection Reports of Mining and Geology Department

The summarised position of IRs issued during the last five years, paragraphs included in these reports and their status in respect of Mining and Geology Department as on 31 March 2022 are shown below:

**Table 1.15: Position of Inspection Reports of Mining and Geology Department**  
(₹ in crore)

| Year    | Opening balance |       |             | Addition |      |             | Clearance |      |             | Closing balance |      |             |
|---------|-----------------|-------|-------------|----------|------|-------------|-----------|------|-------------|-----------------|------|-------------|
|         | IR              | Paras | Money value | IR       | Para | Money value | IR        | Para | Money value | IR              | Para | Money value |
| 2017-18 | 17              | 74    | 733.00      | 3        | 28   | 741.75      | 0         | 1    | 0.14        | 20              | 101  | 1,474.61    |
| 2018-19 | 20              | 101   | 1,474.61    | 1        | 3    | 1.75        | 0         | 12   | 313.40      | 21              | 92   | 1,162.96    |
| 2019-20 | 21              | 92    | 1,162.96    | 5        | 38   | 1,126.09    | 1         | 9    | 65.35       | 25              | 121  | 2,223.70    |
| 2020-21 | 25              | 121   | 2,223.70    | 1        | 0    | 0.00        | 0         | 4    | 13.72       | 26              | 117  | 2,209.98    |
| 2021-22 | 26              | 117   | 2,209.98    | 0        | 0    | 0.00        | 0         | 0    | 0.00        | 26              | 117  | 2,209.98    |

The clearance of IRs/Paras was insignificant which indicated that the Department concerned had not taken necessary action for their disposal.

### 1.8.2 Recovery in respect of Accepted Cases

The status of paragraphs pertaining to the Mining and Geology Department included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered as on 31 March 2022 is mentioned in **Table 1.16**:

**Table 1.16: Status of recovery of accepted cases** (₹ in crore)

| Year of Audit Report | Number of paragraphs |               | Number of paragraphs |               | Amount recovered during the year |
|----------------------|----------------------|---------------|----------------------|---------------|----------------------------------|
|                      | Included             | Money value   | Accepted             | Money value   |                                  |
| 2017-18              | 01                   | 632.37        | 01                   | 402.25        | NIL                              |
| 2018-19              | NIL                  | NIL           | NIL                  | NIL           | NIL                              |
| 2019-20              | 02                   | 10.90         | 02                   | 10.90         | NIL                              |
| 2020-21              | NIL                  | NIL           | NIL                  | NIL           | NIL                              |
| 2021-22              | NIL                  | NIL           | NIL                  | NIL           | NIL                              |
| <b>Total</b>         | <b>03</b>            | <b>643.27</b> | <b>03</b>            | <b>413.15</b> | <b>NIL</b>                       |

As can be seen from the above table, the Mining and Geology Department had failed to recover any amount even in the accepted paragraphs during the five-year period (2017-22) against the total accepted money value of ₹ 413.15 crore.

## 1.9 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in Government revenues and tax administration *i.e.*, budget speech, white paper on State Finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, *etc.*

During the years 2020-21 and 2021-22, out of 139 and 153 auditable units, 27 (19.42 *per cent*) and eight units (5.23 *per cent*) were audited respectively.

## **1.10 Results of Audit**

### **1.10.1 Position of local audits conducted during the year 2020-21 and 2021-22**

Test check of the records of taxes on sale, trade *etc.*, State Excise, Motor Vehicles Tax, Forest Receipts and other Non-Tax Receipts conducted during the year 2020-21 and 2021-22 revealed underassessments/short/non-levy/loss of revenue amounting to ₹ 1,358.47 crore and ₹ 358.08 crore which accounted for 52.33 *per cent* and 12.68 *per cent* of the State's Own Resources in 208 and 75 cases respectively. During the year 2020-21 and 2021-22, the departments concerned accepted under assessments/short/non-levy/ loss of revenue of ₹ 134.85 crore in 78 cases and ₹ 293.47 crore in 62 cases respectively and recovered ₹ 4.32 crore.

## **1.11 Internal Controls**

Audit noticed that the revenue earning departments had weak internal controls to detect under-assessment, short payment, evasion of taxes, fees, royalties and other irregularities. There was no system in place to actively exchange information and co-ordinate amongst the departments for cross-verification of records to detect illegal transportation of minerals, evasion of royalties, excise duty, *etc.*

This Report contains a Subject Specific Compliance Audit on “Transitional Credit under GST” and a Performance Audit on “Mining of Minor Minerals in Meghalaya” as well as three CAPs from test audit done by the Principal Accountant General (Audit) Meghalaya during the year 2020-21 and 2021-22 having a monetary impact of ₹ 118.77 crore. Paragraphs for 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.