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THIRTY NINTH REPORT
(2008-2009 & 2009-2010)
EIGHTH ASSEMBLY

Report of the Committee on Public Accounts Meghalaya Legislative Assembly on the Report of the Comptroller & Auditor General of India For the year 2008-2009 & 2009-2010

TAXATION DEPARTMENT

MEGHALAYA LEGISLATIVE ASSEMBLY
SECRETARIAT

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INTRODUCTION

I, the Chairman of the Committee on Public Accounts, Meghalaya Legislative Assembly having been authorised by the Committee, do hereby present the Thirty Ninth Report of the Committee on the Report of the Comptroller and Auditor General of India on the Accounts of the Government of Meghalaya for the years 2008-2009 & 2009-2010 (Report No.3) (Revenue Receipts) relating to Taxation Department.

Besides relying on the Report of the Comptroller and Auditor General of India, written replies to audit observations were examined and oral evidence tendered by the Officers of Excise, Registration, Taxation & Stamps Department were also heard by the Committee.

The Committee thoroughly examined the matter and found a number of irregularities in which the Committee has to make concrete observations and recommendations in the Report. The Committee expects that the Government should take necessary action against the recommendations mentioned in the Report.

The Committee finalised and approved the Report in its sitting on the 27th August, 2012. The Committee expresses its heartfelt gratitude to the Principal Accountant General (Audit), Meghalaya and his staff for their assistance during the examination of the above mentioned Department. The Committee also wishes to place on records its appreciation to the Officers and Staff of Excise, Registration, Taxation & Stamps Department who appeared before the Committee from time to time.

I, also wish to thank the Adviser to Financial Committees, the Legal Assistant, the Reporters and staff of the Assembly Secretariat who have made this Report a possibility.

Dated : Shillong,
The 27th August, 2012.

J. M. Marak,
Chairman,
Public Accounts Committee,
Meghalaya Legislative Assembly.

COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS

1.	Shri J. M. Marak,	*M.L.A. & Chairman*
2.	Shri R. V. Lyngdoh,	*M.L.A. & Member*
3.	Shri James K. Sangma,	*M.L.A. & Member*
4.	Shri P. N. Syiem,	*M.L.A. & Member*
5.	Shri Remington Pyngrope,	*M.L.A. & Member*

ASSEMBLY SECRETARIAT

1.	Smti. H. Mylliemngap,	*Secretary*
2.	Shri T. D. Sangma,	*Deputy Secretary*
3.	Shri F. G. Momin,	*Under Secretary*
4.	Smti. M. Warjri,	*Committee Officer*

REPORT

The 37th Report of the Public Accounts Committee, Meghalaya Legislative Assembly presented on the floor of the House on the 9th September, 2011 dealt with the Paragraph 2.2 "Transition from Sale Tax to VAT in Meghalaya" as appeared in the C & AG of India's Report (Revenue Receipts) for the year ended March 2009. The Committee thoroughly examined the Audit observations contained in this Paragraph and Sub-Paragraphs therein and accordingly submitted its Recommendations for further action by the Taxation Department in regards to transition from Sale Tax to VAT in Meghalaya. **This Report deals with the subsequent Audit Paragraphs of the Said Audit Report and also few paragraphs from the C & AG of India's Report (Revenue Receipts) for the years ended March 2010, detailed as under :-**

Mention was made in Para 2.5, 2.6, 2.7,2.8, 2.10, 2.11, 2.19, 2.22, 3.5, 3.7 of the C & AG Report (Revenue Receipts) for the year ended March 2009 & Para 2.30, 2.32 and 3.5 for the year ended March 2010 as follows :-

The Department in their replies to the respective Paragraphs have stated as follows :-

Para		
2.5	**Concealment of turnover**	
	Thirteen registered dealers concealed turnover of ₹ 54.96 crore and evaded tax of ₹ 2.74 crore on which penalty of ₹ 5.84 crore was also leviable.	
	Under the Meghalaya Value Added Tax (MVAT) Act, 2003 if any dealer conceales the particulars of his turnover or evades in any way the liability to pay tax, he shall be liable to pay, in addition to the tax, a penalty not exceeding ₹ 5,000 or double the amount of tax payable on the sale turnover, whichever is greater. The provision of the Act applies *mutatis mutandis* in case of assessment and reassessment under the Central Sales Tax (CST) Act, 1956. Further, sale of declared goods in the course of interstate trade is taxable at the concessional rate of four *per cent* upto 31 March 2007 and three *per cent* thereafter, if such sale is supported by declaration in form 'C' otherwise such sale is taxable at the rate of eight *per cent* upto 31 March 2007 and four *per cent* thereafter. The Commissioner of Taxes (COT), Meghalaya in his notification dated March 2002 fixed the rate of advance tax at ₹ 1,800 for 15 MT coal based on its prevailing market price ranging between ₹ 1400/- or ₹ 1500/-. Scrutiny of the records of ST, Jaintia Hills District, Jowai revealed (June 2008) that 13 dealers sold 8.74 lakh metric ton of coal in the course of interstate trade between October 2005 and December 2007. The dealers disclosed turnover of ₹ 67.47 crores in their return for the aforesaid periods duly supported by 'C' form instead of ₹ 122.43 crores calculated at the minimum rate of ₹ 1400/- per MT as fixed by the COT. The AO while completing the assessments between April 2007 and March 2008 also ignore the rate fixed by the COT. This resulted in non-detection of concealment of turnover of ₹ 54.96 crore and consequent evasion of tax of ₹ 2.74 crore. Besides, penalty of ₹ 5.48 crore was also leviable for the concealment of turnover. After this was pointed out, the Government stated (January 2010) that the sales turnover was determine as per books of accounts of the concerned dealers and not on the estimated price fixed by the COT. The reply is not tenable as minimum turnover should have been determined based on the prevailing market price of ₹ 1,400 per MT of coal as intimated by the COT.	Minimum rate of coal for the purpose of assessment of tax have not been fixed. Assessment of tax on coal is based on the prevailing market price and on the basis of account books/documents furnished by dealers. However, for the purpose of realisation of security tax under CST Act @ ₹ 1800/- per sheet of 'P' form valid for transportation of 1 (one) truck load of coal of 15 mts in the course of inter-state trade or commerce, the Commissioner of Taxes estimated the value of coal @ ₹ 1500/- per metric tonne or ₹ 22,500/- per truck of 15 mts with tax calculated @ 8%. In view of the above, and the reply furnished earlier on the same lines to Accountant General may be The Department further stated that the selling price of coal varies from area to area and there are at least three major category of coal viz. lump coal, combine coal and dust coal and therefore the A.O. base their assessment on book of Accounts of the dealers and also on local market rate.

Observation

The Committee observes that when the coal price was fixed by the Department at ₹ 1400 - 1500 per ton, few dealers showed that they purchased coal way below on what the Commissioner of Taxes (COT) had fixed, resulting in the concealment of turnover. Further, the Department in their reply have stated that the Assessing Officers (AOs) based their assessment on the book of Account of the dealer and also on the local market rate, which implies that the Superintendent of Taxes (ST) can accept any rate given by the dealer which is absurd.

Recommendation

The Committee therefore recommends that in future Taxation Department in consultation with the Mining & Geology Department should lay down certain criteria for fixing the price of different varieties of coal, thus to avoid concealment of turnover.

Para 2.6	**Non-levy of Tax and penalty on misuse of 'C' form** ***Two companies purchased goods at concessional rate for use in manufacture of cement but utilised these for other purposes resulting in non-levy of tax of ₹63.70 lakh nad penalty of ₹1 crore.*** Under the CST Act, a registered dealer may purchase goods from a registered dealer of another State at a concessional rate by utilising declaration in form 'C'. Further, if any person after purchasing the goods for any of the purpose specified in the declaration form fails to make use of the goods for any such purpose, he is liable to pay penalty not exceeding one and half the amount of tax, it was judicially held by the Supreme Court that the expression "in the manufacture of goods" should encompass the entire process carried out by the dealer for converting raw materials into finished goods.	
2.6.1	Scrutiny of the records of ST Jowai revealed (June 2008) that a company engaged in the manufacture of cement, purchased motor spirit valued at ₹ 5.10 crore on 18 October 2006 from outside the State by utilising one declaration in form 'C' for use in manufacture/processing of goods for sale, but the company started commercial production from 11 May 2007 only. Thus, goods so purchased at concessional rate were not used in the manufacture of cement and the company was liable to pay tax of ₹ 63.70 lakh. Besides, penalty not exceeding ₹ 95.55 lakh was also leviable for misuse of form 'C' but not levied. (ii) Another cement manufacturing company registered under ST, Jowai imported motor cars, GC sheets, air conditioner, electronic goods, tent and accessories etc, valued at ₹ 43.93 lakh between April 2002 and January 2008 at concessional rate against declarations in form 'C' for use as raw materials for manufacture of cement. Since the goods thus purchased at concessional rate could not be used as raw materials for manufacture of cement. Since the goods so purchased at concessional rate could not be used as raw materials for the manufacture of cement the company was liable to pay penalty upto ₹ 4.93 lakh for misuse of 'C' forms which was, however, not levied and realised by the AO.	In terms of Rule 13 of the CST Rules, 1957 the goods which a registered dealer may purchase against 'C' form declaration shall be goods intended for use by him as raw materials, processing materials, machinery, plant, equipment, tools, stores, spare parts, accessories, fuel or lubricants, in the manufacture or processing of goods for sales or in mining or in the generation or distribution of electricity or any other form of power. On enquiry conducted by the Assessing Officer it was found that the goods purchased against 'C' forms were not sold out to other parties but were used by the companies for their own purposes. Hence no sales tax is leviable but only penalty is payable by the companies for misuse of 'C' forms. One company viz., H.M. Cements Ltd. already paid penalty for ₹ 2,13,538/- vide treasury Challan No. 4922 dt. 12.03.2010, No.334, dt.26.04.2010 and No.624, dt.26.05.2010. Action against another company viz. Megha Technical and Engineering is being taken by the Assessing Officer concerned.

	After this was pointed out, the Government stated in (January 2010) that the AO had been asked to review-examine the cases for imposition of penalty. Further report is awaited (February 2010).	

Observation

The irregularities occured as pointed out in the audit observation should have been rectified at the beginning, but only when pointed out by Audit, the Government asked the A.O. to re-examine the case for imposition of penalty.

Recommendations 2.6

1. The Department should take care that such mistake should not occur in future.

2. Realization of penalty imposed on Megha Technical and Engineering, should be realized immediately and the result may be intimated to the next Audit and to the PAC.

Para 2.7	**Evasion of Tax by furnishing false returns** **Four registered dealers concealed turnover of ₹ 5.32 crore in their returns and evaded Tax of ₹ 41.78 lakh on which penalty of ₹ 83.56 lakh was also leviable.** Under the MVAT Act, if any dealer furnishes a false return of turnover, he shall be liable to pay, in addition to the tax, a penalty not exceeding ₹ 5,000 or double the amount of tax payable on the sale turnover, whichever is greater. The provision of the Act applies *mutatis mutandis* in case of assessment and reassessment under the CST Act. Further, sale of declared goods in the course of interstate trade is taxable at the concessional rate of four *per cent* upto 31 March 2007 if such sale is supported by declaration in form 'C', otherwise such sale is taxable at the rate of eight *per cent.* Scrutiny of the assessment records of the ST, Jaintia Hills District, Jowai (June 2008) revealed that four dealers sold coal valued at ₹ 3.43 crore to dealers of Guwahati, West Bengal, Rajasthan during April 2005 to March 2007. The turnover was supported by declarations in form 'C' and the dealers were assessed between November 2005 and June 2007 at a concessional rate of four *per cent.* Further, scrutiny of records revealed that four dealers had also sold 34,817 MT of coal valued at ₹ 5.32 crore which was dispatched through Umkiang check gate located at the exit point of Meghalaya on the road connecting states like Assam (southern part), Manipur, Mizoram and Tripura during the aforesaid period. Although the records of despatch of coal were forwarded to the AO by the Officer in charge of Taxation check gate, the AO did not include the turnover while finalising the assessments. Thus, failure of the AO to ensure proper assessment by verifying all the concerned records available with him led to evasion of tax of ₹ 41.78 lakh. Besides, penalty of ₹ 83.56 lakh was also leviable for concealment of turnover.	The Assessing Officer informed that re-verification of the account books was made it was found that the dealers maintained only one set of account books in respect of the coal consignments dispatched by them through Byrnihat Taxation Checkpost and also through Umkiang Taxation Checkpost for sale/ consignment stock transfer in the course of inter-state trade or commerce and also submitted a return of consolidated turnover for the periods concerned. For sale covered by 'C' forms tax was assessed @ 4% and for consignment stock-transfer covered by 'F' forms, no tax was leviable. Besides, the sales value of coal worked out @ ₹ 1500/- per metric tonne in the audit report while determining the concealed turnover is unacceptable by the Department as discussed in Para 2.5 above. However, to ensure that no concealment of turnover is made, the AO has again been directed to reverify the submission of 'F' forms by dealers; the result of which has been furnished as under :- (1) The result of re-verification regarding the involvement of Form 'F' in the said audit observation is as under :- There are 4 (four) dealers included in the para. Out of 4 (four) dealers, 3 (three) dealers are in the office of the Superintendent of Taxes, Jowai and 1 (one) dealer is transferred to the Superintendent of Taxes, Khliehriat.

The periods under the audit observations are between April 2005 and March 2007.

The turnover covered by 'C' forms and 'F forms are as under :-

(a)	Under 'C' forms:-		
	From 3 (three) dealers under Superintendent of Taxes, Jowai	₹ 343,50,550.00	'C' forms from West Bengal and Guwahati (Assam)
	From 1 (one) dealers under Superintendent of Taxes, Khliehriat	₹ 3,75,000.00	'C' form from Karimganj, Lower Assam
	Total	**₹ 347,25,550.00**	
(b)	Under 'F' forms:- From 3 (three) dealers under Superintendent of Taxes, Khliehriat	₹ 14,93,15,195.00	'F' forms from West Bengal
	Total	**₹ 14,93,15,195.00**	

On the turnover covered by 'C' forms, tax was assessed at the rate of 4 percent and on the turnover covered by 'F' forms, no tax as leviable.

(2) For coal sold to dealers of Southern Assam, Mizoram, Manipur, Tripura and dispatched through Umkiang Checkgate, the Assessing Officers concerned have taken action as follows:-

(a) **Under the Superintendent of Taxes, Jowai [3 (three) dealers]:-** All the 3 (three) dealers could not produce their books of accounts for reverification. The Assessing Officer had re-assessed the tax on the basis of turnover of coal despatched through Umkiang Checkgate as pointed out in the audit observation at the rate of 8 percent as sale to unregistered dealer under the Central Sales Tax Act, 1956. Penalty as also imposed as admissible.

Detail revised assessment of the Coal dealers are as follows:-

Sl. No.	Name of the Dealers	QE	Turnover	Tax assessed @8%	Penalty
1.	M/S Wishing Lyngdoh	31.3.06 to 31.3.07	22404000	1792320	
2.	M/S National Enterprise	30.3.06 to 30.9.06	26454000	2116320	10000
3.	M/S Balari Pariat	31.3.07	636000	50880	5000
	Total		49494000	3959520	15000

1. From the above tax amount raised, the payment position is as under :- 1. M/S Wishing Lyngdoh has not paid the tax of ₹17,92,320.00. Demand notice was issued to the dealer for payment of the same.

2. M/S National Enterprise has not paid the tax of ₹21,16,320.00 and penalty of ₹10,000.00. A deamnd notice was issued to the dealer for payment of the same.

3. M/S Balari Pariat has paid the due demand of tax of ₹ 50,880.00 and penalty of ₹ 5,000.00 through adjustment from the excess payment of tax in period ending 30.9.2008.

(b) Under the Superintendent of Taxes Khliehriat (1 dealer) :-

The Assessing Officer had verified the record of the dealer who was registered w.e.f. 1.2.2007 and issued with 25 (P) forms for transportation of coal through taxation check post. On the basis of all 'P' Form utilized by the dealer and taking the selling price of coal at ₹ 1500/- per MT. for 15 MT per 'P' form, per truck, the Assessing Officer completed the re-assessment of tax for the period ending 31.3.2007 as below :-

(i) Name of dealer - M/s High Tech International Trader.
(ii) Quarter ending - 31.3.2007

(iii) Value of turnover :-		Turnover		Tax
@ 4 p.c. covered by 'C' Form	-	₹ 375000.00	-	₹15000.00
@ 8 p.c. not covered by 'C' Form	-	₹ 1875500.00	-	₹15000.00
Total	=	**₹ 562500.00**	-	**₹ 30000.00**

After the re-assessment a due demand of ₹ 15000 was raised and the dealer the same vide Treasury Challan No 1293 dated 14.6.2012.

In view of the above it may be stated that the total turnover on sale of coal dispatched through Umkiang Taxation check gate of dealers under both the Superintendent of Taxes, Jowai and Khliehriat thus comes to ₹ 5,00,56,500.00 and total tax payable is ₹ 39,89,520.00 out of which ₹ 6,66,000.00 was paid by the dealer. For the balance amount of ₹ 33,23,520.00 a demand notice was issued to the dealers for payment of the same. Similarly, out of ₹ 15,000.00 penalty imposed, ₹ 5000.00 was paid by the dealer and for the balance amount of ₹ 10,000.00 a demand notice was issued to the dealer for payment.

Observation 2.7

Three dealers under ST Jowai could not produce their Book of Accounts. The Assessing Officer (AO) should have otherwise utilized all Records available with him, like way bills received from check gate etc. at the time of assessment, to detect cases of evasion of Tax.

Recommendation

Steps to realize the balance amount of Tax of ₹ 33,23,520/- and Penalty of ₹ 10,000/- should be taken immediately under intimation to the next audit.

Para 2.8	**Evasion of tax by utilizing fake declaration forms.** **Five dealers utilized fake 'C' form and evaded tax of ₹ 19.21 crore on which penalty of ₹ 33.42 lakh was also leviable.** Under the CST Act, on interstate sale of goods which are covered by a valid declaration in form 'C', tax is leviable at a concessional rate of four *per cent.* In case of declared goods, if not covered by valid declaration in form 'C', tax is leviable at the rate of eight *per cent.* Further, under the MVAT Act, if any dealer evades, in any way the liability to pay tax, he shall be liable to pay by way of composition of offence, a sum not exceeding ₹ 5,000 or double the amount of whichever is greater. In Meghalaya, coal is taxable at the rate of four *per cent.* Scrutiny of the records of ST, Jowai revealed (June 2008) that five dealers sold coal in the course of interstate trade valued at ₹ 4.80 crore to dealers of Kolkata in West Bengal and produced eight declarations in form 'C' issued by the purchasing dealer. The AO also accepted the declaration forms and assessed the dealers accordingly on different dates between May 2007 and June 2007. Verification of the records of the Commissioner of Commercial Taxes, West Bengal revealed that the dealer who issued the form was neither registered nor was any declaration form issued to him. Thus, the declaration forms submitted by the dealers of Meghalaya were fake and tax should have been levied at the rate of eight *per cent* instead of four *per cent*. This resulted in evasion of tax of ₹ 19.21 crore. In addition, penalty of ₹ 38.42 lakh was also leviable for delebrate submission of fake 'C' form. After this was pointed out, the Government stated (January 2010) that the case had been taken up with the Taxation Department of West Bengal. Fact however remains that the reply of the Taxation Department of West Bengal is available with the audit which could have been obtained and the assessments revised in the interest of revenue.	On receipt of letter of authentication from the Tax authority, West Bengal that the 'C' form furnished by five coal dealers were fake, the Assessing Officer reopened the cases and reassessed the tax. Demand notices for payment of the tax due were issued to dealers but no payment dues were made. The Superintendent of Taxes, Jowai is instructed to take action as provisions of the Acts for realisation of the dues from the dealer.

Observation 2.8

The occurence of fake forms during transaction were always pointed out by audit every year, yet it is surprising to note that here again the declaration forms submitted by the dealers of Meghalaya were fake. This indicates the weakness in the Control mechanism system of the Taxation Department.

Recommendation

The Government should improve the internal control mechanism System of the Department including strengthening its internal audit to prevent occurence of fake forms.

Realization of the re-assessed tax should be made immediately from the 5 coal dealers who used fake forms by taking recourse to the provision of Tax Act applicable, under intimation to the next audit. Process for computerization interlinking the main office with the various transport check gates should be expedited to prevent occurence of fake forms.

Para 2.10	**Non detection of fraudulent representative of fact resulting in evasion of tax.** **A dealer purchased cement valued at ₹ 1.05 crore at concessional rate which besides penalty of ₹ 26.18 lakh** Under the MVAT Act, if any registered dealer falsely represents when purchasing any class of goods of such class are covered by the certificate of registration, he shall be liable to pay, in addition to the tax recoverable under the Act, penalty not exceeding ₹ 5,000 or double the amount of tax which would have been payable on the sale of turnover, whichever is greater. Test check of the records of the ST, Circle I, Shillong revealed (April 2008) that a dealer disclosed purchase of onion and mineral water valued at ₹ 75,000 and ₹ 65,000 respectively at concessional rate from outside the State by utilizing two declarations in form 'C'. Cross verification of assessment records of the selling dealer registered in Assam, however, revealed that the dealer purchased cement valued at ₹ 1.05 crore between August and December 2006 by utilizing those two 'C' forms. The dealer neither disclosed purchase and sale of cement in his returns nor the item was included in his certificate of registration.The dealer thus falsely represented while purchasing goods that cement was covered by his certificate of registration which strangely was not noticed of the AO. Thus, due to concealment of purchase of ₹ 1.05 crore by fraudulent method, the dealer evaded tax of ₹ 13.09 lakh. The tax effect would be even more if elements of profit could be ascertained. Besides, penalty of ₹ 26.18 lakh was also leviable.**The Department also needs to investigate, fix responsibility and take appropriate administrative action for non-verification of such basic facts.** After this was pointed out in July 2008, the COT while admitting the facts stated (September 2009) that the dealer was not traceable. The area IT was asked to conduct an inquiry and submit report on the whereabouts of the dealer. Further report has not been received (February 2010). The cases were reported to the Government in July 2008; their reply has not been received (February 2010).	Best judgement assessment was completed as per audit information. Tax for ₹ 13,12,744/- and penalty for ₹ 19,69,116/- was demanded from dealer as per notices served on him. In case dealer did not comply with the notices the case is being referred to Bakijai Officer.

Observation 2.10

The false representation of the dealer while purchasing goods by stating that cement purchased was also covered by his certificate of registration, was strangely not noticed by the Assessing Officer (AO). Only when it was detected by audit, tax assessed on best judgement basis by the AO, but when notice was served to the dealer to recover the assessed tax, the dealer could not be traced out. It is sad to note that not only in this case but also in many cases in the succeeding paragraphs, the Department neither reported nor initiated any action when the dealer was untraceable. The dealer exists as long as the problem in not pointed out, the moment something is pointed out, the dealer vanished overnight. When asked, what action has been taken against the dealer who has vanished, the answer was that, his case has been referred to the Bakijai.

Recommendations

1. The Department should investigate, fix responsibility and take appropriate administrative action for non-verification of such basic facts.

2. For better results in recovery of the dues/penalty and firmly dealing with the tax evaders, Government may find out ways and means possible to delink the Bakijai part from the Taxation Department and instead to place everything under the Deputy Commissioner of the District concerned, who would have ample manpower and would be able to take up the cases objectively and effectively.

Para		
2.11	**Turnover escaped assessment** **Tax of ₹ 26.75 lakh was under assessed due to escapement of turnover ₹ 4.65 crore** Under the Meghalaya Finance (Sales Tax) Act, if the COT is satisfied that the sale of any taxable goods has escaped the assessment in any period or has been underassessed, he may at any time within eight years of the end of the aforesaid period, serve on the dealer a notice and proceed to reassess the dealer accordingly.	
2.11.1	Test check of the records of the ST, Circle III, Shillong revealed (April, 2008) that a dealer disclosed turnover of ₹ 20.42 lakh in his returns between April, 2004 and March, 2005 and was assessed in January, 2006 accordingly. Scrutiny of assessement records, however, revealed that the dealer actually sold goods valued at ₹ 1.02 crore during the aforesaid period. Thus, turnover of ₹ 81.22 lakh escaped assessement resulting in under assessment of tax of ₹ 6.50 lakh.	Superintendent of Taxes, Circle-III - The case was re-assessed by the Assessing Officer and is referred to Bakijai Officer for recovery of the dues.
2.11.2	Test check of reords of the ST, Circle I, Shillong revealed (April, 2008) that a dealer disclosed turnover of ₹ 8.48 crore in his returns between April, 2004 and March, 2005 and assessed in September, 2006 accordingly. However, scrutiny of the assessement records revealed that the dealer actually sold taxable goods valued at ₹ 11.71 crore. Thus, turnover of ₹ 3.23 crore escaped assessement resulting in under assessement of the tax of ₹ 12.94 lakh.	Superintendent of Taxes, Circle-I - On re-verification of the account books it was found that the dealer's purchases during the period as per audit observations was ₹ 8,40,22,224/- and the sales was ₹ 8.48 crores. Since the sales figures and purchase figures appear to be consistent concealment of turnover does not arise and there was no underassessment of tax.

Para 2.11.3	Test check of records of the ST, Circle IV, Shillong revealed (April, 2008) that a dealer disclosed turnover of ₹ 2.10 lakh in his return for the period between April, 2002 and March, 2004, and was assessed in different dates between December, 2005 and April, 2007. Further scrutiny however, revealed that the dealer actually sold goods valued at ₹ 63.05 lakh. Thus, turnover of ₹ 60.95 lakh escaped assessement resulting in underassessment of tax of ₹ 70.31 lakh. After the cases were pointed out, the AO, Circle IV while admitting the facts stated (September, 2009) that the assessment has been rectified and a demand notice issued to the dealer accordingly. Report on recovery of the assessed tax and the replies in respect of the dealers under Circle I and III have bot been received (February, 2010). The cases were reported to the Department/ Government in July, 2008; their reply has not been received (February, 2010).	On rectification of Assignment Order for the period ending 31.03.2004 to 31.03.2005 the total tax, interest, surcharge and penalty was ₹ 17,91,509/-. The dealer failed to clear the dues and the matter was referred to the Bakijai Officer for recovery of the whole amount vide this office letter No.KH/FST/3-2005/5-57/ 397, dated 17.09.2009.
Observation and Recommendation same as in Para 2.10.		
2.19	**Loss of Revenue due to irregular cancellation of registration certificate.** **Cancellation of the registration certificate without surrendering the unused declarations led to loss of revenue of ₹ 92.58 lakh.** Under the CST Act and Rules made thereunder, unused declaration forms remaining in stock with a register dealer at the time of cancellation of this registration certificate shall be surrender to the ST. Further, if any dealer evades the payment of tax wilfully or conceals his liability to pay the tax, the COT may accept by way of composition of such offence, a sum not exceeding ₹ 1,000 of double the amount of tax, whichever is greater. Scrutiny of the ST, West Garo Hills, Tura revealed (November, 2008) that a cement dealer disclosed turnover of goods valued at ₹ 13.51 lakh between October, 2002 and March, 2003 and the AO assessed the dealer in April, 2003 accordingly. As prayed by the dealer, the AO also cancelled the registration certificates of the dealer under the Meghalaya Finance Sales Tax and CST Act with effect from April, 2003 without obtaining the unused declaration forms issued to the dealer. Cross verification of the records of the dealer registered in Guwahati (Assam), however, revealed that the dealer imported cement valued at ₹ 2.57 crore between April and September 2003 by utilizing two declaration forms. The dealer thus evaded tax of atleast ₹ 30.86 lakh on the aforesaid turnover. Besides, penalty of ₹ 61.72 lakh was also leviable. Thus due to the irregular cancellation of the registration certificate by the AO, there was loss of revenue of ₹ 92.58 lakh.	Dealer did neither comply with the notice issued for production of books on account nor could he be traced out as per enquiry conducted by the Inspector of Texas locally. Steps are being taken to reassess the case after ascertaining the position from Assam vis-a-vis the audit observation. The Assessing officer who completed the assessment earlier had since retired and as per statement of the present assessing officer, the case record of the dealer concerned also is no longer traceable in the office. The file of the dealer was reconstructed on the basis of the materials available in the Index Register. However, since the case is very old and the registration certificate has already been cancelled long ago by the Superintendent of Taxes without obtaining the unused 'C' forms and the dealer is not traceable at present, there is no scope for re-assessment and realisation of tax relating to dealer.

	After this was pointed out, the ST while admitting the facts stated (March, 2009) that the dealer had been asked to produce the books of accounts for verification. The reply was silent regarding the omission to collect the unused declaration forms at the same time of cancellation of RC which was fraught with the risk of misused and ultimately led to loss of revenue. Further reply has not been received (February, 2010). The cases were reported to the Department/Government in Janauary, 2009; their reply has not been reeived (February, 2010).	

Observation

The Committee observed that irregular cancellation of registration certificate without surrendering the unused declaration forms led to the loss of revenue. Actually, it is the first and foremost duty of the Superintendent of Taxes (ST) concerned to insist on the return of the unused Registration Certificate before the registration was cancelled.

Recommendation

The Committee recommended that henceforth it should ensure that unused declaration forms should be surrendered before cancellation of registration certificate.

Para 2.22	**Non-levy of tax due to non-completion of the assessment.** **Delay in completion of the assessment led to non-payment of tax of ₹ 13.73 lakh including interest.** Under the Meghalaya Finance (Sales Tax) Act, every dealer was required to submit a return alongwith the payment of the admitted tax within 30 days of the close of each six monthly period. If a dealer failed to submit returns or after submission of the returns, failed to produce the books of accounts despite notices, the AO was to complete the assessments on best judgement basis. Test check of the records of the ST, Nongpoh revealed (July, 2008) that a manufacturer of black wire, GI wire etc., imported raw material valued at ₹ 85.01 lakh between October, 2003 and September, 2004 but the dealer neither filed any return nor paid any tax. The AO did not initiate any action either to issue notice for submission of the return or to assess the dealer on the best judgement basis. Cross verification of the records of the Registrar of Companies, Shillong, however, revealed that the dealer had sold finished goods valued at ₹ 49.94 lakh and ₹ 58.81 lakh under the MFST and CST Act respectively between April, 2003 and March, 2004. Thus, failure of the AO to initiate timely action to assess the dealer on best judgement basis led to non-levy of tax of ₹ 6.70 lakh. Besides, interest of ₹ 7.03 was also leviable.	The process of recovery of tax assessed was already initiated by the Assessing Officer but no recovery could be made as the dealer has closed his business. The case has been referred to Bakijai.

	After this was pointed out, the Government stated (January, 2010) that the assessment had been completed on best judgement basis and demand notice had been issued for payment of tax and interest. A report on recovery has not been received (February, 2010). The cases were reported to the Department / Government in May, 2008; their reply has not been received (February, 2005).	

Observation

The Committee observes that the dealer is taking advantage of the lapse on the part of the Assessing Officer (AO) who did not initiate timely action either on issuing notice for submission of returns or to assess the dealer on the best jugdement basis. Delay in the completion of assessment led to nonpayment of taxes and interest to the tune of ₹ 13.75 lakh. Later, the Government stated that the assessment had completed on best judgement basis and demand notice issued to the dealer for payment of the assessed tax and interest. When asked about the present position of the demand notice, the department stated no response yet on the part of the dealer and the case has been referred to Bakijai. Further, when asked to furnish the data about cases pending with the Bakijais in all districts, the department sought for time.

Recommendation

For better result in recovery of the dues/penalty and firmly dealing with the Tax evade, the Committee recommends that the Government may find out ways and means possible to delink Bakijai part from Taxation Department and instead to place everything under the Deputy Commissioner of the District concerned, who would have ample manpower and would be able to take up the cases objectively and effectively.

Para 3.5	**Non-realization of amusement tax. Inaction of accessing officer led to loss of revenue of ₹ 2.87 crore.** Under the Meghalaya Amusement and Betting Tax Act, every registered proprietor of any entertainment in respect of which entertainment tax is payable under this Act, shall pay amusement tax to the State Government within such date(s) as may be prescribed. Again Section 4 of the Act provides for the method of the levy of the entertainment tax and in case of contravention of this provision the proprietor is liable to pay composition money not exceeding one thousand rupees or double the amount of tax which would have been payable had these provisions been compiled with, whichever is greater. Further Section 10 of the Act provides that the even of default by any proprietor of the entertainment in making payment of any dues, such dues shall be recovered by the State Government as an arrear of the land revenue. Test check of the records of the Cinema Hall registered under the Superintendent of Taxes, Circle IV, Shillong in March, 2009 revealed that the amusement tax of ₹ 1.16 crore was payable by the proprietor upto 2005-2006 against which only ₹ 19.95 lakh was paid. The balance amusement tax of ₹ 96 lakh remained unrealesed without any recorded reason. It was further noticed that netheir was any action initiated to recover the balance tax nor was the case forwarded by the AO to the	**Non-realisation of amusement Tax** Name of the dealer :- M/S Dreamland Picture/ Palace Police Bazar, Shillong. The outstanding amount of Entertainment Tax and penalty payable by the Proprietor of M/S Dreamland Picture Palace was ₹ 95,58,345.00 and ₹ 1,91,16,490.00 respectively. On 15th May 2009 the Proprietor of the Cinema Hall gave an assurance to clear the dues on installment basis but till January, 2011, tax of ₹ 7,52,750.00 was paid by him leaving balance amount of tax and penalty payable by him for ₹ 88,05,495.00 and ₹ 1,81,16,490.00 respectively. Notices to clear the dues were issued by the Assessing Officer to the concerned Cinema Hall Proprietor several times but there was no response from him. As the cinema hall has been closed down w.e.f. 03.11.2006 and all effort to realise the dues by the Assessing Officer have not yielded any result, the Asssessing Officer has referred the case to the Bakijai Officer (Taxation) Shillong to recover the dues Arrear of land revenue.

	Bakijai officer for recovery of the dues as an arrear of the land revenue as envisaged in the Act. Thus, inaction on the part of the AO has resulted in loss of revenue of ₹ 96 lakh. The likelihood of each recovery is low as the cinema hall has already been closed. Besides, penalty of ₹ 1.91 crore was also payable by the proprietor but was also not levied by the AO. After this was pointed out in March, 2009, the Government, while admitting the fact stated (January, 2010) that all the cases had been referred to the District Council to ascertain payment of professional tax. Further report is awaited (February, 2010).	The Bakijai Officer has been directed by the Commissioner of Taxes Meghalaya, Shillong to take action on the matter for recovery of the dues from the defaulting Cinema Hall Proprietor.

Observation

Leniency was given to the defaulting proprietor of M/S Dreamland Picture Palace allowing him to repay his dues of amusement tax and penalty on installment basis and inspite of that he is unable to clear the amount of amusement tax of ₹ 88,05,495.00 and penalty of ₹ 1,19,16,490.00 only till date.

The case has been referred to Bakijai Officer (Taxation) to recover the outstanding amount. However, it is not known if there is time limit or dead line set for the proprietor to pay the aforesaid amount.

Recommendation

The Committee recommends that after delinking the Bakijai part from the Taxation Department and placing the same with the Deputy Commissioner concerned the matter should be pursued diligently.

Para		
3.7	**Non levy of stamp duty** **Two lessees acquired immovable property of ₹3.23 crore and evaded stamp duty of ₹1.21 crore.** Under the Indian Stamp Act 1899, 'lease' means a lease of an immovable property and includes undertaking in writing to cultivate occupancy or pay or deliver rent for immovable property. Clause 35(a) (iv) of the Indian Stamp (Meghalaya Amendment) Act 1993, lays down that the stamp duty on lease where the lease purports to be a term exceeding thirty years but not exceeding one hundred years shall be calculated at the rate of ₹99 per ₹1,000 for a consideration equal to four times the amount or value of the average annual rents received. • Security of the records of the Meghalaya Tourism Development Corporation (MTDC), Meghalaya, in August 2008 revealed that a lease agreement was executed between the MTDC and a lessee in May 2008 under which the lessor transferred to the lessee a plot of land measuring 28,869 square feet alongwith structure of a luxury hotel for a period of 33 years for an annual consideration of ₹1.73 crore subject to escalation of 10.5 percent applicable after a block of every three years. Thus, the lease rent for the purpose of stamp duty would be ₹12 crore for which stamp duty of	The MTDC Ltd. has furnished a copy of the Lease Agreement to the District Registrar requesting to indicate whether the Lease Agreement requires to be registered attracting payment towards stamp duty as per Clause 23 of the Indian Stamps (Meghalaya Amendment) Act 1993. The matter is being examined as to whether the lessee or the lessor is to pay the Stamp Duty as per Section 29.

	₹1.19 crore was leviable. But cross check of records of the Registrar East Khasi Hills Shillong in September 2008 revealed that the lessee did not register the aforesaid lease agreements with the Registrar. This resulted in evasion of the stamp duty of ₹1.19 crore • Scrutiny of the records of the North Eastern Hill University (NEHU), Shillong revealed that the university purchased a plot of land measuring 21,801.15 square feet from 11 individuals for a consideration of ₹23.03 lakh in November 2007 for construction of a link road from Mawiong to the permanent campus of the university. Scrutiny of the records of the Register, East Khasi Hills, Shillong revealed that the university did not register the aforesaid transfer of assets with the Registrar. This resulted in non-levy of stamp duty of ₹2.28 lakh. The cases were reported to the Department/Government in September 2008; their reply has not been received (February 2010)	The District Registrar is taking up the matter with the Deputy Commissioner (Revenue) as to whether the land is acquired under the Land Acquisition Act and if such acquisition is made no registration is required. The official of Taxation Department further stated during the oral presentation that the case has been referred to the Law Department to clarify if the lease agreement is required to be registered attracting payment of stamp duty. The Law Department has given their view that the lessee has to pay stamp duty, but the indication from Tourism Department to MTDC went only on 11th April, 2012, so they will be able to furnish report to the PAC after they get the confirmation that the document has been registered and stamp duty is paid.

Observation and Recommendation

Since the Law Department has confirmed that as per provision of the law, the lease agreement executed between MTDC and the lessee in May 2008 ought to be registered with the Registrar, East Khasi Hills, stamp duty worked out at ₹1.19 crores should be levied from the lessee. Action taken on this be intimated to the next audit.

Para 2.30	**Concealment of turnover under the CST Act C & AG Report 2009-10.** We noticed while auditing the records of four Sales Tax offices in March, 2010 that 68 dealers sold 62,90,407 MT of coal between October, 2007 and March, 2009 in the course of interstate trade. The dealers disclosed turnover of ₹423 crore in their returns for	

The Government of India, Ministry of coal revised the rate of royalty per MT of coal from ₹ 165 to ₹ 130 plus five *per cent* of pithead price of coal with effect from 1st August, 2007. Accordingly, the royalty per MT of coal was fixed at ₹ 290 by the State Goverment by considering pithead price of per MT of coal at ₹ 3,200. Under the MVAT Act, if any dealer conceals the particulars of his turnover, he shall be liable to pay penalty not exceeding ₹ 5,000 or double the amount of tax, whichever is greater.

	the aforesaid period, duly supported by forms 'C' instead of ₹ 2,012.93 crore at the rate of ₹ 3,200 per MT being pithead price fixed by the Government. The AO, while completing the assessments between January, 2008 and March, 2010 ignored the rate fixed by the State Government. This resulted in concealment of turnover of ₹ 1,589.93 crore and evasion of tax of ₹ 63.60 crore. Besides, penalty of ₹ 127.20 crore was also leviable for concealment of turnover. The tax effect would be even more, if actual sale price could be ascertained. STs, Jowai, Shillong, Tura and Williamnagar.	

Observation

The Committee observed that royalty on coal & limestone is the biggest revenue earner of the State. The Royalty rate is fixed by the Government of India (G.O.I.) and it comes to the State Government where the DMR Department is supposed to notify it. It is observed that when the G.O.I. had fixed a new rate on 1st August, 2007, the Taxation Department of the Government could not implement the New Rate immediately on the plea that the DMR had not yet notified the same. Thus, delay in implementing the new rate has caused losses in terms of crores of Rupees to the Exchequer.

Recommendation

The Committee therefore recommends that notification of the new rate of royalty on coal and limestone as fixed by the G.O.I. should immediately notify in the State Government. In this matter DMR and Taxation Department should frame mechanism where the notification can be brought out early. The matter should be intimated to the next audit.

Para 2.32	**C & A G Report 2009-2010** **Suppression of sales turnover under the CST Act** The provisions of levy of interest and penalty Meghalaya Value Added Tax (MVAT) Act, 2003, apply mutatis mutandis in case of assessment and reassessment under the central sales Tax (CST) Act, 1956. We noticed during the test check of audit of records of ST, Circle-V, Shillong that fifteen dealers did not disclose inter-state turnover of ₹28.09 crore in their returns during various periods between 2006-07 and 2008-2009. The same could not be detected by the AO while finalising the assessments on various dates between May 2006 and November 2007 though the information was available to him in the form of monthly return submitted by check post authorities. This resulted in short levy of tax of ₹2.24 crore. Besides, penalty of ₹4.48 crore was also leviable for suppression of turnover as mentioned below :-	

Table 2.16

(Rupees in crore)

Sl. No.	Assessment Period/ Date of assessment	Nature of observation	Suppression of turnover	Short levy of tax/ penalty
1	July to Sept'06 January 2007	The dealer had not submitted any return for the period. The assessment was finalised on best judgement basis as per books of accounts furnished by the dealer. The AO while finalising the assessment did not take into account the despatch of coal valued at ₹3.28 crore through the Umkiang and Byrnihat check post.	3.28	0.32 0.64
Remarks: The AO stated (November 2009) that coal had actually been despatched during The monthly returns are prepared by the check post authorities and indicate the quantity/kind of goods despatched through the check post and are sent to the concerned AOs for their information. The period from July to September 2006 but it was in pursuance of a sale agreement executed in the previous quarter. As such, the sale does not pertain to the period in question. The reply of the Department is not correct as the trucks had transported coal during the period from July to September 2006 and thus it was a sale for that period. The fact was communicated to the AO in January 2010.				
2	Apr. 06 to Mar 07 Sept. 06 to Nov 07	Seven dealers did not disclose despatch of 56,595 MT of coal valued at ₹7.92 crore in their turnover. The quantity was transported through Umkiang check post but the AO did not take the same into account while finalising assessments.	7.92	0.64 1.28
Remarks: The ST stated (November 2009) that the question of coal being transported through the check post was immaterial since the dealers were assessed at the local rate of tax of 4 *per cent*. The reply is not correct as neither the quantity transported was disclosed in the returns nor was it assessed by the AO. The fact was communicated to the AO in January 2010.				
3	Oct. 05 to Sep. 07 May 06 to Nov 07	Seven dealers did not disclose sale of coal valued at ₹17.04 crore in their turnover. The quantity was transported through Umkiang and Byrnihat check posts and information was sent to the concerned ST through the monthly returns but the AO did not take the same into account while finalising assessments.	17.04	1.28 2.56
Remarks: The AO stated (November 2009) that the sales turnover was determined as per books of accounts of the concerned dealers and as such, it was correct. The reply is not correct as the AO had not cross-verified the despatch of coal with the monthly returns received from the check posts which were available in the files. Thus, failure of the AO to do so resulted in under assessment of tax. The fact was communicated to the AO in January 2010.				
		Total	**28.09**	**2.24** **4.48**

Observation and Recommendation same as Para 2.22 (2008-2009) given above.

Para 3.5	**(2009-2010) Non-levy of Stamp Duty** We noticed during scrutiny of the records of the Registrar, East Khasi Hills, Shillong in October 2009 that a deed of agreement was executed in January 2009. The recitals of the agreement indicated that Shillong Club would hand over land measuring 9,297 square metres to a private party for construction of a five-star hotel at a cost of ₹30 crore for a period of 28 years. An annual fee of ₹7 lakh was to be paid by the second party during the first four years, and thereafter, ₹63.33 lakh subject to escalation of 10 per cent after every five years. The second party was free to run the hotel in their own name and style including the name of first party and to obtain loans or other financial assistance of its choice for carrying out the development and the construction of the said hotel without any liability to the first party. Thus, the deed should have been classified as a lease deed and stamp duty of ₹19.80 lakh levied. But the Registrar classified the deed as a 'licence' and exempted it from stamp duty. Thus, incorrect classification of the deed resulted in non-levy of stamp duty of ₹19.80 lakh. After we pointed out the case, the Registrar stated (March 2010) that the said agreement could not be construed as lease as it did not transfer any interest in favour of the licensee. The reply furnished is not correct as the recitals of the deed indicated that the second party was free to run the hotel in their own name and style including the name of the first party and to obtain loans or other financial assistance of its choice for carrying out the development and the construction of the said hotel without any liability to the first party. Moreover, the deed also indicated that the hotel shall be operated by the second party for profit. We also noticed that the second party had also deposited a security deposit of ₹1.50 crore by way of bank guarantee against satisfactory completion of the construction works within the stipulated period of 48 months in the demised land. However, the Registrar did not levy stamp duty on the security paid. This resulted in non-levy of stamp duty of ₹14.85 lakh. We reported the cases to the Government in October 2009 and April 2010 but their reply has not been received (October 2010).	

Observation And Recommendation

It is learnt that the matter is pending in District Court, Shillong. Therefore, the Committee awaits for the decision of the Court.

General Observation

From what has been observed in the audit paras mentioned in this report, huge amount of taxes escaped unassessed. The main reason is due to non-observance of tax Act/Rules, non or short levy of tax, concealment of turnover, misused of 'C' forms, evasion of tax by furnishing false returns/fake declaration forms, non detection of fraudulent representation of facts, under assesment of tax etc. Had these matters been taken care of seriously there would have been an increase in revenue for the Government. Yet inspite of these irregularities which were actually pointed out in audit year after year, these cases have remained unattended. It is therefore high time for the Government to streamline the functioning of the Taxation Department vis a vis the sincere and honest performance of duties by the Assessing Officers so as to ensure such irregularities do not persist. In this respect, the Committee urged the Government to improve the internal control mechanism system of the Department and also to strengthen its internal audit to ensure that such omissions are detected, rectified and avoided in future.

General Remarks

The following audit paragraphs for the year 2008-2009, 2009-2010, 2010-2011 could not be discussed by the PA due to the fact that the replies/explanatory notes had not been received from the Government Departments inspi of the repeated reminders. Non receipt of the replies hampered the work of the PAC resulting in accumulation audit paras which are yet to be discussed. List of such outstanding paras for which replies are yet to be receiv from the Government are shown below at Annexure - I :-

ANNEXURE - I

Audit Report 2008-2009

Sl. No.	Para No.	Title of the Para	Department Involved	Money Value
1.	2.1	Fraudulent drawal of T.A and LTC.	Secretariat Administrative Department	70.83 lakhs
2.	2.5	Presumptive embezzlement of Government money.	Community and Rural Development Department	26.78 lakhs
3.	2.11	Wasteful expenditure on construction of helipad.	Public Works Deparment	42.87 lakhs
4.	2.14	Idle expenditure on by pass road.	-Do-	7.83 crores
5.	2.12	Idle expenditure on purchase of handycam.	Election Department	55.07 lakhs
6.	2.17	Unauthorised expenditure on purchase of vehicles.	-Do-	1.11 crores

Audit Report 2009-2010

Sl. No.	Para No.	Title of the Para	Department Involved	Money Value
1.	2.1	Fraudulent payment on construction of poultry coops.	Meghalaya Legislative Assembly	11.81 lakhs
2.	2.7	Excess payment due to purchase of articles at higher rates and missing articles.	-Do-	1.77 crores
3.	2.3	Avoidable extra expenditure.	General Administration Department	17.21 lakhs
4.	2.4	Avoidable extra expenditure and blocking of funds	Health and Family Welfare Department	7.14 crores
5.	2.5	Wasteful expenditure on procurement of surgical equipments.	-Do-	21.32 lakhs
6.	2.9	Unproductive expenditure on construction of 100 bedded hospital.	-Do-	2.25 crores
7.	2.6	Wasteful expenditure on implementation of urban traffic control system project.	Home (Police) Department	1.97 crores
8.	2.10	Idle expenditure due to non-utilization of drilling rig.	Mining and Geology Department	44.20 lakhs

Audit Report 2010-2011

Sl. No.	Para No.	Title of the Para	Department Involved	Money Value
1.	2.1	Doubtful purchase of corrugated galvanised iron sheet.	Community and Rural Development	56 lakhs
2.	2.7	Unproductive expenditure on water supply schemes.	Public Health Engineering	2.76 crores
3.	2.8	Unauthorised allotment of land to a society.	General Administration Department	78.42 lakhs
4.	2.6	Unproductive expenditure on construction of health centre.	Health and Family Welfare Department	12.84 crores
5.	2.9	Non realization of dues for deployment of police personnel.	Home (Police)	2.86 crores

AUDIT REPORT NO. 3 (REVENUE RECEIPTS)
FOR THE YEAR 2009-2010

PARA 2.1 to PARA 2.39	CHAPTER II - TAXES ON SALE, TRADE/VAT etc.)
PARA 3.1 to PARA 3.7	CHAPTER III - OTHER TAXES AND DUTIES.
PARA 4.1 to PARA 4.14	CHAPTER IV - STATE EXCISE
PARA 5.1 to PARA 5.14	CHAPTER V - MOTOR VEHICLE RECEIPTS
PARA 6.1 to PARA 6.10	CHAPTER VI - FOREST RECEIPTS
PARA 7.1 to PARA 7.15	CHAPTER VII - RECEIPTS FROM MINES AND MINERALS

AUDIT REPORT NO. 3 (REVENUE RECEIPTS)
FOR THE YEAR 2010-2011

PARA 2.1 to PARA 2.31	CHAPTER II - TAXES ON SALE, TRADE/VAT etc.)
PARA 3.1 to PARA 3.10	CHAPTER III - STATE EXCISE
PARA 4.1 to PARA 4.12	CHAPTER IV - MOTOR VEHICLE RECEIPTS
PARA 5.1 to PARA 5.4	CHAPTER V - STAMP DUTY AND REGISTRATION FEES
PARA 6.1 to PARA 6.5	CHAPTER VI - FOREST RECEIPTS
PARA 7.1 to PARA 7.16	CHAPTER VII - MINING AND OTHER NON-TAX RECEIPTS

The Committee recommends that the Finance Department of the Government being the nodal Department should direct and ensure that all the Departments concerned are to furnish their replies/explanatory notes on the above outstanding paras at the earliest so as to enable the Committee to expeditiously deal with the duties entrusted to it.

Further, the Committee also noticed that almost all the Departments of the Government are habitually incurri expenditures in excess of what has been allotted in the budget which is bound to adversely affect the Sta Exchequer. The Departments concerned had been requested from time to time to furnish replies or justificatio as to why the expenditure is in excess but all this was to no avail. It may be mentioned that as per Article 205 the Constitution of India, excess expenditures is required to be regularised by the Legislature on recommendatio of the Public Accounts Committee. As of now, the total amount of excess expenditure accumulated from year t year is to the tune of Rs.514 crores (Rupees Five Hundred and Fourteen Crores) as per list enclosed (Annexu II). The Committee therefore, requested the Government through the Finance Department to direct all th Departments concerned to furnish replies/justifications of the excess expenditures at the earliest for furthe necessary action of the PAC.

ANNEXURE - II

Department-wise details of excess expenditure which are yet to be examined by the Public Accounts Committee for regularisation

Sl. No	Number and name of Grant/appropriation	Year	Amount of excess yet to be examined for regularisation (in rupees)
(1)	(2)	(3)	(4)
	1. FINANCE DEPARTMENT		
1.	64-Appropriation to Contingency Fund	1984-85	1,00,00,000
2.	-Do-	1985-86	3,50,00,000
3.	61-Loans to Govt. Servants	1991-92	42,68,814
4.	60-Loans to Govt. Servants	1994-95	3,73,25,124
5.	24-Pension (Revenue-Voted)	2007-08	21,31,98,396
6.	24-Pensions and other Retirement Benefits Revenue-Voted	2008-09	46,19,43,123
7.	Appropriation - Loans and advances from the Central Government - Capital - Charged	2008-09	40,69,27,099
8.	24 -Do-	2009-10	31,89,11,000
9.	**24 -Do-**	**2010-11**	**97,97,42,000**
10.	**63-Appropriation to Contingency Fund**	**2010-11**	**99,00,00,000**
	TOTAL		**345,73,15,556**
	2. GENERAL ADMINISTRATION & POLITICAL DEPARTMENT		
1.	34-Social Security and Welfare-A-Civil supplies, etc.	1981-82	40,481
2.	36-Social Security & Welfare, etc.	1990-91	3,56,610
3.	-Do-	1991-92	3,29,107
4.	**-Do-**	**2010-11**	**5,57,000**
5.	35-Social Security & Welfare	2001-02	2,45,601
6.	-Do-	2002-03	4,09,563
7.	35-Social Security & Welfare Revenue - Voted	2008-09	2,41,605
8.	35 -do- Revenue Voted	2009-10	79,000
9.	**35 -do- Revenue Voted**	**2010-11**	**3,23,000**
	TOTAL		**25,81,967**
	3. HOME DEPARTMENT		
1.	20-Other Administrative Services-I-Civil Defence and Home Guards	1992-93	24,018
2.	-Do-	2007-08	84,06,580
3.	20-Other Administrative Services Revenue - Voted	2008-09	1,38,47,759
4.	20 -do- Revenue - Voted	2009-10	1,83,77,000
	TOTAL		**4,06,55,357**
	4. HOME (POLICE) DEPARTMENT		
1.	16-Police (Revenue - Voted)	1987-88	10
2.	16-Police (Revenue - Charged)	1989-90	1
3.	16-Police (Revenue - Voted)	2005-06	70,80,960
4.	16-Police (Revenue - Voted)	2007-08	4,94,91,705
	TOTAL		**5,65,72,676**
	5. HOME (JAILS) DEPARTMENT		
1.	16-Jails	1972-73	20,990
	TOTAL		**20,990**

(1)	(2)	(3)	(4)
	7. PUBLIC HEALTH ENGINEERING DEPARTMENT		
1.	Grant No.28-(Revenue)	1983-84	24,950
2.	27-Water Supply and Sanitation, Housing, etc. (Capital-Voted)	1995-96	3,983
	TOTAL		**28,933**
	8. HEALTH & FAMILY WELFARE DEPARTMENT		
1.	25-Aid Materials and Equipment	1984-85	10,31,499
2.	-Do-	1986-87	14,43,237
3.	26-Medical & Public Health, etc.	1990-91	1,15,537
4.	-Do- (Capital)	1991-92	2,84,403
5.	-Do-	1992-93	47,939
6.	-Do-	1993-94	2,60,135
7.	27-Medical, Family Welfare, Public Health, etc.	1982-83	2,56,89,169
8.	-Do- (Revenue)	1983-84	2,37,85,118
9.	-Do- (Capital)	1983-84	26,58,231
10.	-Do- (Revenue)	1984-85	1,03,69,456
11.	-Do- (Capital)	1984-85	17,77,455
12.	-Do- (Revenue)	1985-86	18,196
13.	-Do- (Capital)	1985-86	43,40,352
14.	-Do- (Capital)	1986-87	18,37,370
15.	26-Medical & Public Health, etc.	2002-03	10,78,384
16.	26-Medical & Public Health, etc.	2007-08	2,23,56,904
17.	26-Medical & Public Health Revenue-Voted	2009-10	12,74,90,000
18.	**26-Medical & Public Health Revenue-Voted**	**2010-11**	**31,03,94,000**
	TOTAL		**53,49,77,385**
	9. TRANSPORT DEPARTMENT		
1.	10-Taxes, Vehicle, Other Admn. Services, etc.	1984-85	9,44,749
2.	59-Tourism, etc. (Capital)	1984-85	27,00,000
3.	58-Tourism, etc.	1990-91	7,68,000
	TOTAL		**44,12,749**
	10. ANIMAL HUSBANDRY & VETERINARY DEPARTMENT		
1.	48-Animal Husbandry & Housing	1987-00	7,50,005
2.	-Do-	1980-90	45,640
3.	49-Dairy Development and Housing	1992-93	12,96,814
4.	47-Housing - Animal Husbandry, etc.	1995-96	8,00,000
	TOTAL		**28,92,459**
	11. ASSEMBLY SECRETARIAT		
1.	1-Parliament/State/Union Territory Legislature, etc. Revenue-Charged	2004-05	16,43,428
2.	1-Parliament/State/Union Territory Legislature, etc. Revenue-Voted	2008-09	11,24,88,759
3.	1-Parliament/State/Union Territory Legislature, etc. Revenue-Voted Capital Voted	2009-10	2,18,81,000 30,05,000
4.	**1-Parliament/State/Union Territory Legislature, etc. Revenue-Voted**	**2010-11**	**3,61,02,000**
	TOTAL		**17,51,20,187**

(1)	(2)	(3)	(4)
	12. CHIEF MINISTER'S SECRETARIAT, SECRETARIAT, ADMINISTRATION, FINANCE, LAW AND POLITICAL DEPARTMENTS		
1.	13-Secretariat General Services-I-Civil Departments		
2.	-Do-	1974-75	3,78,043
3.	-Do-	1975-76	5,63,762
4.	13-Secretariat General Services-I-Civil Departments	1992-93	22,36,600
5.	-Do-	1977-78	4,32,756
6.	-Do-	1979-80	2,13,617
7.	-Do-	1980-81	1,73,536
8.	-Do-	1981-82	4,40,442
9.	29-Secretariat -Social and Community Services-I-Civil Departments	1987-88	12,47,831
10.	-Do-	1974-75	34,462
11.	-Do-	1975-76	42,698
	TOTAL	1976-77	82,162
			58,45,909
	13. CHIEF MINISTER'S SECRETARIAT & SECRETARIAT ADMINISTRATION DEPARTMENT		
1.	3-Council of Ministers	1978-79	1,02,285
2.	-Do-	1982-83	3,77,291
3.	-Do-	1983-84	3,04,874
4.	-Do-	1996-97	8,20,232
	TOTAL		**16,04,682**
	14. EDUCATION DEPARTMENT		
1.	32-Education, Medical etc.	1976-77	1,85,271
	TOTAL		**1,85,271**
	15. EDUCATION, SPORTS & YOUTH AFFAIRS AND ART & CULTURE		
1.	21-Misc. General Services, General Education, etc. (Capital)	1996-97	1,292
	TOTAL		**1,292**
	16. SUPPLY DEPARTMENT		
1.	80-Capital Outlay on schemes of Government Trading	1971-72	6,21,197
	TOTAL		**6,21,197**
	17. FOOD & CIVIL SUPPLIES DEPARTMENT		
1.	33-Civil Supplies-Food Storage and Warehousing, etc.	1991-92	7,68,240
2.	-Do-	1992-93	14,017
	TOTAL		**7,82,257**
	18. PUBLIC WORKS DEPARTMENT		
1.	56-Roads & Bridges, Capital Outlay on Roads & Bridges Capital - Voted	2002-03	16,84,380
2.	56-Roads & Bridges, Capital Outlay on Roads & Bridges Revenue - Voted Capital - Voted	2003-04	21,74,159 2,56,65,657
3.	56-Roads & Bridges, Capital Outlay on Roads & Bridges Revenue - Voted	2004-05	5,86,963
4.	19-Secretariat - General Services etc.	2004-05	11,47,16,282
5.	56-Roads & Bridges, Capital Outlay on Roads & Bridges Revenue - Voted	2005-06	3,74,339
6.	44-Flood Control Project Capital - Charged	2008-09	1,83,82,389
7.	44-Flood Control Project Revenue - Voted	2010-11	3,92,000
	TOTAL		**16,39,76,169**

(1)	(2)	(3)	(4)
	19. PERSONNEL DEPARTMENT		
1.	Appropriation-2-Governor	1975-76	99,76
2.	-Do-	1977-78	79,41
3.	-Do-	1980-81	1,02,42
4.	-Do-	1981-82	2,54,34
5.	-Do-	1982-83	12,92
6.	-Do-	1992-93	74,28
7.	-Do-	1996-97	25,97
8.	Do-	1997-98	2,79,22
9.	-Do-	1998-99	37,32
10.	-Do-	1999-00	9,21,14
11.	-Do-	2000-01	52,76,79
12.	-Do-	2001-02	81,26,20
13.	2 - President, Vice President/Governor, Administrator of Union Territories Revenue - Voted	2009-10	7,63,00
14.	2 - Governor, Capital Outlay on Housing Revenue - Voted	2010-11	
	TOTAL		**1,78,01,816**
	20. PERSONNEL INCLUDING PASSPORT, POLITICAL AND CHIEF MINISTER SECRETARIAT DEPARTMENTS		
1.	12-General Admnistration-III-Commissioner & District Administration	1972-73	14,806
2.	10-General Administration - Heads of States Ministers	1973-74	49,779
3.	15-District Administration	1974-75	56,899
4.	14-District Administration	1981-82	1,48,634
5.	-Do-	1982-83	4,22,542
6.	-Do-	1995-96	14,06,836
7.	-Do-	1996-97	3,20,883
8.	-Do-	2010-11	1,29,63,000
9.	19-Secretariat - General Services etc.	1982-83	4,19,53,379
10.	23 - Other Administrative Services Revenue - Voted	2009-10	37,91,000
	TOTAL		**6,11,27,758**
	21. RELIEF AND REHABILITATION DEPARTMENT		
1.	79-Capital Outlay on other works	1971-72	32,559
	TOTAL		**32,559**
	22. REVENUE DEPARTMENT		
1.	71-Other Misc. Compensation and Assignments	1972-73	21,461
2.	43-Other General Economic Services, etc.	1984-85	43,339
3.	6-Land Revenue, etc.	1993-94	1,53,28,731
4.	-Do-	1997-98	35,11,878
5.	-Do-	1998-99	64,59,593
	TOTAL		**2,53,65,002**

(1)	(2)	(3)	(4)
	23. PLANNING DEPARTMENT		
1.	54-Secretariat-Economic Services-I-Civil Departments	1974-75	28,938
2.	-Do-	1976-77	1,15,219
3.	-Do-	1977-78	90,984
4.	22-Other Admn. Services-IV-Census, Vital Statistics, Guest Houses, etc.	1978-79	3,95,607
5.	-Do-	1979-80	87,758
6.	-Do-	1982-83	1,56,103
7.	40-Secretariat, Economic Services etc.	1983-84	2,72,138
8.	22-Other Admn. Services-IV-Census, Vital Statistics, Guest Houses, etc.	1984-85	6,23,871
9.	41-Census, Survey & Statistics	1996-97	4,50,467
	TOTAL		**22,21,085**
	24. SOIL CONSERVATION DEPARTMENT		
1.	62-Area Development	1976-77	18,260
	TOTAL		**18,260**
	25. PARLIAMENTARY AFFAIRS DEPARTMENT		
1.	39-Other Social and Community Services	1980-81	24,436
2.	-Do-	1986-87	48,504
3.	38-Social Security and Welfare-E-Other Social Security and Welfare Programme, etc.	1987-88	9,420
	TOTAL		**82,360**
	26. GENERAL ADMINISTRATION DEPARTMENT		
1.	37-Social Security and Welfare-E-Other Social Security and Welfare Programmes-IV-Soldiers' Sailors' and Airmen's Board, Loans for Social Security and Welfare-II-Loans to Ex-Service personnel	1981-82	3,193
2.	-Do-	1982-83	12,476
3.	-Do-	1983-84	4,584
4.	-Do-	1985-86	74,867
5.	-Do-	1990-91	7,05,787
6.	37-Social Security and Welfare-E-Other Social Security and Welfare Programmes-IV	1985-86	1,44,423
	TOTAL		**9,45,327**
	27. GENERAL ADMINISTRATION, TRANSPORT & COMMUNICATION AND POLITICAL DEPARTMENT		
1.	22-Other Administrative Services, etc.	1989-90	4,38,404
2.	-Do-	1996-97	10,95,918
	TOTAL		**15,34,322**
	28. ELECTION DEPARTMENT		
1.	5-Election	1982-83	5,96,415
2.	-Do-	1991-92	1,84,835
3.	-Do-	1992-93	24,95,206
4.	-Do-	1996-97	11,32,814
	TOTAL		**44,09,270**
	29. EXCISE, REGISTRATION, TAXATION & STAMPS DEPARTMENT		
1.	7-Stamps and Registration	1977-78	41,217
2.	-Do-	1985-86	42,683
3.	-Do-	1986-87	70,272
4.	-Do-	1991-92	48,205
5.	-Do-	1992-93	54,685
6.	-Do-	1996-97	3,22,760
7.	-Do-	1997-98	10,56,935
8.	7-Stamps and Registration	2004-05	1,66,075
9.	-Do-	1986-87	2,45,281
10.	8-State Excise	1983-84	1,18,939
11.	-Do-	1985-86	53,594
12.	-Do-	2010-11	90,74,000

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