

CHAPTER VI: FOREST RECEIPTS

6.1 Tax administration

The Principal Secretary, Forest and Environment Department is the head of the Forest Department at the Government level. At the Department level, the Principal Chief Conservator of Forests (PCCF) monitors the overall implementation of forest related projects including forest receipts. The implementing authorities at the district level are the Divisional Forest Officers (DFO). All forest related activities including revenue collection are regulated by the Meghalaya Forest Regulation (Application and Amendment) Act, 1973, the Assam Settlement of Forest Coupes¹ and *Mahals*² by Tender System Rules, 1967 (as adopted), the Meghalaya Forest (Ejection of Unauthorised Person) Rules, the Meghalaya Tree (Preservation) Act, 1976 and the Meghalaya Removal of Timber Regulation Act, 1981 and various Rules made there-under.

6.2 Trend of receipts

Actual receipts from Forest Department during the years 2008-09 to 2012-13 along with the total non-tax receipts during the same period is exhibited in the following table and graph.

Table 1

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation Excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the State	Percentage of actual receipts vis-à-vis total non tax receipts
2008-09	19.27	17.36	(-) 1.91	10	225.31	8
2009-10	20.35	20.03	(-) 0.32	2	275.09	7
2010-11	22.77	22.05	(-) 0.72	3	301.69	7
2011-12	25.05	26.03	(+) 0.98	4	368.24	7
2012-13	27.56	30.87	(+) 3.31	12	484.94	6

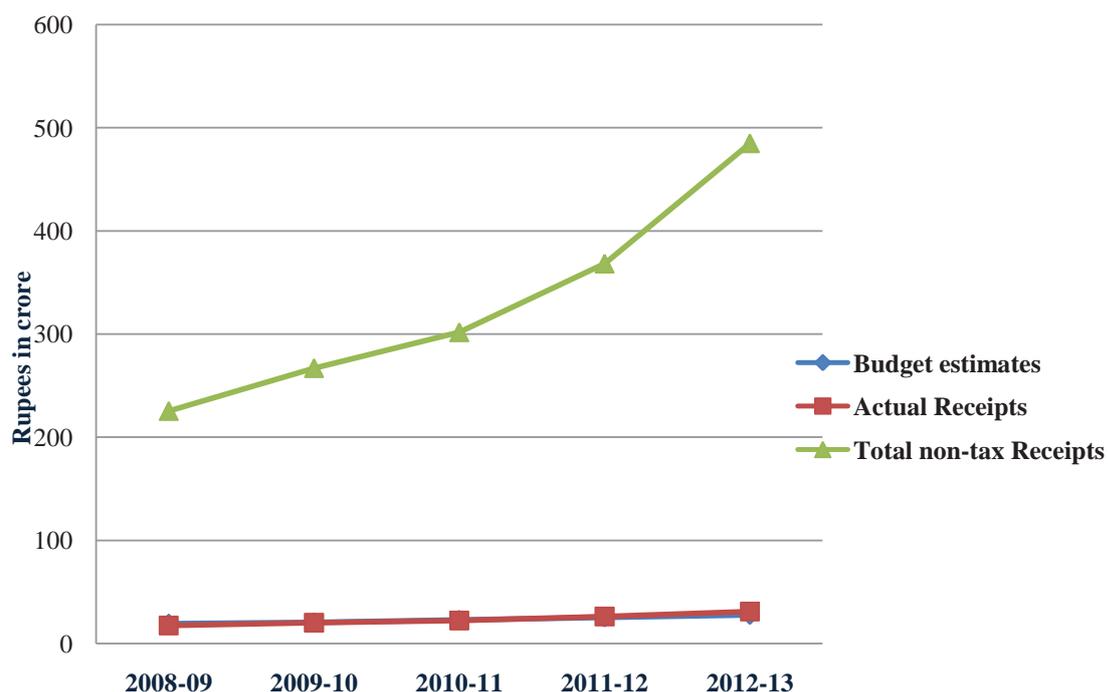
Thus, the percentage variation which was 10 *per cent* in 2008-09 came down within acceptable limits for the next three years. However, it again increased to 12 *per cent* in 2012-13 which needs to be looked into by the Department while framing future estimates.

Forest receipts formed about 6-8 *per cent* of the total non-tax receipts of the State during the period 2008-09 to 2012-13.

A line graph of budget estimates, *vis-à-vis* the actual receipts and total non-tax receipts of the State may be seen as follows:

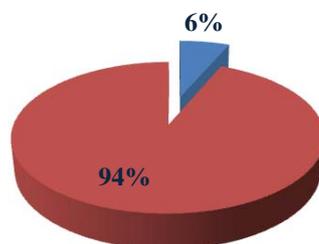
¹A compact area where a number of trees are pre marked for sale by way of auction or tender on condition of their removal within a specified period.

²A well defined area where from certain types of forest produce are sold on condition of their removal within a specified period.



Also a pie chart showing the position of actual forests receipts *vis-à-vis* other non-tax receipts during the year 2012-13 may be seen below:

■ Forest Receipts ■ Other non-tax Receipts



6.3 Impact of audit reports

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation of royalty, fees *etc.*, with revenue implication of ₹ 112.01 crore in 19 paragraphs. Of these, the Department/ Government had accepted audit observations in four paragraphs involving ₹ 99.38 crore, in respect of which, no recovery has been made. The details are shown in the following table:

Table 2

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2008-09	6	3.56	2	1.88	-	-
2009-10	5	2.10	-	--	-	-
2010-11	1	97.11	1	97.11	-	-

2011-12	3	2.18	-	-	-	-
2012-13	4	7.06	1	0.39	-	-
Total	19	112.01	4	99.38	-	--

The fact that the Department has failed to make any recovery even in respect of accepted cases shows the need for the Department to revamp the revenue recovery mechanism to ensure that atleast the revenue involved in the accepted cases is recovered.

6.4 Results of audit

Test-check of the records of eight units relating to the Forest Department during the year 2012-13 revealed non-realisation of royalties, fees *etc.*, amounting to ₹ 14.50 crore in 64 cases which can be categorised as under:

Table 3

Sl. no.	Category	Number of cases	(₹ in crore)
			Amount
1.	Non/Short realisation of revenue	9	2.92
2.	Loss of revenue	11	9.01
3.	Other irregularities	44	2.57
Total		64	14.50

During the year 2012-13, the Department accepted 10 observations involving ₹ 2.10 crore and recovered ₹ 0.70 crore.

A few illustrative audit observations involving ₹ 7.06 crore are mentioned in the paragraphs 6.5 to 6.8.

6.5 Short/Non-realisation of export fee – DFOs, Shillong and Tura

Short/non-realisation of export fee of ₹ 0.27 crore on transport of 17,367 MT of forest produce.

The Forest Department notified in October 1999 that all trucks exporting forest produce outside the State shall be levied an export fee of ₹ 300 per truck.

6.5.1 On scrutiny of records of DFO, Khasi Hills Territorial Division, Shillong it was observed that 15,667 trucks exported forest produce through Byrnihat forest check gate between April 2011 and March 2012. However, the check gate officials, in violation of the Department notification realised export fee at ₹ 200 per truck from 11,179 trucks and ₹ 60 per truck from 4,488 trucks instead of ₹ 300 per truck. No action was taken by the DFO to direct the check gate officials to realise the export fee at the prescribed rate or ascertain the reasons for short levy of export fee. Thus, inaction on the part of the DFO³ led to short realisation of export fee of ₹ 21.95 lakh⁴.

³ Shri G.W. Kharmujai held the charge of the DFO during the period.

⁴ Export fee realisable = 15667 trucks X ₹ 300 = ₹ 4700100
Export fee actually realised = (11179 trucks X ₹ 200) + (4488 trucks X ₹ 60) = ₹ 2505080

6.5.2 On scrutiny of records of DFO, Garo Hills Territorial Division, Tura it was observed that 1700 trucks exported 8500 cubic metre of stone boulders through the Halidayganj forest check gate between January 2010 and February 2010. Despite the DFO's instructions to the beat officer⁵ to realise export fee on the same, the beat officer failed to realise the export fee in violation of both the Department notification as well as the DFO's instructions. This resulted in non-realisation of export fee of ₹ 5.10 lakh.

The cases were reported to the Forest Department, GOM in August 2012 and February 2013; reply was awaited (December 2013).

6.6 Non-realisation of royalty on charcoal – DFO, Shillong

Irregular import of 3497.47 MT of charcoal and evasion of royalty of ₹ 0.21 crore.

As per Rule 8 of the Meghalaya Charcoal (Control of Production, Storage, Trade and Transit) Rules, 2008 industries using charcoal as raw materials shall be treated as stockists of charcoal and are required to submit quarterly returns to the DFO concerned. The DFO shall inspect at periodical intervals the full stock of charcoal as disclosed in the quarterly returns to detect illegal import of charcoal. Rule 9 of the Rules *ibid* further provides that transport of charcoal must be covered by a transit pass issued by the DFO on full payment of royalty due to the Government. If any stockist contravenes any of the aforesaid provisions, the DFO may cancel his registration. In Meghalaya royalty on charcoal is ₹ 600 per MT.

It was observed from the quarterly returns submitted by eight industries⁶ that 22266.71 MT of charcoal was imported by these industries between April 2011 and March 2012. However, from the import permit registers maintained by the DFO, it was seen that the industries had obtained permits for import of 18769.24 MT of charcoal during the same period. The industries illegally imported 3497.47 MT without obtaining any transit pass. No action was taken by the DFO to raise demand notice for payment of the royalty or cancel the registrations of these defaulting industries despite the information being readily available with him.

Thus, failure of the DFO⁷ to conduct regular inspections of the registered stockists led to non-realisation of royalty amounting to ₹ 20.98 lakh.

The case was reported to the Forest Department, GOM in August 2012; reply was awaited (December 2013).

Short realisation = ₹ 2195020

⁵ Shri Q.C.B. Sangma held the charge of the beat officer, Tura during the period.

⁶ (i) M/s Maithan Alloys, (ii) M/s Shyam Century, (iii) M/s Pioneer Carbide, (iv) M/s Khasi Alloys, (v) M/s Nalari Ferro Alloy, (vi) M/s Jai Kamakhya, (vii) M/s Bimla Ispat and (viii) M/s Satyam Alloys.

⁷ Shri G.W. Kharmujai held the charge of the DFO, Shillong during the period.

6.7 Evasion of royalty by a cement company – DFO, Jowai

A cement company concealed purchase of 10.10 lakh MT of limestone and evaded payment of royalty of ₹ 6.19 crore.

The Mining and Geology Department, Government of Meghalaya (GOM) fixed royalty on limestone at ₹ 45 per MT upto 28 September 2010 and ₹ 63 per MT thereafter. In Meghalaya, the Forest Department collects royalty on limestone from forest areas.

A cement company⁸ disclosed purchase of 1.97 lakh MT of limestone between 2008-09 and 2012-13 on which it paid royalty of ₹ 1.15 crore to the Forest Department. Cross-verification of this information with the records of the Superintendent of Taxes, Jowai revealed that the company actually purchased 12.07 lakh MT of limestone during the aforesaid periods. Thus, the company concealed purchase of 10.10 lakh MT and evaded payment of royalty of ₹ 6.19 crore. The evasion was possible because of the lack of co-ordination between various Government Departments.

The case was referred to the Forest Department, GOM in July 2013; reply was awaited (December 2013).

6.8 Short-realisation of Net Present Value – PCCF, Meghalaya

Short-realisation of Net Present Value amounting to ₹ 0.43 crore on diversion of 118.97 hectares of forest land.

Net Present Value (NPV) is payable in all cases of diversion of forest land for non-forest purposes. The Supreme Court in its judgement dated March 2008 revised the rate of NPV by classifying the forests into six ecological classes taking into account their value as follows:

Table 4

Eco-value	NPV (₹ in lakh per hectare)					
	Class I	Class II	Class III	Class IV	Class V	Class VI
Very dense forest	10.43	10.43	8.87	6.26	9.39	9.91
Dense forest	9.39	9.39	8.03	5.63	8.45	8.97
Open forest	7.30	7.30	6.26	4.38	6.57	6.99

Five organisations⁹ were granted approval for diversion of 118.97 hectares of forest land on various dates between November 2008 and March 2012 on which NPV amounting to ₹ 7.82 crore¹⁰ was payable. The DFO¹¹, Khasi Hills Territorial

⁸ M/s Meghalaya Cement Company Pvt. Ltd.

⁹ (i) World Victory Church (ii) Sports Authority of India (iii) North Eastern Power Transmission Company Pvt. Ltd. (iv) Church of God, Upper Shillong (v) Church of God, Sadew

¹⁰ Forests in Meghalaya fall under Class V category. Hence, calculated at the minimum of ₹ 6.57 lakh per hectare for Class V category.

Division, Shillong however realised the NPV amounting to ₹ 7.39 crore at various rates between ₹ 4.38 lakh per hectare and ₹ 6.24 lakh per hectare which was lesser than what was fixed by the Supreme Court resulting in short realisation of NPV of ₹ 0.43 crore.

On this being pointed out (January 2013), the Nodal Officer, State CAMPA stated that demand notices will be issued for realisation of the NPV pointed out. Recovery was awaited (December 2013).

¹¹ Shri S. Lyngshing, Shri B.S. Kharmawphlang and Shri B.K. Lyngwa held the charge of the DFO, Shillong during the period.